

ECONOMIST'S STATEMENT

FERROVANADIUM FROM SOUTH AFRICA

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Issues to Be Addressed

- The financial performance of the domestic ferrovanadium industry is strong and is anticipated to remain strong in the foreseeable future.
- If the antidumping duty order is revoked, there will be no significant increase in U.S. imports of South African ferrovanadium.
- Any South African Ferrovanadium sold in the United States is unlikely to undersell U.S. product or depress U.S. prices.
- The Commission should not cumulatively assess the volume and prices effects of imports of South African and Chinese ferrovanadium.

Basic Conditions of Demand

- Steel production almost exclusive use
- Demand for ferrovanadium derived from demand for steel
- Generally, no economically feasible substitutes
- Quantity of ferrovanadium demanded not sensitive to changes in price, *i.e.*, price inelastic

AMG Reports Strong Demand in 2013 Continuing into 2014

“Demand for AMG Vanadium’s products, primarily used in the high strength low alloy North American steel industry, remained strong during 2013 and the trend is expected to continue into 2014. We believe that AMG Vanadium’s **performance will improve in 2014 as it began the year at full capacity and with a full order book.**” (emphasis added)

Source: AMG 2013 Annual Report, at 22

AMG Reports June 2014 Ferrovandium Results

- Increase sales volume
- Increasing market share
- Increase in prices of 8 % between June 30, 2014 and December 31, 2013
- Increase in production volume up 103 % in Q2 2014 as compared with Q2 2013

Source: AMG Investor Presentation, August 2014.

Commission Has Predominately Found Overselling, Rather than Underselling of South African Product

Instances of Overselling/Underselling of South African Product				
	Investigation (Jan 1999-March 2002)	1 st Review (2002-2007)	2 nd Review (Jan 2008-June 2014)	Total
Overselling	15 quarters	2 quarters	1 quarter	18 quarters
Underselling	None	3 quarters	None	3 quarters

South Africa Should Not Be Cumulated with China

- The Chinese producers have failed to respond to the Commission's questionnaires to provide the necessary facts to potentially support revocation.
- Chinese and South African ferrovanadium compete differently in the U.S. market
 - Chinese product is sold by traders on the spot market, South African product is predominately sold pursuant to long-term contracts
 - Chinese product has been found to undersell U.S. prices more than half the time

Commission Has Found More Underselling than Overselling of Chinese Product

Instances of Overselling/Underselling of Chinese Product				
	Investigation (Jan 1999-March 2002)	1 st Review (2002-2007)	2 nd Review (Jan 2008-June 2014)	Total
Overselling	13 quarters	None	None	13 quarters
Underselling	5 quarters	4 quarters	1 quarter	10 quarters

The ADD Order on South African Ferrovanadium Should be Revoked

- The domestic industry is doing well and projected to continue to do well in the foreseeable future
 - The demand for steel is increasing
 - The intensity of the use of vanadium in steel is increasing
- The South African producers are operating at capacity with full order books, thus precluding any significant exports to the United States.
- Any imports from South Africa will not undersell or depress U.S. prices