Stainless Steel Sheet and Strip from China

Investigation Nos. 701-TA-557 and 731-TA-1312 (Final)

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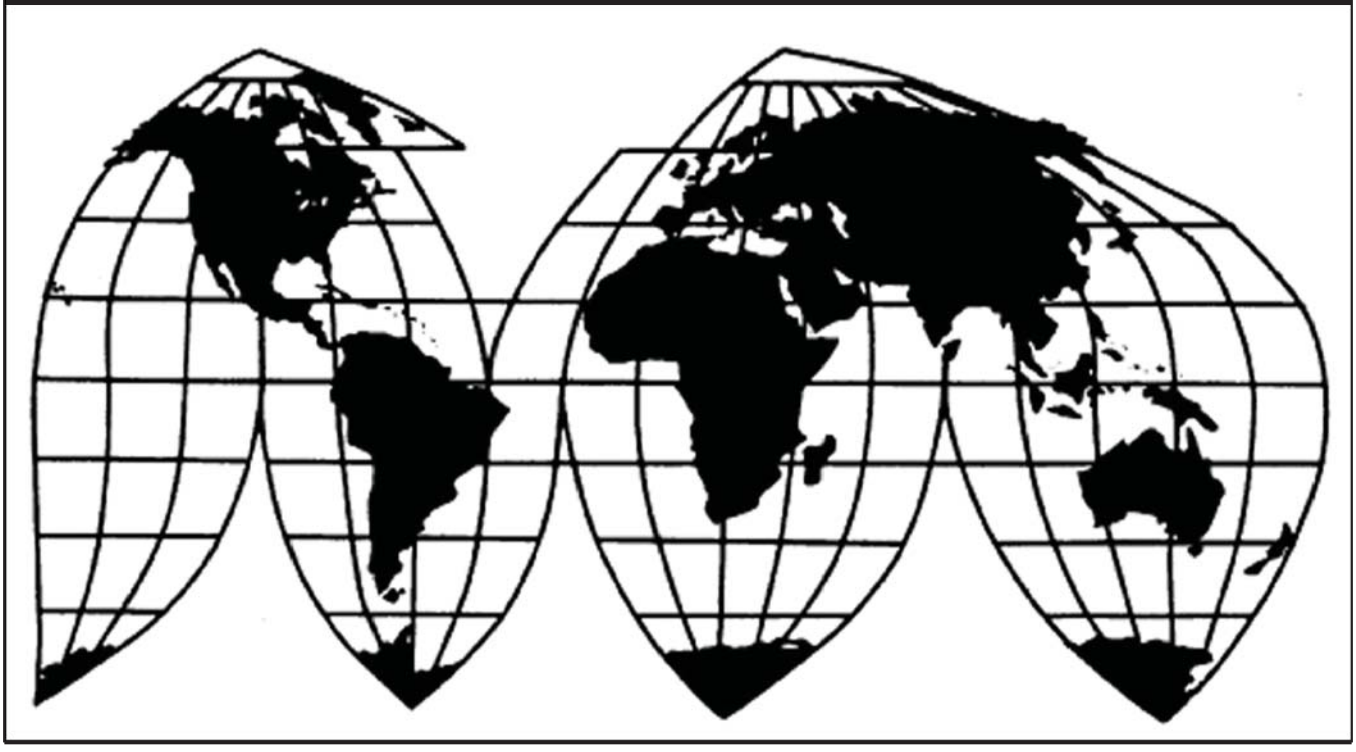
U.S. International Trade Commission



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UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-557 and 731-TA-1312 (Final)

Stainless Steel Sheet and Strip from China

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission ("Commission") determines, pursuant to the Tariff Act of 1930 ("the Act"), that an industry in the United States is materially injured by reason of imports of stainless steel sheet and strip from China, provided for in subheadings 7219.13.00, 7219.14.00, 7219.23.00, 7219.24.00, 7219.32.00, 7219.33.00, 7219.34.00, 7219.35.00, 7219.90.00, 7220.12.10, 7220.12.50, 7220.20.10, 7220.20.60, 7220.20.70, 7220.20.80, 7220.20.90, and 7220.90.00 of the Harmonized Tariff Schedule of the United States, that have been found by the Department of Commerce ("Commerce") to be sold in the United States at less than fair value ("LTFV"), and to be subsidized by the government of China.[2]

BACKGROUND

The Commission, pursuant to sections 705(b) and 735(b) of the Act (19 U.S.C. 1671d(b) and 19 U.S.C. 1673d(b)), instituted these investigations effective February 12, 2016, following receipt of petitions filed with the Commission and Commerce by AK Steel Corp., West Chester, Ohio; Allegheny Ludlum, LLC, Pittsburgh, Pennsylvania; North American Stainless, Inc., Ghent, Kentucky; and Outokumpu Stainless USA, LLC, Bannockburn, Illinois. The final phase of the investigations was scheduled by the Commission following notification of preliminary determinations by Commerce that imports of stainless steel sheet and strip from China were subsidized within the meaning of section 703(b) of the Act (19 U.S.C. 1671b(b)) and sold at LTFV within the meaning of 733(b) of the Act (19 U.S.C. 1673b(b)). Notice of the scheduling of the final phase of the Commission's investigations and of a public hearing to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* on October 6, 2016 (81 FR 69548). The hearing was held in Washington, DC, on January 31, 2017, and all persons who requested the opportunity were permitted to appear in person or by counsel.

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[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR 207.2(f)).

[2] The Commission also finds that imports subject to Commerce's affirmative critical circumstances determination are not likely to undermine seriously the remedial effect of the countervailing and antidumping duty orders on stainless steel sheet and strip from China.

Views of the Commission

Based on the record in the final phase of these investigations, we determine that an industry in the United States is materially injured by reason of imports of stainless steel sheet and strip from China found by the U.S. Department of Commerce ("Commerce") to be sold in the United States at less than fair value and to be subsidized by the government of China. We also find that critical circumstances do not exist with respect to the entities exporting the subject merchandise for which Commerce made affirmative critical circumstances determinations.

I. Background

The petitions in these investigations were filed on February 12, 2016, by AK Steel Corporation ("AK Steel"), Allegheny Ludlum, LLC d/b/a ATI Flat Rolled Products ("ATI"), North American Stainless ("NAS"), and Outokumpu Stainless USA, LLC ("Outokumpu") (collectively "Petitioners"), domestic producers of stainless steel sheet and strip. Petitioners were represented by counsel at the hearing and submitted prehearing and posthearing briefs.

One respondent group participated in the final phase investigations: ShanXi Taigang Stainless Steel Co., Ltd., Baosteel Stainless Steel Co., Ltd., Ningbo Baoxin Stainless Steel Co., Ltd., Taiyuan Ridetaixing Precision Stainless Steel Incorporated Co., Ltd., producers and/or exporters of subject merchandise, and the China Chamber of International Commerce, an association of producers of subject merchandise (collectively "Respondents"). Respondents were represented by counsel at the hearing and submitted prehearing and posthearing briefs.

U.S. industry data are based on questionnaire responses of four firms that accounted for all U.S. production of stainless steel sheet and strip during 2015. U.S. import data are based on official Commerce import statistics and questionnaire responses. The Commission received questionnaire responses from 22 U.S. importers, which accounted for 67.6 percent of U.S. imports of stainless steel sheet and strip from China, 46.4 percent from nonsubject sources, and 53.3 percent of total imports in 2015. The Commission also received questionnaire responses from seven producers of subject merchandise in China, accounting for approximately *** percent of stainless steel sheet and strip production capacity in China and 58.6 percent of U.S. imports of stainless steel sheet and strip from China in 2015.[1]

II. Domestic Like Product

A. In General

In determining whether an industry in the United States is materially injured or threatened with material injury by reason of imports of subject merchandise, the Commission

[1] Confidential Report, Memorandum INV-PP-022 (Feb. 17, 2017) ("CR") at I-5; Public Report ("PR") at I-4.

first defines the "domestic like product" and the "industry."[2] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[3] In turn, the Tariff Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[4]

The decision regarding the appropriate domestic like product in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[5] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[6] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[7] Although the Commission must accept Commerce's determination as to the scope of the imported merchandise that is subsidized or sold at less than fair value,[8] the Commission determines what domestic product is like the imported articles Commerce has identified.[9]

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[2] 19 U.S.C. § 1677(4)(A).

[3] 19 U.S.C. § 1677(4)(A).

[4] 19 U.S.C. § 1677(10).

[5] *See*, *e.g.*, *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int'l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors, including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. *See Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[6] *See*, *e.g.*, S. Rep. No. 96-249 at 90-91 (1979).

[7] *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49; *see also* S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

[8] *See*, *e.g., USEC, Inc. v. United States*, 34 Fed. Appx. 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States*, 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

[9] *Hosiden Corp. v. Advanced Display Mfrs*., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission's (Continued...)

B. Product Description

Commerce defined the scope of the imported merchandise under investigation as follows:

> The merchandise covered by this investigation is stainless steel sheet and strip, whether in coils or straight lengths. Stainless steel is an alloy steel containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. The subject sheet and strip is a flat-rolled product with a width that is greater than 9.5 mm and with a thickness of 0.3048 mm and greater but less than 4.75 mm, and that is annealed or otherwise heat treated, and pickled or otherwise descaled. The subject sheet and strip may also be further processed (*e.g.,* cold-rolled, annealed, tempered, polished, aluminized, coated, painted, varnished, trimmed, cut, punched, or slit, *etc.*) provided that it maintains the specific dimensions of sheet and strip set forth above following such processing. The products described include products regardless of shape, and include products of either rectangular or non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process, *i.e.,* products which have been "worked after rolling" (*e.g.,* products which have been beveled or rounded at the edges).
>
> For purposes of the width and thickness requirements referenced above: (1) Where the nominal and actual measurements vary, a product is within the scope if application of either the nominal or actual measurement would place it within the scope based on the definitions set forth above; and (2) where the width and thickness vary for a specific product (*e.g.,* the thickness of certain products with non-rectangular cross-section, the width of certain products with non-rectangular shape, *etc.*), the measurement at its greatest width or thickness applies.
>
> All products that meet the written physical description, and in which the chemistry quantities do not exceed any one of the noted element levels listed above, are within the scope of this investigation unless specifically excluded.
>
> Subject merchandise includes stainless steel sheet and strip that has been further processed in a third country, including but not limited to cold-rolling, annealing, tempering, polishing, aluminizing, coating, painting,

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(…Continued)
determination defining six like products in investigations in which Commerce found five classes or kinds).

varnishing, trimming, cutting, punching, and/or slitting, or any other processing that would not otherwise remove the merchandise from the scope of the investigation if performed in the country of manufacture of the stainless steel sheet and strip.

Excluded from the scope of this investigation are the following: (1) Sheet and strip that is not annealed or otherwise heat treated and not pickled or otherwise descaled; (2) plate (*i.e.,* flat-rolled stainless steel products of a thickness of 4.75 mm or more); and (3) flat wire (*i.e.,* cold-rolled sections, with a mill edge, rectangular in shape, of a width of not more than 9.5 mm).[10]

Stainless steel sheet and strip is produced to industry specifications for sheet and strip products detailed by the American Society for Testing and Materials ("ASTM"), ASM International ("ASM"), and the American Iron and Steel Institute ("AISI").[11] Stainless steel is a low carbon steel that contains 10.5 percent or more chromium by weight. Chromium gives the steel its corrosion resisting properties. Other alloying elements, such as nickel and molybdenum, can be added in addition to chromium. Each alloying element imparts certain characteristics to the steel.[12] Sheet is at least 24 inches in width, whereas strip is less than 24 inches wide; the subject strip has a width greater than 9.5 mm.[13] Stainless steel sheet and strip products are used in many consumer and industrial applications, especially where corrosion resistance, heat resistance, or stainless steel's aesthetic characteristics are desired.[14]

[10] *Antidumping Duty Investigation of Stainless Steel Sheet and Strip from the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, 82 Fed. Reg. 9716, 9719 (Feb. 8, 2017); *see also Countervailing Duty Investigation of Stainless Steel Sheet and Strip from the People's Republic of China: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination, in Part,* 82 Fed. Reg. 9714, 9716 (Feb. 8, 2017).

[11] *Stainless Steel Sheet and Strip from China*, Inv. Nos. 701-TA-557 and 731-TA-1312 (Preliminary), USITC Pub. 4603 (Apr. 2016) ("Preliminary Determinations") at 7-8.

[12] CR at I-13, PR at I-10-11.

[13] CR at I-13, PR at I-10-11.

[14] CR at I-16, PR at I-13. For example, the automotive industry uses sheet and strip to manufacture trim, exhaust- and emission-control systems, and wheel covers. The pipe and tube industry uses slit coil as its raw material and produces pipes and tubes by welding the lengthwise edges together. Sheet and strip are also used by the chemical and construction industries, as well as by appliance and industrial equipment manufacturers, among many other applications. *Id.*

C. Analysis

In our preliminary determinations, we defined a single domestic like product that was coextensive with Commerce's scope.[15] We found that while stainless steel sheet and strip within the scope included a variety of products of different forms and dimensions, all stainless steel sheet and strip products were used in consumer and industrial applications in which corrosion resistance, heat resistance, or its aesthetic characteristics are desired.[16] All stainless steel sheet and strip was produced by hot-rolling, coiling, annealing, and pickling stainless steel slab, with the majority undergoing additional processing such as cold-rolling.[17] We found that stainless steel sheet and strip was sold predominantly to distributors, that interchangeability was limited by inherent differences in physical properties and/or thickness as well as conformity to industry standards, that customers perceived stainless steel sheet and strip conforming to industry standards as distinct from other steel products, and that it was sold within a wide range of similar prices.[18]

There is no new information in the final phase of these investigations about the characteristics of stainless steel sheet and strip different from that in the preliminary determinations.[19] No party argued that the Commission should define a different domestic like product. Therefore, for the reasons set forth in our preliminary determinations, we define a single domestic like product consisting of stainless steel sheet and strip, corresponding to Commerce's scope.

III. Domestic Industry

The domestic industry is defined as the domestic "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[20] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

In our preliminary determinations, we defined the domestic industry to encompass all U.S. producers of stainless steel sheet and strip.[21] No party argued for a different definition of domestic industry in the final phase of these investigations.[22] There are no related party or

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[15] *Stainless Steel Sheet and Strip from China,* Inv. Nos. 701-TA-557 and 731-TA-1312 (Preliminary), USITC Pub. 4603 (April 2016) ("Preliminary Determinations") at 8.

[16] Preliminary Determinations, USITC Pub. 4603 at 7.

[17] Preliminary Determinations, USITC Pub. 4603 at 7.

[18] Preliminary Determinations, USITC Pub. 4603 at 8.

[19] *See generally* CR at I-13-24, PR at I-13-18.

[20] 19 U.S.C. § 1677(4)(A).

[21] Preliminary Determinations, USITC Pub. 4603 at 9.

[22] Petitioners' Prehearing Br. at 4-5. Respondents did not address the definition of the domestic industry.

other domestic industry issues in these investigations.[23] Consequently, we define the domestic industry as consisting of all domestic producers of stainless steel sheet and strip.

IV. Material Injury by Reason of Subject Imports

Based on the record in the final phase of these investigations, we find that an industry in the United States is materially injured by reason of imports of stainless steel sheet and strip from China that Commerce has found to be sold in the United States at less than fair value and to be subsidized by the government of China.

A. Legal Standards

In the final phase of antidumping and countervailing duty investigations, the Commission determines whether an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[24] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[25] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[26] In assessing whether the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[27] No single factor is dispositive, and all relevant factors are considered "within the

[23] We do not exclude any producer from the domestic industry pursuant to the related party provision at Section 771(4)(B) of the Tariff Act, 19 U.S.C. § 1677(4)(B). Domestic producer ATI has a joint venture with Baosteel Group of China, Shanghai STAL Precision Stainless Steel Co., Ltd. ("STAL"). STAL produces subject merchandise in China. CR at III-2, PR at III-2; CR/PR at Table II-1 n.2. STAL ***. CR at III-2, PR at III-2.

Furthermore, *** purchased subject merchandise in 2014. CR at III-18, PR at III-12. A purchaser of subject merchandise is a related party only if it controls large volumes of subject imports. The Commission has found such control to exist when the domestic producer was responsible for a predominant proportion of an importer's purchases and these purchases were substantial. *See Iron Construction Castings from Brazil, Canada, and China,* Inv. Nos. 701-TA-249, 731-TA-262, 263, and 265 (Fourth Review), USITC Pub. 4655 (Dec. 2016) at 11. *** purchases of subject merchandise from importer *** only constituted *** percent of that firm's 2014 imports. CR at III-18 n.39, PR at III-12 n.39. Thus, *** is also not a related party on that basis.

[24] 19 U.S.C. §§ 1671d(b), 1673d(b). The Trade Preferences Extension Act of 2015, Pub. L. 114-27, amended the provisions of the Tariff Act pertaining to Commission determinations of material injury and threat of material injury by reason of subject imports in certain respects. We have applied these amendments here.

[25] 19 U.S.C. § 1677(7)(B). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each {such} factor ... and explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

[26] 19 U.S.C. § 1677(7)(A).

[27] 19 U.S.C. § 1677(7)(C)(iii).

context of the business cycle and conditions of competition that are distinctive to the affected industry."[28]

Although the statute requires the Commission to determine whether the domestic industry is "materially injured or threatened with material injury by reason of" unfairly traded imports,[29] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[30] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[31]

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[32] In performing its examination, however, the Commission need not isolate

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[28] 19 U.S.C. § 1677(7)(C)(iii).

[29] 19 U.S.C. §§ 1671d(a), 1673d(a).

[30] *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), *aff'g,* 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

[31] The Federal Circuit, in addressing the causation standard of the statute, observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement." *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was further ratified in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), where the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass'n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

[32] SAA at 851-52 ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at 47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, (Continued...)

the injury caused by other factors from injury caused by unfairly traded imports.[33] Nor does the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[34] It is clear that the existence of injury caused by other factors does not compel a negative determination.[35]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports" and the Commission "ensure{s} that it is not attributing injury from other sources to the subject imports."[36] [37] Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[38]

(…Continued)
developments in technology and the export performance and productivity of the domestic industry"); *accord Mittal Steel*, 542 F.3d at 877.

[33] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); *Taiwan Semiconductor Industry Ass'n,* 266 F.3d at 1345 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e*., it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), *citing Gerald Metals,* 132 F.3d at 722 (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

[34] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[35] *See Nippon Steel Corp*., 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

[36] *Mittal Steel*, 542 F.3d at 877-78; *see also id.* at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.") *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75. In its decision in *Swiff-Train v. United States*, 792 F.3d 1355 (Fed. Cir. 2015), the Federal Circuit affirmed the Commission's causation analysis as comporting with the Court's guidance in *Mittal*.

[37] Commissioner Kieff does not join this paragraph or the following three paragraphs. He points out that the Federal Circuit, in *Bratsk*, 444 F.3d 1369, and *Mittal Steel*, held that the Commission is *required*, in certain circumstances when analyzing present material injury, to consider a particular issue with respect to the role of nonsubject imports, without reliance upon presumptions or rigid formulas. (Continued...)

The Federal Circuit's decisions in *Gerald Metals, Bratsk*, and *Mittal Steel* all involved cases where the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.[39] The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

Mittal Steel clarifies that the Commission's interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record" to "show that the harm occurred 'by reason of' the LTFV imports," and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.[40] Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals, Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.[41]

(…Continued)
The Court has not prescribed a specific method of exposition for this consideration. *Mittal Steel* explains as follows:

> What *Bratsk* held is that "where commodity products are at issue and fairly traded, price competitive, non-subject imports are in the market," the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether non-subject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry. 444 F.3d at 1369. Under those circumstances, *Bratsk* requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878.

[38] *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal Steel*, 542 F.3d at 879 ("*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

[39] *Mittal Steel*, 542 F.3d at 875-79.

[40] *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

[41] To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in the final phase of investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more (Continued...)

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.[42] Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[43]

B. Conditions of Competition and the Business Cycle[44]

The following conditions of competition inform our analysis of whether there is material injury by reason of subject imports.

1. Demand Considerations

U.S. demand for stainless steel sheet and strip depends on demand for the U.S.-produced downstream products in which it is used.[45] Reported end uses include automotive parts, pipe and tube, restaurant and food service equipment, appliances, fabrication, sinks and venting products.[46] Most U.S. producers, some importers, and a plurality of purchasers reported an increase in U.S. demand for stainless steel sheet and strip since 2013, with several firms attributing the increased demand to growth in the auto and construction industries.[47] Over the January 2013-September 2016 period of investigation, total vehicle sales and total residential and nonresidential construction spending both increased, by 14.6 percent and 35.8 percent, respectively; total spending on household applications declined by 13.7 percent.[48]

(…Continued)
complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in the final phase of investigations in which there are substantial levels of nonsubject imports.

[42] We provide in our discussion below a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

[43] *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp*., 458 F.3d at 1350, *citing U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

[44] Pursuant to section 771(24) of the Tariff Act, imports from a subject country of merchandise corresponding to the domestic like product that account for less than 3 percent of all such merchandise imported into the United States in the most recent 12-month period for which data are available preceding the filing of the petition shall be deemed negligible. 19 U.S.C. § 1677(24)(A)(i).

Negligibility is not an issue in these investigations. Based on official import statistics, U.S. imports from China accounted for 30.7 percent of total U.S. imports of stainless steel sheet and strip by quantity from February 2015 to January 2016, the most recent 12-month period preceding the filing of the petitions. CR at IV-16, PR at IV-12.

[45] CR at II-15, PR at II-9.

[46] CR at II-15, PR at II-9.

[47] CR at II-19, PR at II-12.

[48] CR at II-16, PR at II-10; CR/PR at Figure II-2. *See also* CR/PR at Figures II-3-4.

Apparent U.S. consumption increased from 1.9 million short tons in 2013 to 2.1 million short tons in 2014, and then decreased to 2.0 million short tons in 2015.[49] It was 1.5 million short tons in January-September ("interim") 2015 and 1.6 million short tons in interim 2016.[50]

2. Supply Considerations

The domestic industry was the largest source of supply to the U.S. market over the period of investigation. Its market share decreased from 81.3 percent in 2013 to 78.9 percent in 2014, and then to 77.1 percent in 2015.[51] Four firms responded to the U.S. producers' questionnaire. NAS and AK Steel are the two ***, accounting for *** and *** percent of reported production in 2015, respectively.[52] The other two producers, Outokumpu and ATI, accounted for *** and *** percent of reported production in 2015, respectively.[53]

Domestic producers' combined annual capacity fluctuated between years but was virtually the same in 2015 as in 2013.[54] Domestic producers reported experiencing some supply constraints during the period of investigation.[55] *** stated that a motor failure at one of its cold-rolling mills caused a temporary supply disruption in 2014.[56] *** reported that it ***.[57] AK Steel reported that it experienced ***.[58] ATI reported that while labor disputes resulted in a seven-month lockout of 2,000 employees beginning in August 2015, it took preemptive measures such as increasing inventory and reducing exports to supply U.S. customers to reduce effects from the lockout. ATI also announced in late December 2015 that it planned to idle its Midland, Pennsylvania facility, and it closed this facility permanently in October 2016.[59]

Purchasers reported experiencing supply constraints from both domestic producers and importers of subject merchandise. The slight majority (18 of 34) of purchasers reported that domestic producers were non-timely or had extended delivery times and almost half of purchasers (16 of 34) reported being placed on controlled order entry by domestic producers.[60] A large minority of purchasers (14 of 33) reported experiencing non-timely or extended delivery time by importers of subject merchandise.[61] According to purchasers, late deliveries from both

[49] CR/PR at Table IV-7.

[50] CR/PR at Table IV-7.

[51] CR/PR at Table IV-7. Its market share was higher in interim 2016, at 81.3 percent, than in interim 2015, at 76.1 percent. *Id.*

[52] CR/PR at Table III-1.

[53] CR/PR at Table III-1.

[54] CR/PR at Table III-3.

[55] CR at II-10-12, PR at II-7.

[56] CR at II-10-11, PR at II-7. *** indicated that it was able to meet its customers' needs by supplementing its lost U.S. production with nonsubject imports from its foreign affiliates. *Id.*

[57] CR at II-11, PR at II-7. Specifically, *** reported ***. *Id.*

[58] CR at II-11, PR at II-7.

[59] CR at II-11-12, PR at II-7.

[60] CR at II-12-13, PR at II-8.

[61] CR at II-13, PR at II-8.

domestic producers and importers of subject merchandise were frequent and not out of the ordinary.[62]

Subject imports were the smallest source of supply over the period of investigation. Subject imports' market share increased from 3.3 percent in 2013 to 6.2 percent in 2014, and then to 7.4 percent in 2015.[63] Subject imports from China were the largest individual source of supply of imports of stainless steel sheet and strip in 2014 and 2015.[64]

Nonsubject imports were the second largest source of supply over the period of investigation.[65] They were a consistent source of supply, with their market share fluctuating slightly over the period of investigation, decreasing from 15.4 percent in 2013 to 14.9 percent in 2014, before increasing to 15.5 percent in 2015.[66] Mexico and Taiwan were the largest individual nonsubject sources of supply to the U.S. market.[67]

3. Substitutability and Other Conditions

We find that there is a moderate-to-high degree of substitutability between domestically produced stainless steel sheet and strip and subject imports and that price is an important factor in purchasing decisions. All domestic producers reported that stainless steel sheet and strip is always interchangeable, regardless of source, while most importers reported that it is either always or frequently interchangeable and most purchasers reported that it is frequently interchangeable regardless of source.[68] Most purchasers also reported that differences other than price were either frequently or sometimes a factor in purchasing

[62] CR at II-13, PR at II-8.

[63] CR/PR at Table IV-7. Their market share was lower in interim 2016 at 2.4 percent than in interim 2015 at 8.5 percent. *Id.*

[64] *Compare* CR/PR at Table IV-2 *with* Table IV-3.

[65] Since 1999, nonsubject imports of stainless steel sheet and strip from Japan, Korea, and Taiwan have been subject to antidumping duty orders with a scope similar to that in the current investigations; such imports from Korea are also subject to a countervailing duty order stemming from the same investigations. CR/PR at Table I-1; *see also Continuation of Antidumping and Countervailing Duty Orders: Stainless Steel Sheet and Strip in Coils from Japan, Korea, and Taiwa*n, 76 Fed. Reg. 49726 (August 11, 2011).

[66] CR/PR at Table IV-7. Nonsubject imports' market share was higher in interim 2016 at 16.3 percent than in interim 2015 at 15.4 percent. *Id.*

[67] CR/PR at Table IV-3. Nonsubject imports from Mexico accounted for 25.7 percent of total U.S. imports in 2013, 19.3 percent in 2014, and 15.6 percent in 2015; they accounted for 15.0 percent of total U.S. imports in interim 2015 and 20.1 percent in interim 2016. Nonsubject imports from Taiwan accounted for 9.9 percent of total U.S. imports in 2013, 8.1 percent in 2014, and 9.8 percent in 2015; they accounted for 9.7 percent in interim 2015 and 11.6 percent in interim 2016. *Id.*

[68] CR at II-32, PR at II-21-22; CR/PR at Table II-9.

decisions.[69] A majority of purchasers indicated that they usually purchase the lowest-priced product and three purchasers reported that they always purchase the lowest-priced product.[70]

Stainless steel sheet and strip is produced in different grades, each with a different composition.[71] Prices for the primary raw materials used in the production of stainless steel sheet and strip fluctuated but decreased overall over the period of investigation.[72] Overall, the prices for iron and steel scrap decreased by 38 percent over the period of investigation, while the costs of alloying agents, such as nickel, chrome, and molybdenum, decreased by 40.9 percent, 13.0 percent, and 33.1 percent, respectively.[73]

Prices for stainless steel sheet and strip generally consist of a base price and a surcharge.[74] Surcharges are typically adjusted monthly and reflect the cost of alloying materials, among other things.[75] Base prices consist, in part, of all other inputs to produce stainless steel sheet and strip.[76]

Stainless steel sheet and strip is sold on the spot market and on a contract basis.[77] The record indicates that nearly half of domestic producers' U.S. commercial shipments in 2015 were spot sales, while importers reported selling a majority of their product through short-term contracts.[78]

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[79]

The volume of subject imports increased from 63,114 short tons in 2013 to 132,009 short tons in 2014 and then to 147,143 short tons in 2015.[80] Subject imports' share of apparent

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[69] CR at II-34, PR at II-23; CR/PR at Table II-11. All domestic producers reported that differences other than price were never a significant factor in their sales of stainless steel sheet and strip, while a plurality of importers reported that differences other than price were sometimes a factor. *Id.*

[70] CR at II-24-25, PR at II-16.

[71] CR at I-14, PR at I-11; CR/PR at Table I-5. The most commonly used stainless steel grades are 304 and 316. Different grades of stainless steel sheet and strip use different amounts and different alloys. *Id.* at V-8 and Table V-1. *Id.*

[72] CR at V-3, PR at V-2; CR/PR at Figures V-2-3.

[73] CR at V-3, PR at V-2; CR/PR at Figures V-2-3. Surcharges are used when index costs for the alloys exceed a specific threshold; if the costs for the alloying elements do not exceed the threshold, the costs for these alloys are covered by the base price of stainless steel sheet and strip. CR at V-7 and n.6, PR at V-5 and n.6.

[74] CR at V-7, PR at V-5.

[75] CR at V-7-10, PR at V-6.

[76] CR at V-7, PR at V-6.

[77] CR/PR at Table V-3.

[78] CR/PR at Table V-3.

[79] 19 U.S.C. § 1677(7)(C)(i).

[80] CR/PR at Tables IV-2, IV-7. Subject import volume was lower in interim 2016, at 38,925 short tons, than in interim 2015, at 128,192 short tons. *Id.* Monthly subject import volume data indicate that (Continued...)

U.S. consumption increased from 3.3 percent in 2013 to 6.2 percent in 2014, and then to 7.4 percent in 2015.[81] Subject imports' increase in market share came at the expense of the domestic industry, which lost 4.2 percentage points of market share from 2013 to 2015.

In light of the foregoing, we find that the volume of subject imports and the increase in that volume are significant in both absolute terms and relative to domestic consumption.

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of the subject imports, the Commission shall consider whether

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
>
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[82]

As observed above, the record indicates that there is a moderate-to-high degree of substitutability between subject imports and the domestic like product and that price is an important factor in purchasing decisions. A majority of purchasers indicated that they usually purchased the lowest priced stainless steel sheet and strip.[83]

The Commission collected data for eight pricing products.[84] All four domestic producers and 11 importers provided usable pricing data; however, not all firms reported pricing data for all products for all quarters.[85]

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monthly subject import volumes were sharply lower following the filing of the petitions in February 2016, particularly in the second and third quarters of 2016. CR/PR at Table IV-8. We find that the lower volume and market share for subject imports in interim 2016 as compared to interim 2015 was a result of the filing of the petitions on February 12, 2016. We therefore reduce the weight we accord to the volume, price effects, and impact of subject imports for interim 2016, pursuant to 19 U.S.C. § 1677(7)(I).

[81] CR/PR at Table IV-7.

[82] 19 U.S.C. § 1677(7)(C)(ii).

[83] CR at II-24, PR at II-16. Eighteen of 34 responding purchasers indicated that they usually purchased the lowest priced stainless steel sheet and strip and 12 of 34 purchasers indicated they sometimes purchased the lowest priced product. *Id.*

[84] CR at V-15-16, PR at V-10-11. The pricing products are as follows:

> **Product 1.**-- AISI Grade 304, 0.075 inch nominal thickness (0.068-0.082 inch actual), width 48-60 inches, in coils, 2B finish;
>
> **Product 2.**-- AISI Grade 304, 0.029 inch nominal thickness (0.0260-0.032 inch actual), width 48-60 inches, in coils, 2B finish;
>
> **Product 3.**-- AISI Grade 304, 0.029 inch nominal thickness (0.0260-0.032 inch actual), width 48-60 inches, in coils, polished;

(Continued...)

The data show a mixed pattern of underselling and overselling by subject imports during the period of investigation, with slightly more instances and higher total volume of underselling.[86] Specifically, from 2013 to 2015 subject imports undersold the domestic like product in 48 of 90 instances, at margins of underselling ranging from 0.4 percent to 13.1 percent, and oversold the domestic like product in the remaining 42 instances, at margins ranging from 0.4 percent to 41.4 percent.[87] There were 17,244 short tons of subject imports involved in the underselling comparisons and 17,732 short tons involved in the overselling comparisons.[88] The underselling by subject imports was concentrated in 2014, when demand increased and the largest gains in subject imports' market share occurred.[89]

In response to the Commission's questionnaire, purchasers reported on the purchases they shifted from the domestic product to subject imports.[90] Nineteen purchasers reported purchasing subject imports rather than the domestically produced product since 2013. Of these, 18 indicated that subject imports were priced lower than the domestically produced product; 14 of these purchasers also reported that price was a primary reason for purchasing 103,346 short tons of subject imports instead of the domestic like product.[91] Indeed, from 2013 to 2015, the subject imports gained 4.1 percentage points of market share, all of which came at the expense of the domestic industry. The gain in market share was concentrated from

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Product 4.-- AISI Grade 304, 0.036 inch nominal thickness (0.032-0.040 inch actual), width 48-60 inches, in coils, 2B finish;

Product 5.-- AISI Grade 304, 0.036 inch nominal thickness (0.032-0.040 inch actual), width 48-60 inches, in coils, polished;

Product 6.-- AISI Grade 304, 0.024 inch nominal thickness (0.0231-0.0260 inch actual), width 48-60 inches, in coils, polished;

Product 7.-- AISI Grade 409, 0.048 inch nominal thickness (0.0450-0.0510 inch actual), width 48-60 inches, in coils, 2B finish; and

Product 8.-- AISI Grade 430, 0.036 inch nominal thickness (0.032-0.040 inch actual), width 36-48 inches, in coils, polished.

[85] CR at V-16, PR at V-11.

[86] CR at V-34, PR at V-21-22; CR/PR at Table V-13.

[87] CR at V-34, PR at V-21-22; CR/PR at Table V-13. Over the period of investigation, subject imports undersold the domestic like product in 58 of 113 instances, at margins of underselling ranging from 0.4 percent to 22.6 percent, and oversold the domestic like product in the remaining 55 instances, at margins ranging from 0.4 percent to 41.4 percent. *Id.* There were 20,055 short tons involved in the underselling comparisons and 19,924 short tons involved in the overselling comparisons over the period of investigation. *Id*

[88] CR/PR at Table V-13.

[89] *See* CR at V-34 nn.22-23, PR at V-22 nn.22-23. Subject imports undersold the domestic like product in 24 of 29 instances in 2014. *See id*. Respondents argue that subject imports undersold the domestic like product by a *de minimis* margin in 2014. Respondents' Prehearing Br. at 26. However, we observe that they base their calculations on average unit values for subject imports and the domestic like product, which may reflect differences in product mix.

[90] CR/PR at Table V-15.

[91] CR at V-39, PR at V-24; CR/PR at Table V-15.

2013 to 2014, the period in which there was predominant underselling.[92] Therefore, we find that based on the shifts to subject imports on the basis of lower prices and the underselling reported during the period of investigation, underselling by subject imports is significant.

We have also examined price trends and find that subject imports depressed prices for the domestic like product to a significant degree in 2015.[93] In general, prices for all eight pricing products declined over this period.[94] Prices for all pricing products rose as demand increased in 2014, reaching their peak in the second half of that year.[95] However, after the peak in 2014, even as demand was higher overall, prices for all the domestically produced pricing products declined, and by the fourth quarter of 2015 were lower than during any prior point in the period.[96] Domestic price decreases for the grade 304 pricing products (1-6) from the first quarter of 2013 to the fourth quarter of 2015 ranged from *** to *** percent, while domestic price decreases for the grade 409/430 pricing products (7-8) ranged from *** to *** percent over this period.[97]

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[92] CR/PR at Table IV-7.

[93] Commissioners Broadbent and Kieff determine that subject imports from China did not depress prices for the domestic like product to a significant degree. U.S. producers' prices experienced declines between mid-2014 and late 2015. CR/PR at Figures V-5-12. For several reasons, however, Commissioners Broadbent and Kieff do not attribute these declines to subject imports. The majority of purchasers reported that domestic prices, whether sold on the spot market or by contract, were indexed to raw material costs, with these prices including surcharges for chromium, nickel, iron, and molybdenum. CR at V-5, PR at V-4. As noted previously, the prices for the primary raw materials used in stainless steel sheet and strip production fluctuated over the POI, but decreased on an overall basis. CR at V-3; PR at V-2. In particular, prices for nickel, molybdenum, iron and steel scrap decreased sharply overall and in particular from mid-2014 to late 2015. CR/PR at Figures V-2-3. The price of nickel, one of the key drivers of the cost of producing grades 304 and 316 stainless steel, decreased substantially from Q2 2014 to Q4 2015, outpacing declines in U.S. prices for grade 304 and 316 stainless steel over that period. CR/PR at Figures V-1 and V-3; Table V-1; CR at V-3 n.4; PR at V-2 n.4. In addition to falling raw material prices, apparent U.S. consumption declined by 7.7 percent between 2014 and 2015. CR/PR at Table C-1. As U.S. prices were declining at their fastest pace over the POI in 2015, subject imports oversold the domestic like product in more quarterly instances than they undersold (19 quarterly instances of overselling, 13 quarterly instances of underselling). CR at V-34 n. 22-23; PR at V-22 n. 22-23. On a volume basis, 11,552 short tons of subject imports from China oversold the domestic like product in 2015, compared to 5,153 short tons of subject imports from China that undersold the domestic like product. Derived from CR/PR at Tables V-4,V-5, V-6, V-7, V-8, V-9, V-10, and V-11. Thus, Commissioners Broadbent and Kieff do not attribute the declines in the domestic prices in 2015 to subject imports from China, and do not find significant price depression.

[94] CR at V-33, PR at V-21; CR/PR at Table V-12.

[95] CR/PR at Tables V-4-V-11; CR/PR at Figures V-5-12.

[96] CR/PR at Tables V-4-V-11; CR/PR at Figures V-5-12.

[97] Derived from CR/PR at Table V-12. Over the entire period of investigation, domestic price decreases for the grade 304 pricing products (1-6) ranged from *** to *** percent, while domestic price decreases for the grade 409/430 pricing products (7-8) ranged from *** to *** percent. CR at V-33, PR at V-21.

We recognize that raw material costs decreased from 2014 to 2015, driving down the cost of goods sold ("COGS") on both an aggregate and per unit basis.[98] However, the average unit values ("AUVs") of domestic producers' domestic shipments decreased by $357 per short ton from 2014 to 2015, while the value of the domestic industry's unit raw material costs decreased by $268 and total unit COGS decreased by $256 per short ton.[99] Moreover, our variance analysis confirms that net sales unit values decreased more than costs and expenses from 2014 to 2015.[100] In 2014, a significant volume of subject imports entered the U.S. market and undersold the domestic like product. We find that this significant volume of low-priced imports in a price-sensitive market put pressure on the domestic industry to reduce prices in order to preserve market share in 2015.[101]

Purchasers confirmed that subject imports depressed prices for the domestic like product. Purchasers who reported that domestic producers reduced prices in order to compete with subject imports' estimated price reductions ranging from 6 to 30 percent.[102] Purchasers also indicated that domestic producers' base price decreased from 2014 to 2015.[103]

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[98] The record indicates that declines in raw material prices generally are reflected by declines in surcharges rather than base price. CR at V-7-11, PR at V-5-8. Nonetheless, base prices for stainless steel sheet and strip declined over the period of investigation. CR at V-10 and n.16, PR at V-7 and n.16. Consequently, changes in raw material costs do not fully explain the price declines for the domestically produced product in 2015.

Respondents point out that the base price for preliminary phase pricing product 4, which faced little competition from subject imports, declined from 2013 to 2015 in arguing that subject imports did not affect base prices for stainless steel sheet and strip. Respondents' Prehearing Br. at 20-22; Respondents' Posthearing Br. at 12-13. However, the data show that in quarters in which price comparisons were available, subject imports undersold the domestic like product in 5 of 7 instances at margins ranging from 1.0 to *** percent. Confidential Preliminary Report at Table V-8. Similarly, we are not persuaded by respondents' constructed U.S. base price for nonsubject hot-rolled plate as a proxy to argue that subject imports did not affect base prices for stainless steel sheet and strip, including grade 304 stainless steel sheet and strip.

[99] CR/PR at Tables VI-1, C-1. Domestic producers' AUVs decreased from $2,335 per short ton in 2014 to $1,978 per short ton in 2015, while their average unit COGS decreased from $2,264 per short ton in 2014 to $2,008 per short ton in 2015. CR/PR at Table VI-1.

[100] CR/PR at Table VI-4.

[101] We are not convinced by respondents' argument that an intra-industry price war resulting from Outokumpu's "fill the mill" strategy drove down prices for the domestic like product in 2015. The article respondents cite was published in December 2015 and refers to third quarter 2015 prices; however, pricing data show that prices for the domestic like product generally peaked in the third quarter of 2014 and began declining in the fourth quarter of 2014. *See* Respondents' Prehearing Br. at Ex. 8; CR/PR at Figures V-5-12. *See also* Hearing Tr. at 37-38 (Mr. Letnich) (attributing price declines to low-priced subject imports). Moreover, as the Commission found in the preliminary phase, Outokumpu's reported quarterly prices were not the lowest among the four domestic producers. *See* Preliminary Determination, USITC Pub. 4603 at 18.

[102] CR at V-40, PR at V-24; CR/PR at Table V-16. Two of the top three purchasers of subject imports (***) indicated that domestic producers reduced prices to compete with subject imports, with (Continued...)

Accordingly, based on the record in the final phase of these investigations, we find that there was significant underselling of the domestic like product by the subject imports. As a result of this underselling, the subject imports gained market share at the expense of the domestic industry. We also find that subject imports depressed prices for the domestic like product to a significant degree in 2015.

E. Impact of the Subject Imports[104]

Section 771(7)(C)(iii) of the Tariff Act provides that examining the impact of subject imports, the Commission "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[105] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, gross profits, net profits, operating profits, cash flow, return on investment, return on capital, ability to raise capital, ability to service debts, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[106]

As the volume and market penetration of subject imports increased, domestic producers' share of apparent U.S. consumption fell from 81.3 percent in 2013 to 78.9 percent in 2014, and then to 77.1 percent in 2015.[107] Most other indicators of the domestic industry's performance suffered declines from 2014 to 2015 and declined overall from 2013 to 2015. The

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*** estimating that domestic producers reduced prices by 10 percent in 2015. *See* CR/PR at Tables V-14, V-16.

[103] CR at V-40, PR at V-24; CR/PR at Table V-16.

[104] The statute instructs the Commission to consider the "magnitude of the dumping margin" in an antidumping proceeding as part of its consideration of the impact of imports. 19 U.S.C. § 1677(7)(C)(iii)(V). In its final determination of sales at less value Commerce found antidumping duty margins of 63.86 to 76.64 percent for imports from China. 82 Fed. Reg. 9716, 9718 (Feb. 8, 2017). We take into account in our analysis the fact that the Department of Commerce found all subject imports in the United States were sold at less than fair value. In addition to this consideration, our impact analysis has considered other factors affecting domestic prices. Our analysis of the significant underselling and price effects of the subject imports, described in both the price effects discussion and below, is particularly probative to an assessment of the impact of the subject imports.

[105] 19 U.S.C. § 1677(7)(C)(iii); *see also* SAA at 851 and 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.").

[106] 19 U.S.C. § 1677(7)(C)(iii). This provision was amended by the Trade Preferences Extension Act of 2015, Pub. L. 114-27.

[107] CR/PR at Table IV-7. Its share of apparent U.S. consumption was lower in interim 2015, at 76.1 percent, than in interim 2016, when it was 81.3 percent. *Id.*

domestic industry's capacity remained relatively stable over this period.[108] The domestic industry's production and capacity utilization fluctuated, however, with production lower and capacity higher in 2015 than in 2013.[109] The domestic industry's production increased from 1.9 million short tons in 2013 to 2.1 million short tons in 2014, and then decreased to 1.8 million short tons in 2015.[110] Its capacity utilization increased from 69.1 percent in 2013 to *** percent in 2014, and then decreased to 66.2 percent in 2015.[111] Domestic producers' U.S. shipments were 1.5 million short tons in 2013, 1.7 million short tons in 2014, and 1.5 million short tons in 2015.[112]

Employment-related data showed mixed trends. The number of production related workers ("PRWs") fluctuated, but decreased from 2013 to 2015, increasing from 2,753 in 2013 to 2,813 in 2014, and then decreasing to 2,637 in 2015.[113] Productivity showed a similar trend.[114] Total hours worked, wages paid, and unit labor costs also fluctuated, but increased

[108] CR/PR at Table III-3. The domestic industry's capacity was roughly 2.7 million short tons over 2013 to 2015. Its capacity was 2,733,130 short tons in 2013, *** short tons in 2014, and 2,737,995 short tons in 2015. Its capacity was the same in interim 2015 and interim 2016 at 2.0 million short tons. *Id.*

[109] CR/PR at Table III-3. Its capacity utilization was lower in interim 2015, at 67.4 percent, than in interim 2016, at 73.0 percent. *Id.*

[110] CR/PR at Table III-3. Its production was lower in interim 2015, at 1.4 million short tons, than in interim 2016, at 1.5 million short tons. *Id.*

[111] CR/PR at Table III-3.

[112] CR/PR at Table IV-7. The domestic industry U.S. shipments were lower in interim 2015, at 1.1 million short tons, than in interim 2016, at 1.3 million short tons. *Id.*

U.S. producers' end-of-period inventories increased from 215,736 short tons in 2013 to 245,525 short tons in 2014, and then decreased to 216,743 short tons in 2015. CR/PR at Table III-7. The ratio of inventories to production, as well as the ratio of inventories to U.S. shipments fluctuated, increasing from 2013 to 2014, and then decreasing in 2015 to levels above those in 2013. *Id.* Domestic producers' end-of-period inventories were 237,875 short tons in interim 2015 and 193,088 short tons in interim 2016. *Id.*

[113] CR/PR at Table III-8. The number of PRWs was lower in interim 2016, at 2,288, than in interim 2015, at 2,625. *Id.*

[114] CR/PR at Table III-8. Productivity increased from 334.6 short tons per 1,000 hours in 2013 to 355.3 short tons per 1000 hours in 2014, and then decreased to 320.1 short tons per 1,000 hours in 2015. Productivity was higher in interim 2016, at 363.1 short tons per 1,000 hours, than in interim 2015 at 300.1 short tons per 1,000 hours. *Id.*

from 2013 to 2015.[115] Hours worked per PRW and hourly wages increased over the same period.[116]

Many of the indicators of the domestic industry's financial performance showed improvement from 2013 to 2014, before declining in 2015.[117] Net sales values increased from $4.1 billion in 2013 to $4.9 billion in 2014 and then decreased to $3.6 billion in 2015.[118] Gross profit increased from negative $62.0 million in 2013 to $148.8 million in 2014, and then decreased to negative $55.9 million in 2015.[119] Operating income increased from negative $186.7 million in 2013 to $4.9 million in 2014, and then decreased to negative $172.1 million in 2015.[120] The domestic industry's operating income margin increased from negative 4.5 percent in 2013 to 0.1 percent in 2014, and then decreased to negative 4.7 percent in 2015.[121] The domestic industry's ratio of COGS to net sales decreased from 101.5 percent in 2013 to 96.9 percent in 2014, and then increased to 101.5 percent in 2015.[122]

We find that the significant and increased volumes of subject imports that undersold the domestic like product led to declines in the domestic industry's market share during the period of investigation. Because of its loss of market share, the domestic industry's indicia of output were worse than they would have been in the absence of subject imports. In 2014, increasing volumes of subject imports undersold the domestic like product, resulting in subject imports sharply increasing their market share, while the domestic industry's market share declined by 4.2 percentage points. Thus, the domestic industry was deprived of additional sales during a time of rising demand and strong prices, despite its ability to increase its production and shipments. In 2015, the domestic industry's output, employment, and financial performance all declined as low-priced subject imports remained in the market and the

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[115] CR/PR at Table III-8. Total hours worked increased from 5.6 million hours in 2013 to 5.9 million hours in 2014, and then decreased to 5.7 million hours in 2015. Hours worked were lower in interim 2016, at 4.1 million hours, than in interim 2015, at 4.6 million hours. Wages paid increased from $193.5 million in 2013 to $208.1 million in 2014, and then decreased to $205.9 million in 2015. Wages paid were lower in interim 2016, at $151.0 million, than in interim 2015, at $163.3 million. Unit labor costs decreased from $102.48 in 2013 to $98.64 in 2014, and then increased to $113.77 in 2015. Unit labor costs were lower in interim 2016, at $100.64, than in interim 2015, at $117.96. *Id.*

[116] CR/PR at Table III-8. Hours worked per PRW increased from 2,050 hours in 2013 to 2,111 hours in 2014, and then to 2,144 hours in 2015; they were higher in interim 2016, at 1,806 hours, than in interim 2015, at 1,757 hours. *Id.*

[117] CR/PR at Table VI-1.

[118] CR/PR at Table VI-1. Net sales value was higher in interim 2015, at $2.9 billion, than in interim 2016, at $2.6 billion. *Id.*

[119] CR/PR at Table VI-1. Gross profit was higher in interim 2016, at $44.1 million, than in interim 2015, at negative $1.6 million. *Id.*

[120] CR/PR at Table VI-1. Operating income was lower in interim 2015, at negative $92.3 million, than in interim 2016, at negative $57.1 million. *Id.*

[121] CR/PR at Table VI-1. Operating income margin was lower in interim 2015, at negative 3.2 percent, than in interim 2016 at negative 2.2 percent. *Id.*

[122] CR/PR at Table VI-1. It was lower in interim 2016, at 98.3 percent, than in interim 2015, at 100.1 percent. *Id.*

domestic industry was forced to lower prices in order to maintain market share.[123] We accordingly find that the significant and increased volume of subject imports, which gained market share at the expense of the domestic industry through significant underselling, had a significant impact on the domestic industry.[124]

We have also taken into account whether there were other factors that may affect the domestic industry so as to ensure that we do not attribute injury from such other factors to subject imports. We find that the decline in demand for stainless steel sheet and strip from 2014 to 2015 cannot fully explain the domestic industry's condition in 2015. While apparent U.S. consumption declined in 2015, it still was at a level above that in 2013.[125] Moreover, the domestic industry's market share and many indicators of its performance were lower in 2015 than in 2013.[126]

Respondents argue that subject imports were pulled into the U.S. market by the domestic industry's supply constraints and extended lead times. While the record indicates that the domestic industry experienced some supply constraints and extended lead times during the period of investigation, we are not persuaded that they impacted the U.S. market to the extent respondents allege.[127] The record indicates that domestic producers had ample unused capacity throughout the period of investigation[128] and that lead times for the domestic

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[123] As noted previously, Commissioners Broadbent and Kieff do not determine that subject imports from China depressed domestic prices to a significant degree in 2015.

[124] CR/PR at Table IV-7. The record does not support respondents' argument that competition between subject imports and the domestic like product is attenuated. Respondents' Prehearing Br. at 26-27. The record shows that in 2015, domestic producers had sizeable shipments in all grades in which they competed with subject imports, including grade 304, the grade with the largest volume of commercial shipments for both domestic producers and importers of subject merchandise. CR at IV-5-6, PR at IV-8-9; CR/PR at Table IV-4.

[125] CR/PR at Table IV-7. Apparent U.S. consumption of stainless steel sheet and strip was roughly 1.9 million short tons in 2013 and 2.0 million short tons in 2015. *Id.*

[126] As discussed above, these indicators include production, capacity utilization, the number of PRWs employed, productivity, net sales value and operating margin.

[127] CR at II-10, PR at II-7; CR/PR at Figure II-1. *** reported supply disruptions from June to December of 2014 as a result of a motor failure at one of its mills, and short term preventative maintenance on *** for two weeks in September 2014. It stated that it met customer needs during this period by supplementing orders with nonsubject imports from its foreign nonsubject affiliates. *See, e.g.*, CR at II-10-11, PR at II-7. *** reported experiencing ***. *See, e.g.*, CR at II-11, PR at II-7. *** reported using controlled order entry in January and February 2015. ATI reported that from August 2015 to February 2016, it locked out 2,000 of its employees due to labor dispute, but that due to preemptive measures, including building inventory, shifting sales from exports to U.S. customers, and staffing through non-unionized labor, it prevented supply shortages. It also indicated that the idling and subsequent closure of its Midland, Pennsylvania facility did not result in supply constraints. CR at II-10-12, PR at II-7; CR/PR at Figure II-1.

[128] CR/PR at Table III-3. While we recognize that the capacity of individual domestic producers was affected by supply constraints at varying times during the period of investigation, not all producers experienced supply constraints at the same time. *See* CR at II-10-11, PR at II-7, CR/PR at Figure II-1, CR/PR at Table III-3.

like product never exceeded those for subject imports.[129] We also observe that the onset of the increase in subject import volumes predated the production issues experienced by domestic producers.[130] Moreover, the underselling observed during the period of increased demand in 2014 does not comport with a market experiencing a supply shortage.

We also are not persuaded by respondents' argument that declines in raw material costs, as reflected by surcharges, are responsible for declines in the domestic industry's profitability from 2013 to 2015. Regardless of the decline in surcharges, the record indicates that the domestic industry reduced base prices during 2014 and 2015, resulting in lost revenue and deterioration in the domestic industry's condition.[131] [132] Moreover, the decline in raw material costs does not begin to explain the shift in market share to subject imports.

We have also examined the role of nonsubject imports. The record indicates that while nonsubject imports increased by quantity from 2013 to 2014 as demand increased, their market share declined.[133] Although nonsubject imports' market share increased in 2015, it returned to roughly 2013 levels.[134] Nonsubject imports also were generally priced higher than both subject imports and the domestic like product.[135] Consequently, the observed declines in the domestic industry's market share, revenues, and financial performance cannot be explained by nonsubject imports.

V. Critical Circumstances

A. Legal Standards and Party Arguments

In its final antidumping and countervailing duty determinations concerning stainless steel sheet and strip from China, Commerce found that critical circumstances exist with respect to certain subject producers/exporters. Because we have determined that the domestic industry is materially injured by reason of subject imports from China, we must further determine "whether the imports subject to the affirmative {Commerce critical circumstances}

[129] CR at II-22, PR at II-14.

[130] *Compare* CR at II-10-11, PR at II-7-8; CR/PR at Figure II-1 *with* CR/PR at Table IV-8. Monthly import data show that the volume of subject imports began increasing in May 2014, when they were nearly twice that of May 2013. Moreover, importers reported lead times averaging 106 days, indicating that orders for these imports were likely placed well in advance of May 2014. *See* CR at II-22, PR at II-14. However, the first supply constraints reported by the domestic industry began in June 2014, when Outokumpu reported a motor failure on the smallest of its cold-rolling mills at its Calvert, Alabama facility, which lasted from June through December 2014. *See* CR at II-10-11, PR at II-7.

[131] CR at V-40, PR at V-24.

[132] *See* CR/PR at Table VI-1. We note that declines in surcharges also do not correlate with the domestic industry's improved performance in interim 2016, when raw materials costs were lower than in interim 2015. *See* CR/PR at Table VI-1.

[133] CR/PR at Table IV-7.

[134] CR/PR at Table IV-7. Nonsubject imports' market share decreased from 15.4 percent in 2013 to 14.9 percent in 2014, and then increased to 15.5 percent in 2015. *Id.*

[135] CR at D-3, PR at D-3; CR/PR at Table D-8.

determination ... are likely to undermine seriously the remedial effect of the antidumping {and/or countervailing duty} order{s} to be issued."[136] The SAA indicates that the Commission is to determine "whether, by massively increasing imports prior to the effective date of relief, the importers have seriously undermined the remedial effect of the order" and specifically "whether the surge in imports prior to the suspension of liquidation, rather than the failure to provide retroactive relief, is likely to seriously undermine the remedial effect of the order."[137] The legislative history for the critical circumstances provision indicates that the provision was designed "to deter exporters whose merchandise is subject to an investigation from circumventing the intent of the law by increasing their exports to the United States during the period between initiation of an investigation and a preliminary determination by {Commerce}."[138] An affirmative critical circumstances determination by the Commission, in conjunction with an affirmative determination of material injury by reason of subject imports, would normally result in the retroactive imposition of duties for those imports subject to the affirmative Commerce critical circumstances determination for a period 90 days prior to the suspension of liquidation.

The statute provides that, in making this determination, the Commission shall consider, among other factors it considers relevant,

> (I) the timing and the volume of the imports,
>
> (II) a rapid increase in inventories of the imports, and
>
> (III) any other circumstances indicating that the remedial effect of the {order} will be seriously undermined.[139]

In considering the timing and volume of subject imports, the Commission's practice is to consider import quantities prior to the filing of the petition with those subsequent to the filing of the petition using monthly statistics on the record regarding those firms for which Commerce has made an affirmative critical circumstances determination.[140]

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[136] 19 U.S.C. §§ 1671d(b)(4)(A)(ii), 1673d(b)(4)(A)(ii).

[137] SAA at 877.

[138] *ICC Industries, Inc. v United States,* 812 F.2d 694, 700 (Fed. Cir. 1987), *quoting* H.R. Rep. No. 96-317 at 63 (1979), *aff'g* 632 F. Supp. 36 (Ct. Int'l Trade 1986). *See* 19 U.S.C. §§ 1671b(e)(2), 1673b(e)(2).

[139] 19 U.S.C. §§ 1671d(b)(4)(A)(ii), 1673d(b)(4)(A)(ii).

[140] *See Lined Paper School Supplies from China, India, and Indonesia,* Inv. Nos. 701-TA-442-43, 731-TA-1095-97**,** USITC Pub. 3884 at 46-48 (Sept. 2006); *Carbazole Violet Pigment from China and India,* Inv. Nos. 701-TA-437 and 731-TA-1060-61 (Final), USITC Pub. 3744 at 26 (Dec. 2004); *Certain Frozen Fish Fillets from Vietnam,* Inv. No. 731-TA-1012 (Final), USITC Pub. 3617 at 20-22 (Aug. 2003).

B. Analysis

1. Choice of Time Period

The Commission is not required to analyze the same period that Commerce examined.[141] Unless the industry under investigation involves seasonality or the Commission decides that circumstances warrant otherwise,[142] the Commission generally compares six months of data gathered from the periods immediately preceding and following the petitions' filing.[143] For our critical circumstances analysis, we have used six-month pre- and post-petition periods.[144]

Antidumping Duty. In its final antidumping duty critical circumstances determination, Commerce determined that critical circumstances exist with regard to imports of stainless steel sheet and strip for the China-wide entity (including Taigang, Daming, and other exporters) and non-selected respondents eligible for a separate rate.[145] The volume of subject imports from entities subject to Commerce's affirmative antidumping duty critical circumstances finding decreased from 40,377 short tons for the six-month pre-petition period to 31,032 short tons for

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[141] *Certain Polyester Staple Fiber from China*, Inv. No. 731-TA-1104 (Final), USITC Pub. 3922 at 35 (June 2007); *Steel Concrete Reinforcing Bars from Turkey*, Inv. No. 731-TA-745 (Final), USITC Pub. 3034 at 34 (Apr. 1997).

[142] The Commission has relied on a shorter comparison period when Commerce's preliminary determination applicable to the country at issue fell within the six-month post-petition period the Commission typically considers. *Certain Hot-Rolled Steel Flat Products from Australia, Brazil, Japan, Korea, the Netherlands, Turkey, and the United Kingdom*, Inv. Nos. 701-TA-545-547, 731-TA-1291-1297 (Final), USITC Pub. 4638 at 49-50 (Sept. 2016); *Certain Corrosion-Resistance Steel Products from China, India, Italy, Korea, and Taiwan,* Inv. No. 701-TA-534-537 and 731-TA-1274-1278 (Final), USITC Pub. 4630 at 35-40 (July 2016); *Carbon and Certain Steel Wire Rod from China*, Inv. Nos. 701-TA-512, 731-TA-1248 (Final), USITC Pub. 4509 at 25-26 (Jan. 2015) (using five-month periods because preliminary Commerce countervailing duty determination was during the sixth month after the petition). The Commission may also use different periods when the product is seasonal. *See Certain Polyester Staple Fiber from China*, Inv. No. 731-TA-1104 (Final), USITC Pub. 3922 at 35 (June 2007) (declining to analyze different periods absent seasonality); *Steel Concrete Reinforcing Bars from Turkey*, Inv. No. 731-TA-745 (Final), USITC Pub. 3034 (April 1997) (seasonal product).

[143] *Laminated Woven Sacks from China*, Inv. Nos. 701-TA-450 and 731-TA-1122 (Final), USITC Pub. 4025 at 48-50 (July 2008); *Light-Walled Rectangular Pipe from China et al.,* Inv. Nos. 701-TA-459 and 731-TA-1118-20 (Final), USITC Pub. 4024 at 18-19 (July 2008); *Certain Steel Nails from China*, Inv. No. 731-TA-1114 (Final), USITC Pub. 4022 at 28-29 (July 2008); *Polyester Staple Fiber from China*, Inv. No. 731-TA-1104 (Final), USITC Pub. 3922 at 35 (June 2007); *Chlorinated Isocyanurates from China and Spain,* Inv. Nos. 731-TA-1082-83 (Final), USITC Pub. 3782 at 35-37 (June 2005); *Alloy Magnesium from China*, Inv. No. 731-TA-1071 (Final), USITC Pub. 4182 at 24 (Sept . 2010); *Stainless Steel Butt-Weld Pipe Fittings from Italy, Malaysia, and the Phillippines*, Inv. Nos. 731-TA-865-67 (Final), USITC Pub. 3387 at 13-16 (Jan. 2001); *Certain Warmwater Shrimp and Prawns,* Inv. Nos. 731-TA-1063-68 (Final), USITC Pub. 3748 at 36-37 (Jan. 2005).

[144] These periods are August 2015 through January 2016 and February 2016 through July 2016.

[145] 82 Fed. Reg. 9716, 9717.

the six-month post-petition period.[146] End-of-period inventories ("EOP") of imports from China, subject to Commerce's affirmative critical circumstances finding in the antidumping investigation were *** short tons in September 2015 and *** short tons in September 2016.[147] In light of these declines in imports and inventories, and in the absence of any other circumstances indicating that the remedial effect of the antidumping duty order will be seriously undermined, we make a negative critical circumstances determination with regard to subject imports in the antidumping duty investigation.[148]

Countervailing Duty. In its final countervailing duty critical circumstances determination, Commerce determined that critical circumstances exist for imports of subject merchandise from mandatory respondent Ningbo Baoxin and Daming, but do not exist for Taigang and "all other" producers or exporters.[149] The volume of subject imports from entities subject to Commerce's affirmative countervailing duty critical circumstances finding decreased from *** short tons for the six-month pre-petition period to *** short tons for the six-month post-petition period.[150] EOP inventories from China subject to Commerce's affirmative critical circumstance finding were *** short tons in September 2015 and *** short tons in September 2016.[151] In light of these declines in imports and inventories, and in the absence of any other circumstances indicating that the remedial effect of the antidumping duty order will be seriously undermined, we make a negative critical circumstances determination with regard to subject imports in the countervailing duty investigation.[152]

[146] CR/PR at Table IV-5.

[147] CR at IV-12-13, PR at IV-10. The available inventory data are for a longer period and thus may overstate the decline for such inventories, pre- and post-petition.

[148] Petitioners argue that the Commission should use three-month pre- and post-petition periods in its critical circumstances analysis. We observe that our determination would not have differed had we used three-month pre- and post-petition periods. Using those comparison periods shows there was a slight increase in the imports of subject merchandise, however the increase in volume is small, particularly in relation to apparent U.S. consumption of 2.0 million short tons in 2015. Moreover, as observed above, EOP inventories decreased.

[149] 82 Fed. Reg. 9714, 9715.

[150] CR/PR at Table IV-6.

[151] CR at IV-13, PR at IV-10. The available inventory data for this analysis is not limited to inventories for exports from entities subject to Commerce's affirmative countervailing duty critical circumstances determination and involves a longer period. Thus, these data may overstate the decline for such inventories pre- and post-petition. *Id.*

[152] Petitioners argue that the Commission should use three-month pre- and post-petition periods in its critical circumstances analysis. We observe that our determination would not have differed had we used three-month pre- and post-petition periods. Using the three-month comparison period shows that there was a slight decrease in imports of subject merchandise and, as observed above, EOP inventories also decreased.

VI. Conclusion

For the reasons stated above, we determine that an industry in the United States is materially injured by reason of subject imports of stainless steel sheet and strip from China that are sold in the United States at less than fair value and subsidized by the government of China.

PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by AK Steel Corp., West Chester, Ohio ("AK Steel"); Allegheny Ludlum, LLC d/b/a ATI Flat Rolled Products, Pittsburgh, Pennsylvania ("ATI"); North American Stainless, Inc., Ghent, Kentucky ("NAS"); and Outokumpu Stainless USA, LLC, Bannockburn, Illinois, ("Outokumpu"), on February 12, 2016, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value ("LTFV") imports of stainless steel sheet and strip[1] from China. The following tabulation provides information relating to the background of these investigations.[2] [3]

Effective date	Action
February 12, 2016	Petitions filed with Commerce and the Commission; institution of the Commission's investigations (81 FR 8544, February 19, 2016)
March 3, 2016	Commerce's notice of initiation of AD investigation (81 FR 12711, March 10, 2016); Commerce's notice of initiation of CVD investigation (81 FR 13322, March 14, 2016)
March 28, 2016	Commission's preliminary determination
July 18, 2016	Commerce's preliminary CVD determination (81 FR 46643, July 18, 2016) and alignment of final CVD determination with AD determination
September 19, 2016	Commerce's preliminary AD determination (81 FR 64135, September 19, 2016); scheduling of final phase of Commission's investigations (81 FR 69548, October 6, 2016)
January 31, 2016	Commission's hearing
February 8, 2016	Commerce's final CVD determination (82 FR 9714, February 8, 2017) and Commerce's final AD determination (82 FR 9716, February 8, 2017)
March 3, 2017	Commission's vote
March 24, 2017	Commission's views

[1] See the section entitled "The Subject Merchandise" in *Part I* of this report for a complete description of the merchandise subject to these investigations.

[2] Pertinent *Federal Register* notices are referenced in appendix A, and may be found at the Commission's website (www.usitc.gov).

[3] Appendix B presents the list of witnesses appearing at the Commission's hearing.

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

> *shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.*

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--[4]

> *In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.. . .In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.. . . In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to. . . (I) actual and potential decline in output, sales, market share, gross profits, operating profits, net profits, ability to service debt, productivity, return on investments, return on assets, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more*

[4] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

In addition, Section 771(7)(J) of the Act (19 U.S.C. § 1677(7)(J)) provides that—[5]

(J) EFFECT OF PROFITABILITY.—The Commission may not determine that there is no material injury or threat of material injury to an industry in the United States merely because that industry is profitable or because the performance of that industry has recently improved.

Organization of report

Part I of this report presents information on the subject merchandise, subsidy/dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

MARKET SUMMARY

Stainless steel sheet and strip is generally used in automotive parts, pipe and tube, restaurant and food service equipment, appliances, sinks, tanks and pressure vessels, tables, flexible hose, and computer parts. AK Steel, ATI, NAS, and Outokumpu accounted for all U.S. production of stainless steel sheet and strip in 2015. The leading U.S. importers of stainless steel sheet and strip from China are respondents Baosteel America, Inc. ("Baosteel") and TISCO Trading U.S.A., Inc. ("TISCO"). Leading importers of product from nonsubject countries are ***, which imports from ***, and ***, which imports stainless steel sheet and strip from ***. The leading purchasers of stainless steel sheet and strip are processors/service centers, automobile assemblers/suppliers, and distributors. These firms include ***, in order of size.

Apparent U.S. consumption of stainless steel sheet and strip totaled approximately 2.0 million short tons ($4.1 billion) in 2015. The four U.S. producers' U.S. shipments of stainless steel sheet and strip totaled 1.5 million short tons ($3.0 billion) in 2015, and accounted for 77.1

[5] Amended by PL 114-27 (as signed, June 29, 2015), Trade Preferences Extension Act of 2015.

percent of apparent U.S. consumption by quantity and 73.9 percent by value. U.S. imports from China totaled 147,143 short tons ($312 million) in 2015 and accounted for 7.4 percent of apparent U.S. consumption by quantity and 7.6 percent by value. U.S. imports from nonsubject sources totaled 305,534 short tons ($762 million) in 2015 and accounted for 15.5 percent of apparent U.S. consumption by quantity and 18.5 percent by value.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C, table C-1. Except as noted, U.S. industry data are based on questionnaire responses of four firms that accounted for all of U.S. production of stainless steel sheet and strip during 2015. U.S. imports are based on official Commerce statistics, and related information is drawn from the questionnaire responses of 21 firms that in 2015 accounted for 67.6 percent of U.S. imports of stainless steel sheet and strip from China, 46.4 percent from nonsubject sources, and 53.3 percent of total imports. Information on the industry that produces stainless steel sheet and strip in China is based questionnaire responses from seven foreign producers in China and publicly available data. In 2015, the seven responding Chinese producers accounted for approximately *** percent of Chinese stainless steel sheet and strip production capacity[6] and 58.6 percent of U.S. imports of stainless steel sheet and strip from China in 2015.

PREVIOUS AND RELATED INVESTIGATIONS

Stainless steel sheet and strip has been the subject of prior antidumping, countervailing duty, and safeguard investigations in the United States. The most recent investigations took place in 1998 and resulted in antidumping and countervailing duty orders on U.S. imports of stainless steel sheet and strip in coils from France, Germany, Italy, Japan, Korea, Mexico, Taiwan, and the United Kingdom.[7] The Commission conducted its most recent reviews on a number of these orders in 2011[8] and determined that revocation of the antidumping duty

[6] In 2015, the seven responding Chinese producers reported total capacity of 5.4 million short tons whereas ***. Petitioners' postconference brief, exh. 7, ***.

[7] *Certain Stainless Steel Sheet and Strip from France, Germany, Italy, Japan, The Republic of Korea, Mexico, Taiwan, and The United Kingdom, Investigation Nos. 701-TA-380-382 and 731-TA-797-804 (Final)*, USITC Publication 3208, July 1999, pp. 15 and 17. Subject imports from the eight countries accounted for 15.9 percent of apparent consumption in 1998, and undersold comparable domestic product in 61.0 percent of quarterly price comparisions.

[8] By 2011, Commerce had revoked the countervailing duty order on stainless steel sheet and strip from France and the Commission, in its first reviews, had determined that revocation of the antidumping duty orders on stainless steel sheet and strip from France and the United Kingdom would not be likely to lead to continuation or recurrence of material injury. *Stainless Steel Sheet and Strip in Coils From France: Notice of Amended Final Determination Pursuant to Final Court Decision and Revocation of Order*, 69 FR 53415, September 1, 2004; *Certain Stainless Steel Sheet and Strip from*

(*continued*...)

orders on stainless steel sheet and strip in coils from Germany, Italy, and Mexico would not be likely to lead to continuation or recurrence of material injury to an industry in the United States.[9] Orders on U.S. imports of stainless steel sheet and strip in coils from Japan, Korea, and Taiwan are still in place and the Commission voted in June 2016 to conduct full five-year reviews of these orders.[10] Table I-1 presents the prior Commission investigations on stainless steel sheet and strip.

Table I-1

Stainless steel sheet and strip: Previous Commission investigations

Item/sources	Inv. No.	Year	Report No.	Action/status
Stainless steel sheet and strip, cold-rolled, from France	AD-126	1973	TC 615	Negative
Stainless steel and alloy tool steel	TA-201-5	1976	USITC 756	3-year VRA (6/14/76-6/13/79)
Stainless steel and alloy tool steel	TA-203-3	1977	USITC 838	Probable economic effect if the relief provided by Presidential Proclamation 4445, as modified by Proclamation 4477, were to be reduced or revoked
Stainless steel and alloy tool steel	TA-201-48	1983	USITC 1377	4-year import relief (quotas and tariffs)
Stainless steel sheet and strip from Germany	731-TA-92	1983	USITC 1391	Affirmative Order date: 6/23/83 Revocation date: 8/11/86
Stainless steel sheet and strip from France	731-TA-95	1983	USITC 1391	Affirmative Order date: 6/22/83 Revocation date: 8/11/86
Stainless steel sheet and strip from the United Kingdom	701-TA-195	1983	USITC 1391	Negative
Stainless steel sheet and strip, cold-rolled, from Spain	731-TA-164	1984	USITC 1593	Negative
Stainless steel sheet and strip from France	701-TA-380	1998	USITC 3208	Affirmative Order date: 8/6/99 Revocation date: 8/4/05
Stainless steel sheet and strip from France	731-TA-797	1998	USITC 3208	Affirmative Order date: 7/27/99 Revocation date: 8/4/05
Stainless steel sheet and strip from Germany	731-TA-798	1998	USITC 3208	Affirmative Order date: 8/6/99 Revocation date: 7/25/11
Stainless steel sheet and strip from Italy	701-TA-381	1998	USITC 3208	Affirmative Order date: 7/27/99 Revocation date: 3/28/06
Stainless steel sheet and strip from Italy	731-TA-799	1998	USITC 3208	Affirmative Order date: 7/27/99 Revocation date: 7/25/11

Table continued on next page.

(…*continued*)

France, Germany, Italy, Japan, Korea, Mexico, Taiwan, and The United Kingdom, Inv. Nos. 701-TA-381-382 and 731-TA-797-804 (Review), USITC Publication 3788, July 2005.

[9] *Stainless Steel Sheet and Strip from Germany, Italy, Japan, Korea, Mexico, Taiwan, Inv. Nos. 701-TA-382 and 731-TA-798-803 (Second Review)*, USITC Publication 4244, July 2011.

[10] *Stainless Steel Sheet and Strip From Japan, Korea, and Taiwan; Notice of Commission Determination To Conduct Full Five-Year Reviews*, 81 FR 71533, October 17, 2016.

Table I-1--Continued

Stainless steel sheet and strip: Previous Commission investigations

Item/sources	Inv. No.	Year	Report No.	Action/status
Stainless steel sheet and strip from Japan	731-TA-800	1998	USITC 3208	Affirmative Order date: 7/27/99 Order in place; continued 8/11/11
Stainless steel sheet and strip from Korea	701-TA-382	1998	USITC 3208	Affirmative Order date: 8/6/99 Order in place; continued 8/11/11
Stainless steel sheet and strip from Korea	731-TA-801	1998	USITC 3208	Affirmative Order date: 7/27/99 Order in place; continued 8/11/11
Stainless steel sheet and strip from Mexico	731-TA-802	1998	USITC 3208	Affirmative Order date: 7/27/99 Revocation date: 7/25/11
Stainless steel sheet and strip from Taiwan	731-TA-803	1998	USITC 3208	Affirmative Order date: 7/27/99 Order in place; continued 8/11/11
Stainless steel sheet and strip from the United Kingdom	731-TA-804	1998	USITC 3208	Affirmative Order date: 7/27/99 Revocation date: 8/4/05

Note.--Shaded rows indicate antidumping or countervailing duty orders currently in place.

Source: U.S. International Trade Commission publications.

NATURE AND EXTENT OF SUBSIDIES AND SALES AT LTFV

Subsidies

On February 8, 2017, Commerce published a notice in the *Federal Register* of its final determination of countervailable subsidies for producers and exporters of product from China.[11] Table I-2 presents Commerce's findings of subsidization of stainless steel sheet and strip in China. The following programs in China were found to be countervailable.[12]

1. Policy loans to the stainless steel sheet and strip industry
2. Export buyer's credits
3. Export seller's credits from state-owned banks
4. Enterprise income tax law, R&D program
5. Import tariff and VAT exemptions for foreign invested enterprises and certain domestic enterprises using imported equipment in encouraged industries

[11] *Countervailing Duty Investigation of Stainless Steel Sheet and Strip From the People's Republic of China: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination, in Part*, 82 FR 9714, February 8, 2017.

[12] United States Department of Commerce, International Trade Administration, *Issues and Decision Memorandum for the Final Determination in the Countervailing Duty Investigation of Stainless Steel Sheet and Strip from the People's Republic of China*, February 1, 2017.

6. Deed tax exemption for state-owned enterprises undergoing mergers or restructuring
7. Provision of good for less than adequate remuneration
8. Grants for energy conservation and emission reduction
9. Grants for retirement of capacity
10. Export assistance grants
11. Other unreported subsides to TISCO

Table I-2
Stainless steel sheet and strip: Commerce's subsidy determination with respect to imports from China

Entity	Countervailable subsidy margin (*percent*)
Shanxi Taigang Stainless Steel Co. Ltd	75.60
Ningbo Baoxin Stainless Steel Co., Ltd., Baosteel Stainless Steel Co. Ltd., Baoshan Iron & Steel Co., Ltd., Baosteel Desheng Stainless Steel Co., Ltd., Baosteel Co., Ltd., Bayi Iron & Steel Co., Ltd., Ningbo Iron & Steel Co., Ltd., Shaoguan Iron & Steel Co., Ltd., Guangdong Shaoguan Iron & Steel Co., Ltd., and Zhanjiang Iron & Steel Co., Ltd	190.71
Daming International Import Export Co. Ltd. and Tianjin Taigang Daming Metal Product Co., Ltd	190.71
All others	75.60

Source: 82 FR 9714, February 8, 2017.

Sales at LTFV

On February 8, 2017, Commerce published a notice in the *Federal Register* of its determination of sales at LTFV with respect to imports from China.[13] Table I-3 present Commerce's dumping margins with respect to imports of product from China.

[13] *Antidumping Duty Investigation of Stainless Steel Sheet and Strip From the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, 82 FR 9716, February 8, 2017.

Table I-3
Stainless steel sheet and strip: Commerce's weighted-average LTFV margins with respect to imports from China

Exporter	Producer	Dumping margin (*percent*)
Taiyuan Ridetaixing Precision Stainless Steel Incorporated Co., Ltd.	Taiyuan Ridetaixing Precision Stainless Steel Incorporated Co., Ltd.	63.86
Zhangjiagang Pohang Stainless Steel Co., Ltd	Zhangjiagang Pohang Stainless Steel Co., Ltd	63.86
PRC-Wide Entity	PRC-Wide Entity	76.64

Source: 82 FR 9716, February 8, 2017.

THE SUBJECT MERCHANDISE

Commerce's scope

Commerce has defined the scope of these investigations as follows:

> *The merchandise covered by this investigation is stainless steel sheet and strip, whether in coils or straight lengths. Stainless steel is an alloy steel containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. The subject sheet and strip is a flatrolled product with a width that is greater than 9.5 mm and with a thickness of 0.3048 mm and greater but less than 4.75 mm, and that is annealed or otherwise heat treated, and pickled or otherwise descaled. The subject sheet and strip may also be further processed (e.g., cold-rolled, annealed, tempered, polished, aluminized, coated, painted, varnished, trimmed, cut, punched, or slit, etc.) provided that it maintains the specific dimensions of sheet and strip set forth above following such processing. The products described include products regardless of shape, and include products of either rectangular or non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process, i.e., products which have been ''worked after rolling'' (e.g., products which have been beveled or rounded at the edges).*
> *For purposes of the width and thickness requirements referenced above: (1) Where the nominal and actual measurements vary, a product is within the scope if application of either the nominal or actual measurement would place it within the scope based on the definitions set forth above; and (2) where the width and thickness vary for a specific product (e.g., the thickness of certain products with non-rectangular cross-section, the width of certain products with nonrectangular shape, etc.), the measurement at its greatest width or thickness applies. All products that meet the written physical description, and in which the chemistry quantities do not exceed any one of the noted element levels listed above, are within the scope of this investigation unless specifically excluded.*

Subject merchandise includes stainless steel sheet and strip that has been further processed in a third country, including but not limited to cold-rolling, annealing, tempering, polishing, aluminizing, coating, painting, varnishing, trimming, cutting, punching, and/or slitting, or any other processing that would not otherwise remove the merchandise from the scope of the investigation if performed in the country of manufacture of the stainless steel sheet and strip. Excluded from the scope of this investigation are the following: (1) Sheet and strip that is not annealed or otherwise heat treated and not pickled or otherwise descaled; (2) plate (i.e., flat-rolled stainless steel products of a thickness of 4.75 mm or more); and (3) flat wire (i.e., cold-rolled sections, with a mill edge, rectangular in shape, of a width of not more than 9.5 mm).

The products under investigation are currently classifiable under Harmonized Tariff Schedule of the United States (HTSUS) subheadings 7219.13.0031, 7219.13.0051, 7219.13.0071, 7219.13.0081, 7219.14.0030, 7219.14.0065, 7219.14.0090, 7219.23.0030, 7219.23.0060, 7219.24.0030, 7219.24.0060, 7219.32.0005, 7219.32.0020, 7219.32.0025, 7219.32.0035, 7219.32.0036, 7219.32.0038, 7219.32.0042, 7219.32.0044, 7219.32.0045, 7219.32.0060, 7219.33.0005, 7219.33.0020, 7219.33.0025, 7219.33.0035, 7219.33.0036, 7219.33.0038, 7219.33.0042, 7219.33.0044, 7219.33.0045, 7219.33.0070, 7219.33.0080, 7219.34.0005, 7219.34.0020, 7219.34.0025, 7219.34.0030, 7219.34.0035, 7219.34.0050, 7219.35.0005, 7219.35.0015, 7219.35.0030, 7219.35.0035, 7219.35.0050, 7219.90.0010, 7219.90.0020, 7219.90.0025, 7219.90.0060, 7219.90.0080, 7220.12.1000, 7220.12.5000, 7220.20.1010, 7220.20.1015, 7220.20.1060, 7220.20.1080, 7220.20.6005, 7220.20.6010, 7220.20.6015, 7220.20.6060, 7220.20.6080, 7220.20.7005, 7220.20.7010, 7220.20.7015, 7220.20.7060, 7220.20.7080, 7220.90.0010, 7220.90.0015, 7220.90.0060, and 7220.90.0080.

Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this proceeding is dispositive. [14]

[14] *Countervailing Duty Investigation of Stainless Steel Sheet and Strip From the People's Republic of China: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination, in Part*, 82 FR 9714, February 8, 2017 and *Antidumping Duty Investigation of Stainless Steel Sheet and Strip* (*continued*...)

Tariff treatment

Based upon the scope set forth by the Department of Commerce, information available to the Commission indicates that the merchandise subject to these investigations is imported under the following provisions of the 2016 Harmonized Tariff Schedule of the United States ("HTSUS"):

7219.13.0031, 7219.13.0051, 7219.13.0071, 7219.13.0081, 7219.14.0030, 7219.14.0065, 7219.14.0090, 7219.23.0030, 7219.23.0060, 7219.24.0030, 7219.24.0060, 7219.32.0005, 7219.32.0020, 7219.32.0025, 7219.32.0035, 7219.32.0036, 7219.32.0038, 7219.32.0042, 7219.32.0044, 7219.32.0045, 7219.32.0060, 7219.33.0005, 7219.33.0020, 7219.33.0025, 7219.33.0035, 7219.33.0036, 7219.33.0038, 7219.33.0042, 7219.33.0044, 7219.33.0045, 7219.33.0070, 7219.33.0080, 7219.34.0005, 7219.34.0020, 7219.34.0025, 7219.34.0030, 7219.34.0035, 7219.34.0050, 7219.35.0005, 7219.35.0015, 7219.35.0030, 7219.35.0035, 7219.35.0050, 7219.90.0010, 7219.90.0020, 7219.90.0025, 7219.90.0060, 7219.90.0080, 7220.12.1000, 7220.12.5000, 7220.20.1010, 7220.20.1015, 7220.20.1060, 7220.20.1080, 7220.20.6005, 7220.20.6010, 7220.20.6015, 7220.20.6060, 7220.20.6080, 7220.20.7005, 7220.20.7010, 7220.20.7015, 7220.20.7060, 7220.20.7080, 7220.90.0010, 7220.90.0015, 7220.90.0060, and 7220.90.0080.

Decisions on the tariff classification and treatment of imported goods are within the authority of U.S. Customs and Border Protection. The general rate of duty is "free."

THE PRODUCT

Description and applications[15]

The stainless steel sheet and strip subject to these investigations are flat-rolled stainless steel products, less than 4.75 mm in thickness, at least 0.3048 mm in thickness, at least 9.5 mm

(…*continued*)
From the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances, 82 FR 9716, February 8, 2017.

[15] Unless otherwise noted, information in this section was obtained from *Stainless Steel Sheet and Strip from Germany, Italy, Japan, Korea, Mexico, and Taiwan, Inv. Nos. 701-TA-382 and 731-TA-798-803 (Second Review)*, USITC Publication 4244, July 2011, pp. I-24—I-27.

in width, that are annealed (heat-treated) and pickled (subjected to an acid rinse to remove surface scale).[16]

Sheet and strip are distinguished from one another by width. Sheet is 24 inches or greater in width; strip is less than 24 inches in width (table I-4). Stainless steel is a low carbon steel which contains 10.5 percent or more chromium by weight. The addition of chromium gives the steel its corrosion resisting properties. Other alloying elements can be added to impart various characteristics, but all stainless steels contain chromium at a minimum.

Table I-4
Stainless steel flat products: Various forms and their definitions

Item	Definition	Relation to product scope
Sheet	Under 3/16 inches (4.75 mm) in thickness and 24 inches (610 mm) and over in width.	Sheet is within the product scope if it is of a thickness of at least 0.3048 mm.
Strip	Under 3/16 inches (4.75 mm) in thickness and is under 24 inches (610 mm) in width.	Strip is within the product scope if it is of a thickness of at least 0.3048 mm (0.012 inches) and a width of a least 9.5 mm (0.374 inches).
Foil	Maximum width of .005 inches.	Foil is outside the product scope.
Plate	More than ten inches (254 mm) wide with a thickness ranging from 3/16 of an inch (4.75 mm) and over.	Plate is outside of the product scope.

Source: Specialty Steel Industry of North America, "Stainless Steel Overview: Definition of Terms," http://www.ssina.com/overview/glossary.html, retrieved February 7, 2017.

There are many different stainless steel alloys, each with its own characteristics. The broad metallurgical groupings are austenitic, ferritic, martensitic, precipitation-hardening, and duplex (table I-5). The precipitation-hardening and duplex types are less widely used than the others. Each alloying element imparts certain characteristics to the steel (table I-6). The most commonly used stainless steels are grades 304 and 316.[17]

[16] Hot-rolled black band ("HRB"), the intermediate stainless flat-rolled product produced after stainless steel slab is rolled but before the rolled material is annealed and pickled, is not within the product scope.

[17] Specialty Steel Industry of North America , "Stainless Steel Overview: Alloy Classifications," http://www.ssina.com/overview/alloy-families.html ,retrieved February 7, 2017.

Table I-5

Stainless steel: Stainless steel classes and their most important grades

Class	Composition	Characteristics	Common applications
Austenitic	Iron-Chromium-Manganese-small amounts of nickel Series 200 grades – these grades have higher levels of manganese and much lower levels of nickel than the series 300 grades. These grades substitute manganese for some of the nickel compared to series 300 stainless steels. Iron-Chromium-Nickel (series 300 grades) Molybdenum is added to some grades for additional resistance to chlorides. In some alloys, nitrogen may be added to improve strength and corrosion resistance **Commonly used grades:** 300-series grades; 301, 304, and 316. Grades 304 and 316 are the most widely-used stainless steel grades.	Excellent corrosion resistance Non-magnetic Good high and low temperature mechanical properties Excellent formability and weldability All common finishes can be applied	Cookware, Flatware, automotive wiper arms, Hardware, hinges, entry doors, chemical processing equipment, storage tanks, chemical transportation tanks, food processing equipment, oil refining equipment
Ferritic	Iron-Chromium **Commonly used grades:** 409 and 430	Good corrosion resistance Magnetic Limited temperature use Can be polished	Automotive exhaust systems, fins for heater tubes, smoke control ductwork, transformer and capacitor cases, architectural applications (interior), automotive trim, cooking utensils, food processing equipment
Martensitic	Iron-Chromium-Carbon **Commonly used grades:** 410, 420 and 440	Adequate corrosion resistance Magnetic Somewhat limited temperature use Limited weldability	Fasteners, pump shafts, turbine blades, surgical instruments, cutlery
Precipitation Hardening Steels	Iron-Chromium-Nickel Some grades may contain other elements such as molybdenum, aluminum, copper, rare earth elements and nitrogen.	Good corrosion resistance Characterized by ease of fabrication	Valves, gears, and petrochemical equipment
Duplex	Iron-Chromium-Nickel-Nitrogen Combine both the austenitic and ferritic metallurgical structures Some grades also contain molybdenum	Magnetic Offer increased tensile and yield strength over the other categories More resistant to stress corrosion cracking than austenitic, yet tougher than ferritic alloys.	Pipelines, pressure shafting, structural components, and industrial tanks

Source: Special Steel Industry of North America, "Stainless Steel Overview: Alloy Classifications," http://www.ssina.com/overview/alloy-families.html, "Stainless Steel Overview: Applications," http://www.ssina.com/overview/sheetstrip.html, retrieved February 7, 2017.

Table I-6

Stainless steel sheet and strip: Properties imparted by common alloying elements

Alloying element	Properties imparted
Chromium	-Resists rust
Nickel	-Increases ductility -Increases toughness -Increases corrosion resistance to acids -Creates non-magnetic structure
Molybdenum	-Increases pitting and crevice corrosion resistance -Increases resistance to chlorides
Manganese	-Substitutes for nickel is some grades
Nitrogen	-Increases strength and corrosion resistance in austenitic and duplex steels
Carbon	-Usually kept low. Used in martensitic grades to increase strength and hardness.

Source: Special Steel Industry of North America, "Stainless Steel Overview: Alloying Elements Summary," http://www.ssina.com/overview/alloyelements_summary.html, retrieved February 7, 2017.

Many consumer and industrial applications utilize stainless steel sheet and strip products, especially where corrosion resistance, heat resistance, or stainless steel's aesthetic characteristics are desired. For example, the automotive industry uses sheet and strip to manufacture trim, exhaust- and emission-control systems, and wheel covers. The pipe and tube industry uses slit coil as its raw material and produces pipes and tubes by welding the lengthwise edges together. Sheet and strip are also used by the chemical and construction industries, as well as by appliance and industrial equipment manufacturers, among many other applications.

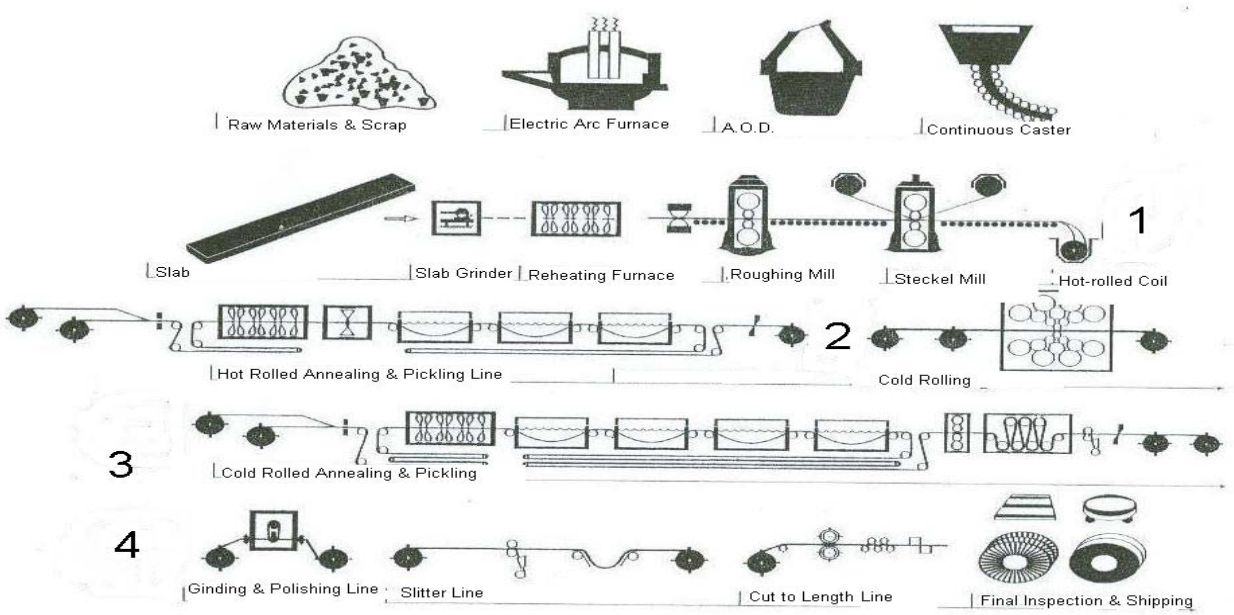
Manufacturing processes[18]

The basic steps in stainless steel sheet and strip production regardless of grade or final width and thickness are: (1) stainless steel production; (2) the casting of slabs, a semifinished flat-rolled product; (3) hot-rolling the slabs; and, if specified, (4) cold-rolling the hot-rolled products; and, if specified (5) finishing (figure 1-1). U.S. producers perform all of these steps.[19]

[18] Unless otherwise noted, information in this section was obtained from *Stainless Steel Sheet and Strip from Germany, Italy, Japan, Korea, Mexico, and Taiwan, Inv. Nos. 701-TA-382 and 731-TA-798-803 (Second Review)*, USITC Publication 4244, July 2011, pp. I-27—I-32.

[19] Certain firms do not make their own stainless steel but rather acquire a stainless steel flat-rolled input from another company and re-roll the material to produce a flat-rolled product. In the United States, re-rollers typically acquire a product within the scope of these investigations and roll it to a thickness below 0.3048 mm, converting the material to a product outside the scope of these investigations. Little, if any, of their production is believed to be within the scope of these investigations. Conference transcript, p. 79 (Hartford).

Figure I-1
Stainless steel sheet and strip: Production process



1 Stainless steel coil at this point is not yet annealed and pickled. The coil at this point is hot-rolled black band and is not within the product scope.
2 After the stainless steel is hot-rolled annealed and pickled it is within the product scope. The product at this stage is also known as white band. Stainless steel coil can be sold at this point, be moved to finishing operations such as slitting, cut to length, or continue in the process to cold rolling. The majority of stainless steel sheet and strip continues processing through the cold-rolled stage.
3 If bright annealing is required, it takes place at this stage instead of the usual pickling and annealing. With bright annealing the pickling step is eliminated.
4 If desired, the coil can undergo finishing operations.

Source: North American Stainless, *Flat Products Brochure*, p. 14, modified by Commission staff, http://www.northamericanstainless.com/flat-products/, retrieved February 7, 2017.

Stainless steel production

Mills produce stainless steel by melting stainless or other steel scrap and alloying elements such as chromium, nickel, and molybdenum (depending on the stainless steel grade) in an electric arc furnace. The resultant liquid steel is tapped into a furnace ladle and transferred to an argon-oxygen decarburization ("AOD") vessel for further refinement (also known as secondary steelmaking) in which oxygen, gradually replaced by argon, is blown through the molten steel, to eliminate impurities.[20] Secondary steelmaking requires frequent

[20] An alternate method of removing impurities from molten stainless steel is to use vacuum oxygen decarburization ("VOD"), in which the molten metal is placed in a vacuum while oxygen is bubbled through it.

testing to determine the precise amount of ferroalloys to be added in order to produce steel with specific properties according to end-use applications. The quantity and composition of inputs is particularly important in the production of stainless steel as raw materials such as scrap and the alloying elements nickel, molybdenum, and chromium account for the majority of the total cost. After achieving the desired chemical composition, the molten stainless steel is transferred in a preheated transfer ladle to the continuous slab caster for solidification into slabs, the wide semifinished products from which flat-rolled products are rolled.

Slab casting

The molten stainless steel is poured into a tundish (reservoir dam) which controls the flow into the top of the mold of the continuous casting machine. Solid surfaces form as the molten stainless steel passes through and out the open bottom of the mold, and the slab solidifies as it slowly descends through the caster. The resulting slabs are generally 5 to 8 inches thick and up to 100 inches wide, depending on mill capability and the flat-rolled product that will be produced from the slab. The continuous slab is cut into lengths of up to about 35 feet for further processing. The length is limited by the mill's reheating and/or rolling capability. The slab is then inspected and conditioned by grinding the surface to remove scale and defects, in preparation for rolling in coil form on the hot-strip mill. Before it enters the rolling mill, the slab is charged in a gas-fired reheating furnace to a rolling temperature of 2,250-2,300 degrees Fahrenheit. After reaching the appropriate temperature, the slab exits the furnace and enters the hot-strip mill.

Hot rolling the slabs

For a mill designed primarily to produce stainless steel, the roughing mill is generally a reversing mill in which the slabs are rolled to a thickness of about 1 inch in a succession of rolling passes. The finishing mill is either a reversing mill of the Steckel type, which is equipped to coil the bands after each pass in order to conserve space and temperature, or a continuous mill made up of a series of individual roll stands that may be hundreds of yards long and with the bands passing continuously through the stands in one direction only.[21] The bands continue on to a coiler, where they are wrapped into coils. The coils (whether destined to become sheet or strip) are called hot-rolled black (HRB) bands, due to the surface layer of dark-colored oxide formed as a result of exposure to oxygen at high temperatures.

[21] Because the slabs are fed into the mill at an elevated temperature, the mill is known as a "hot-strip mill."

Annealing

The rolling process creates internal stresses and hardens the steel. Annealing, a form of heat treatment, relieves the stresses and softens the steel. Therefore, after cooling, the hot-rolled black band passes through a continuous furnace in which it is heated to annealing temperatures, about 2,000 degrees Fahrenheit depending on the stainless steel grade, and then quickly cooled. The heat treatment creates a dark colored oxide scale on the surface of the steel. The band next passes through a grit-blasting machine in which the scale from the hot mill and the annealing furnace is broken up by using small particles of steel grit thrown at high speed by centrifugal wheels.

Pickling

After annealing and grit blasting, the band undergoes pickling, to remove the dark oxide scale and surface defects, and to impart corrosion resistance. The band passes through pickling tanks which usually contain mixtures of nitric and hydrofluoric acids to descale the steel,[22] followed by a water rinse. Annealing and pickling are usually performed on a continuous process line, although they can be performed in separate units. The product at this point is considered white coil or white band, or hot-rolled annealed and pickled ("HRAP") coil or HRAP band, and can be shipped in this condition.

Cold rolling

Cold-rolled stainless sheet and strip is manufactured by transferring HRAP coil to a cold-rolling mill to reduce the product's thickness by 10 to 95 percent. Depending on the desired thickness of the end product, multiple passes through the cold-rolling mill may be required to achieve the necessary reduction. As in hot-rolling, the material hardens after a certain amount of cold-rolling. Further cold-rolling becomes difficult at this point so annealing (to soften the material) and pickling, several times may be necessary to achieve the desired final thickness. The final product is considered cold-rolled, annealed, and pickled coil. The large majority of stainless steel sheet and strip is sold as cold-rolled product.[23] If specified, after cold rolling the coil can be bright annealed. In bright annealing, the coil is placed in a special furnace that heats the coil in an oxygen-free reducing atmosphere. Bright annealing does not create the dark oxide

[22] The European Stainless Steel Development Association, *Pickling and Passivating Stainless Steel,* second edition 2007, p. 3, http://www.worldstainless.org/process_and_production/surface_treatment, retrieved February 16, 2017.

[23] The 2015 share of total U.S. stainless steel sheet and strip production accounted for by cold-rolled stainless steel sheet and strip was 93.0 percent. *See* tables III-3, III-4 and III-5.

scale on the coil and so the pickling step is unnecessary. This type of annealing produces a mirror-like appearance and is often used when a highly reflective surface is desired.[24]

Finishing

Stainless steel sheet and strip may undergo additional finishing operations. For example, once the final anneal/pickle/cold-roll sequence is complete, the steel may undergo a temper roll (skin pass) to improve surface condition. However, this step does not involve any further thickness reduction in the material. A finish may also be applied to the product. As shown in table I-7, stainless steel sheet and strip are available in a number of finishes, including "rolled-on" embossing, etching, special surface mechanical treatment to provide, for example, perforations, electromechanical coloring and plating.[25]

Table I-7

Stainless steel sheet and strip: Standard finishes

Finish designator	Description
No. 1	Rough, dull finish that results from hot rolling
No. 2B	Bright finish with some reflectivity. It is a general purpose finish used as is, or it is used as a basis for subsequent polished finishes.
No. 2D	Dull finish generally used where the surface appearance is of little concern.
Bright Annealed (BA or 2BA)	Mirror like appearance but may have some cloudiness and other imperfections. A finish that is designated "BA" has only been bright annealed. A finish that is designated "2BA" has been bright annealed and then passed between highly polished rolls. A minimal amount of roll pressure (skin pass) is applied. The process improves flatness and finish uniformity but does not significantly decrease thickness. Bright annealed stainless is sometimes buffed to attain a more mirror-like finish.
No. 4	Polished bright surface with reasonable reflectivity, although it contains visible "grit lines" which prevent mirror reflection.
No. 6	Dull satin finish with less reflectivity than a No. 4.
No. 7	Highly reflective surface finish but still maintains some light "grit" lines.
No. 8	Reflective standard finish with a mirror-like reflectivity

Source: Specialty Steel Industry of North America, *Designer Handbook: Stainless Steel Primer*, p. 2, http://www.ssina.com/publications/primer.html, retrieved February 7, 2017.

[24] NAS invested in a bright anneal furnace in order to offer their customers a product not currently produced by the company in products such as automotive trim and appliances. The furnace is scheduled to be completed in March 2017. Conference transcript, pp. 50, 93-94 (Lyons), petitioners' postconference brief, exh. 21.

[25] Specialty Steel Industry of North America, *Designer Handbook: Special Finishes for Stainless Steel*, http://www.ssina.com/publications/spe_fin.html, retrieved February 7, 2016.

Sheet and strip may also be edge-trimmed, slit, or cut-to-length. Edge condition is often more important for strip than for sheet. Strip is produced with various edge specifications: (1) mill edge (as produced, condition unspecified); (2) No. 1 edge (edge-rolled, rounded, or square); (3) No. 3 edge (as-slit); or (4) No. 5 edge (square edge produced by rolling or filing after slitting). Mill edge is the least expensive edge condition and is adequate for many purposes. No. 1 edge provides improved width tolerance over mill edge plus a cold-rolled edge condition; rounded edges are preferred for applications requiring the lowest degree of stress concentration at corners. No. 3 and No. 5 edges give progressively better width tolerance and squareness over No. 1 edge.[26] Cut-to-length sheet and strip produced from coiled sheet and strip is made by placing the coil in a cut-to-length line which unrolls the coil, levels and then cuts it to desired length.

DOMESTIC LIKE PRODUCT ISSUES

In the preliminary phase of these investigations, petitioners argued that the Commission should find one domestic like product that is co-extensive with the scope of the investigations as defined by Commerce.[27] Respondents stated that for purposes of the preliminary investigations, they did not dispute the definition of the domestic like product as proposed by the petitioners.[28] In its preliminary determination, the Commission found a singled domestic like products, consisting of stainless steel sheet and strip, that is co-extensive with Commerce's scope definition.[29] Neither petitioners nor respondents commented on the definition of the domestic like product in their comments on draft Commission questionnaires.[30] In the final phase of these investigations, petitioners reiterate that Commission should find one domestic like product that is co-extensive with the scope of the investigations as defined by Commerce[31] and respondents do not oppose the definition of the domestic like product as proposed by the petitioners.[32]

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[26] ASM International*, ASM Specialty Handbook: Stainless Steels*, p. 39, 1994.

[27] Petition, pp. 11-12; petitioners' postconference brief, pp. 2-5.

[28] Conference transcript, p. 118 (Neely).

[29] *Stainless Steel Sheet and Strip from China, Inv. Nos. 701-TA-557 and 731-TA-1312 (Preliminary)*, USITC Publication 4603, April 2016, p. 8.

[30] Petitioners' Comments on Draft Questionnaires, October 14, 2016 and Respondents' Comments on Draft Questionnaires, October 14, 2016.

[31] Petitioners' prehearing brief, pp. 4-5.

[32] Respondents' prehearing brief, p. 4.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

U.S. MARKET CHARACTERISTICS

Stainless steel sheet and strip is an input used in a variety of consumer and industrial applications, including automotive parts, pipe and tube, food service equipment, kitchen equipment and appliances, and tanks and pressure vessels. The most commonly used stainless steels are grades 304 and 316.[1] Demand for stainless steel sheet and strip is driven largely by demand in these industries, as well as overall economic conditions. Apparent U.S. consumption of stainless steel sheet and strip, by quantity, was 4.5 percent higher in 2015 than in 2013; apparent U.S. consumption during January-September 2016 was 7.6 percent higher than January-September 2015.

U.S. PURCHASERS

The Commission received 34 usable questionnaire responses from firms that purchased stainless steel sheet and strip since January 2013.[2] [3] Seventeen of 33 responding purchaser identified as distributors, 10 are processors/service centers, 7 are automotive assemblers/suppliers, 1 is a consumer appliance producer, 1 is a tubular products producer, and 6 describe themselves as other types of purchasers (e.g., an embosser, a manufacturer of fabricated metal products, a manufacturer of commercial washroom equipment, an appliance component producer, a semi-trailer producer, and a *** vacuum manufacturer). In general, responding U.S. purchasers are located in the Midwest, the Pacific Coast, and the Northeast region. Responding purchasers represented firms in a variety of domestic industries, including automotive, household and commercial appliances, construction, electrical equipment, food processing, the medical industry, oil and gas, and fabricated metals and embossed stainless steel. The largest purchasers of stainless steel sheet and strip were ***, in order of size.

Purchasers reported purchasing multiple grades of stainless steel sheet and strip since January 1, 2013. The majority of purchasers (30 of 34) reported purchasing grade 304; 26 purchasers reported purchasing grade 430; 23 purchasers reported purchasing grade 316; 18 purchasers reported purchasing grade 409; 17 purchasers reported purchasing grade 201; and 22 purchasers reported purchasing other grades.[4] Of the seven automotive

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[1] Stainless steel is a series of different alloy compositions designed to provide specific properties and designed for different applications. There are over 150 different stainless steel grades, but about 15 or so are the most commonly used. Specialty Steel Industry of North America, "Stainless Steel Overview: Alloy Classifications," retrieved January 9, 2017.

[2] Four purchasers submitted importer questionnaire responses as well.

[3] Of the 34 responding purchasers, 31 purchased the domestic stainless steel sheet and strip, 20 purchased imports of the subject merchandise from China, and 25 purchased imports of stainless steel sheet and strip from other sources.

[4] The one consumer appliance producer purchased grades 304, 409, and other grades. The one tubular products producer reported purchasing grades 409, 430, and other grades.

assemblers/suppliers, all seven purchased grade 304, five purchased grade 409, and six purchased other grades. Distributors reported purchasing all grades of stainless steel sheet and strip.

Fifteen of 25 responding purchasers reported that they did not compete for sales with their suppliers, but 10 did,[5] citing mills' direct competition with service centers. Purchaser *** reported that NAS, AK Steel, Outokumpu, ATI, and foreign suppliers all sell direct through service centers. Purchaser ***, a processor/service center, reported competing for business with Outokumpu, AK Steel, and ATI. It stated that its customers make trade-offs, either purchasing at a higher price from a service center which manages their inventory, or buying directly from the mill at lower prices with required large quantities and "poor delivery." Purchaser *** reported competing with its suppliers for larger volume sales to OEM manufacturers in food service, construction, or transportation sectors.

CHANNELS OF DISTRIBUTION

Both U.S. producers and importers sell stainless steel sheet and strip primarily to distributors, as shown in table II-1. All four U.S. producers sold to both distributors and end users, whereas only three of ten responding importers, ***, sold a combined equivalent of 1.2 percent or less to end users.

Table II-1
Stainless steel sheet and strip: U.S. producers' and importers' U.S. commercial shipments, by sources and channels of distribution, 2013-15, January-September 2015, and January-September 2016

Item	Period				
	Calendar year			January-September	
	2013	2014	2015	2015	2016
	Share of reported shipments (*percent*)				
U.S. producers' U.S. commercial shipments:					
Distributors	56.5	57.2	54.1	55.0	59.0
End users	43.5	42.8	45.9	45.0	41.0
U.S. importers' U.S. commercial shipments of stainless steel sheet and strip from China:					
Distributors	98.8	99.1	98.8	98.9	98.0
End users	1.2	0.9	1.2	1.1	2.0
U.S. importers' U.S. commercial shipments of stainless steel sheet and strip from all other countries:					
Distributors	88.1	86.7	94.0	81.2	83.5
End users	11.9	13.3	6.0	18.8	16.5

Source: Compiled from data submitted in response to Commission questionnaires.

[5] Of these 10 purchasers that indicated that they compete with their suppliers, nine were distributors.

GEOGRAPHIC DISTRIBUTION

All four U.S. producers reported selling stainless steel sheet and strip to all regions in the contiguous United States (table II-2). At least one importer was reported to be selling to each U.S. region; however, only 5 of 15 importers reported selling to all regions. For U.S. producers, 8.9 percent of sales were within 100 miles of their production facility, 78.5 percent were between 101 and 1,000 miles, and 12.5 percent were over 1,000 miles. Importers sold 28.2 percent within 100 miles of their U.S. point of shipment, 68.6 percent between 101 and 1,000 miles, and 3.2 percent over 1,000 miles.

Table II-2
Stainless steel sheet and strip: Geographic market areas in the United States served by U.S. producers and subject U.S. importers

Region	U.S. producers	Subject U.S. importers
Northeast	4	11
Midwest	4	11
Southeast	4	11
Central Southwest	4	12
Mountain	4	5
Pacific Coast	4	11
Other[1]	0	1
All regions (except Other)	4	5
Reporting firms	4	15

[1] All other U.S. markets, including AK, HI, PR, and VI.

Source: Compiled from data submitted in response to Commission questionnaires.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Domestic production

Based on available information, U.S. producers of stainless steel sheet and strip have the ability to respond to changes in demand with moderate-to-large changes in the quantity of shipments of U.S.-produced stainless steel sheet and strip to the U.S. market. The main contributing factors to this moderate-to-high degree of responsiveness of supply are the availability of some unused capacity, the ability to shift shipments from alternate markets, some inventories, and the ability to produce alternate products.

Industry capacity

Domestic capacity remained relatively stable comparing 2013 to 2015, while total production decreased by 4.1 percent.[6] Domestic capacity utilization fluctuated, increasing from 69.1 percent in 2013 to *** percent in 2014, and then falling to 66.2 percent in 2015.[7] [8] Cold-rolled stainless steel sheet and strip accounted for more than 90 percent of domestic production between January 2013 and September 2016, while hot-rolled annealed and pickled stainless steel sheet and strip accounted for the remaining share. Domestic cold-rolling capacity utilization increased from 73.4 percent in 2013 to *** percent in 2014 and then decreased to 70.7 percent in 2015.[9] [10] Almost all the changes in domestic cold-rolling capacity utilization reflected changes in production. This moderately high level of capacity utilization suggests that U.S. producers may have some ability to increase production of stainless steel sheet and strip in response to an increase in prices.

Alternative markets

U.S. producers' exports, as a share of total shipments, declined from 18.1 percent in 2013 to 17.2 percent in 2015, and were 17.8 percent in January-September 2015 and 13.6 percent in January-September 2016. U.S. producers' export markets include ***. These export levels indicate that U.S. producers may have some ability to shift shipments between the U.S. market and other markets in response to price changes.

Inventory levels

U.S. producers' inventories were largely unchanged in 2013 and 2015, increasing from 11.5 percent of total shipments in 2013 to 11.8 percent in 2015. U.S. producers' inventories were equivalent to 12.8 percent of annualized total shipments in January-September 2015 and 9.5 percent in January-September 2016. These inventory levels suggest that U.S. producers have some ability to respond to changes in demand with changes in the quantity shipped from inventories.

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[6] Domestic capacity remained the same during the interim periods, while total production was 8.3 percent higher in January-September 2016 than in January-September 2015.

[7] Capacity utilization was 67.4 percent in January-September 2015 and 73.0 percent in January-September 2016.

[8] ATI has been running its recently built hot-rolling mill at Brackenridge, Pennsylvania at a low level of capacity utilization since 2015. Hearing transcript, p. 21 (Hartford).

[9] Domestic cold-rolling capacity remained relatively stable comparing 2013 to 2015, while cold-rolled production decreased by 3.7 percent. Domestic cold-rolling capacity remained the same during the interim periods, while cold-rolled production was 7.1 percent higher in January-September 2016 than in January-September 2015.

[10] Cold-rolling capacity utilization was 72.1 percent in January-September 2015 and 77.2 percent in January-September 2016.

Production alternatives

Two of four U.S. producers stated that they could switch production between stainless steel sheet and strip and other products. Other products that U.S. producers reportedly can produce on the same equipment as stainless steel sheet and strip are nickel alloy sheet and strip and titanium sheet and strip (***), as well as electrical steel and carbon steel (***). *** reported that the market size for alternate products is very small compared to the market for stainless steel sheet and strip, making it difficult to run its business cost effectively without a high volume of stainless steel. Production of out-of-scope material on the same equipment was limited and unchanged, remaining at 6.7 percent in both 2013 and 2015. The limited capability to shift production from stainless steel sheet and strip to nonsubject products indicates that U.S. producers may have little ability to respond to changes in demand by altering their production.

Subject imports from China[11]

Based on available information, Chinese producers of stainless steel sheet and strip have the ability to respond to changes in demand with moderate changes in the quantity of shipments of stainless steel sheet and strip to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity, limited inventory, and the ability to shift shipments from alternate markets.

Industry capacity

Reported Chinese industry capacity increased by 24.2 percent and production increased by 28.9 percent from 2013 to 2015. Despite the increase to capacity, Chinese producers' capacity utilization increased from 81.5 percent in 2013 to 84.6 percent in 2015; and was 84.9 percent in January to September 2015 and 88.3 percent January to September 2016. This moderately high and increasing level of capacity utilization suggests that Chinese producers may have some ability to increase production of stainless steel sheet and strip in response to an increase in prices.

Alternative markets

Chinese producers' exports to the United States and to all other markets increased from 2013 to 2014, then decreased from 2014 to 2015, but increased overall between 2013 and 2015. Chinese shipments to the United States, as a percentage of total shipments, fluctuated, increasing from 1.4 percent in 2013 to 2.8 percent in 2014, and then declined to 1.9 percent in

[11] The Commission received questionnaire responses from seven Chinese producers. The exports to the United States of these seven firms were equivalent to 58.6 percent of U.S. imports of stainless steel sheet and strip from China in 2015.

2015. Chinese shipments to all other markets, as a percentage of total shipments, fluctuated between 2013 to 2015, increasing from 14.1 percent in 2013 to 18.2 percent in 2014, and then declined to 11.1 percent in 2015.[12] This level of exports indicate that Chinese producers may have some ability to shift shipments between domestic or other markets and the U.S. market in response to price changes.

Inventory levels

Chinese producers' inventories, as a ratio to total shipments, increased from 4.3 percent in 2013 to 4.8 percent in 2015. Inventory ratios for interim 2015 and interim 2016 were 7.9 percent and 5.5 percent, respectively. These inventory levels suggest that responding Chinese producers may have limited ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

Five of seven responding Chinese producers reported producing products other than stainless steel sheet and strip on the same equipment as stainless steel sheet and strip. Other products included thin/ultra-thin gauge stainless steel and stainless steel products thicker than 4.75 mm. Production of out-of-scope material fell from 14.7 percent of Chinese production on shared equipment in 2013 to 12.2 percent in 2015. The capability to shift production from stainless steel sheet and strip to nonsubject products indicates that Chinese producers may have some ability to respond to changes in demand by altering their production.

Nonsubject imports

The largest sources of stainless steel sheet and strip imports from nonsubject sources to the U.S. market in 2015 were Mexico and Taiwan.[13] Combined, imports from these two sources accounted for more than one-third of imports from nonsubject sources in 2015. Imports of stainless steel sheet and strip from Mexico decreased by 22.1 percent from 2013 to 2015,[14] while imports of stainless steel sheet and strip from Taiwan increased by 26.5 percent during the same period. Regarding supply constraints for nonsubject imports, purchaser *** reported that its Korean supplier moved from China to Korea in 2016, which caused extended lead times and delayed deliveries. Most purchasers reported that the availability of nonsubject stainless

[12] Chinese exports to markets other than the United States were largely unchanged from interim 2015 (10.0 percent) to interim 2016 (10.2 percent).

[13] See table IV-2.

[14] Respondents contend that nonsubject imports did not grow during January 2013-September 2016 because they were focused on their own regional market, noting that Mexico's exports of stainless steel sheet and strip were shifting in 2014 from the U.S. market to South America. Respondents noted that Outokumpu's subsidiary, Mexinox, is the main provider of the product in Mexico. Hearing transcript, p. 179 (Junker).

steel sheet and strip has not changed since January 1, 2013. NAS stated that it imported a finished product that it did not currently produce in Kentucky from its sister company Acerinox in Malaysia and South Africa.[15]

Supply constraints

Three of four U.S. producers reported experiencing supply constraints since January 1, 2013 (see figure II-1). In addition, U.S. producer ATI issued a lockout notice involving approximately 2,000 workers from various facilities in 2015.

Figure II-1
Stainless steel sheet and strip: Timeline of U.S. producers' reported supply constraints, 2013-16

* * * * * * *

Outokumpu stated that it had a motor failure on the smallest of its three cold-rolling mills at its Calvert facility, the 54-inch mill, from June to December of 2014 and that ***. ***.[16] Outokumpu reported that by December 2014, all three cold-rolling mills were operational. Outokumpu stated that it was able to meet its customers' needs despite the motor outages in part because the temporarily lost U.S. production was supplemented by nonsubject imports from its foreign affiliates.[17] *** reported that ***. *** also reported using a "controlled order entry" in April, May, and July 2016. AK Steel reported that ***, and that it "***." ATI reported that 2,000 of its employees were locked out for a seven month period beginning in August 2015 due to labor disputes, yet ATI asserted that it did not substantially affect production since preemptive measures had been taken thirteen months in advance to prepare for the lockout. These preemptive measures included a build-up of inventory of both intermediate and finished goods, shifting more of its sales portfolio to its U.S. customers and away from its export market, and staffing enough company employees and temporary employees to replace the loss of unionized labor during the lockout.[18] ATI also announced plans in late December 2015 to temporarily idle its Midland, Pennsylvania facility, but reported that it did not experience supply constraints. The decision was made in October 2016 to close the Midland Facility permanently.[19]

Four of 21 importers reported experiencing supply constraints since January 1, 2013. *** reported that its lead times doubled in late 2014. *** reported that it had to replace suppliers due to litigation. *** noted importation restrictions making it difficult to find product and in turn making it difficult to make timely shipment commitments. *** reported that in 2014

[15] Hearing transcript, p. 69 (Lyons).
[16] Outokumpu's response to staff questions, February 3, 2017.
[17] Hearing transcript, pp. 39 (Letnich).
[18] Hearing transcript, pp. 64-65 (Hartford).
[19] Hearing transcript, p. 21 (Hartford).

it had to turn down potential orders because its local office could not meet increased demand, due to supply shortages in U.S. domestic products, for its product.

Purchasers were asked if a domestic or import supplier had refused, denied, or been unable to supply stainless steel sheet and strip since January 1, 2013 due to the following constraints: allocation or "controlled order entry," declined orders, supplier accepted order but delivered less than promised or contracted, suppliers being unable to provide timely order completion or had extended delivery times, or suppliers being unable or unwilling to provide specific types of stainless steel sheet and strip or meet necessary product specifications. The categories that purchasers most frequently responded affirmatively to regarding supply constraints from domestic producers were: non-timely or extended delivery time (18 of 34 purchasers) and allocation or controlled order entry (16 of 34).[20] Six purchasers reported being placed on allocation by NAS in 2016, primarily in the second and third quarters. Five purchasers reported being placed on allocation by a domestic producer for various periods during 2014, with three purchasers citing NAS. *** reported being placed on allocation for bright-annealed stainless steel sheet and strip during the second half of 2014. Regarding supply constraints from importers, 14 of 33 purchasers reported that import suppliers had non-timely or extended delivery time, but purchasers did not identify specific time periods when the delays occurred.

Purchasers stated that late deliveries from both domestic and import suppliers were frequent and not out of the ordinary. Purchaser *** stated that NAS took orders but was 2-3 months late in production due to overbooking during an unspecified time period. Purchaser *** stated that orders from Outokumpu were late due to defective motors in its mill in Calvert, Alabama which cause production to be down for less than a month. Purchaser *** stated that it had late orders from TISCO due to ocean shipping and customs issues.

Most responding purchasers (18 of 33) reported that the availability of domestic stainless steel sheet and strip has changed since January 1, 2013, citing increased domestic supply due to the addition of ***.[21] ATI stated that the Calvert facility did not add supply into the U.S. market, but rather substituted imports previously supplied by Outokumpu from sources such as Finland or Sweden.[22] Two purchasers stated that *** capacity decreased during the period of investigation due to the closure of some if its facilities, and two purchasers stated that *** capacity increased due to the addition of a hot strip mill. Most purchasers reported that the availability of stainless steel sheet and strip from China has not changed since January 1, 2013.[23]

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[20] Purchasers also cited declined orders for domestic shipments (9 of 34) and non-timely or extended delivery time for imports (14 of 34) as other supply constraints. Most purchasers reported that domestic suppliers declined orders in 2014 and 2016. Purchaser *** stated that NAS closed its order books during June-November 2014.

[21] The Calvert facility was acquired from ThyssenKrupp Stainless at the end of 2012. Hearing transcript, p. 35 (Letnich).

[22] Hearing transcript, p. 62 (Hartford).

[23] By 2015, China had surpassed Mexico as the largest source of stainless steel sheet and strip to the U.S. market.

New suppliers

Six of 34 purchasers indicated that new suppliers entered the U.S. market since January 1, 2013. The most commonly noted new supply source was increased production at *** fully integrated mill (i.e., melt shop, hot and cold rolling mill) in Calvert, Alabama. One purchaser cited the expansion of foreign steel imports to the United States, especially by Chinese firms (e.g., ***), in response to the European Union initiating an antidumping case against these firms and others in May 2014.

U.S. demand

Based on available information, the overall demand for stainless steel sheet and strip is likely to experience low-to-moderate changes in response to changes in price. The main contributing factors are moderate cost shares for stainless steel sheet and strip among end-use products and the lack of substitute products.

End uses

U.S. demand for stainless steel sheet and strip depends on the demand for U.S.-produced downstream products. Reported end uses include automotive parts, pipe and tube, restaurant and food service equipment, appliances, fabrication, sinks, and venting products.

Cost share

Since stainless steel sheet and strip is used in a number of applications and industries, cost shares can vary considerably depending on the end use. Stainless steel sheet and strip accounts for a moderate-to-large share of the cost of the end-use products in which it is used. Reported cost shares for some end uses were as follows:[24]

- Automotive exhaust and other components (40-90 percent)
- Pipe and tube (50-85 percent)
- Sinks (85 percent)
- Food and restaurant equipment (70 percent)
- Appliances (20 percent)
- Fabrication (60 percent)
- Venting products (20-30 percent)
- Decorative wheel fasteners (20 percent)
- Towel dispenser/toilet tissue dispenser (35-50 percent)
- Window trim (75 percent)

[24] *** reported a cost share of 100 percent for vacuum cleaner tanks; importer *** reported a cost share of 100 percent for elevator cab interiors; importer *** reported a cost share of 100 percent for kitchen equipment and lighting.

Business cycles

Most responding firms (3 of 4 U.S. producers, 16 of 21 importers, and 21 of 34 purchasers) indicated that the market for stainless steel sheet and strip is not subject to business cycles or distinctive conditions of competition. Some firms (4 of 21 importers and 10 of 34 purchasers) indicated that the market was subject to business cycles. Specifically, multiple importers and purchasers reported that demand for stainless steel sheet and strip typically declines during the fourth quarter, with one importer noting that purchasers begin destocking during this period. ATI stated that distributors will often drive their inventory down at the end of the year and then restock during the beginning of the following year.[25] Demand for stainless steel sheet and strip is influenced by trends in the housing and automotive market, with the latter causing some cyclical demand for stainless steel as new car models are introduced. Two of 21 importers and four of 34 purchasers indicated that the stainless steel sheet and strip market was subject to distinct conditions of competition. Importer *** reported that due to the various specifications for stainless steel, different manufacturers have different competitiveness with each grade of steel; and noted that surface finishes vary from mill to mill.

Demand trends

U.S. demand for stainless steel sheet and strip is driven largely by changes in overall economic activity, as well as demand in the most common end-use markets, such as automobiles, construction, and home appliances. Between January 2013 and September 2016, total vehicle sales and total residential and nonresidential (both private and public) construction spending both increased, by 14.6 percent and 35.8 percent, respectively, while total spending on household appliances decreased by 13.7 percent (figure II-2). These trends have continued between September 2016 and November 2016, with increased in total vehicle sales (0.4 percent increase), total construction spending (1.5 percent increase), and total household appliance spending (3.8 percent decrease). Between 2013 and 2015, U.S. passenger car production fell by 4.7 percent and U.S. truck production increased by approximately 18.5 percent. Since U.S. truck production exceeded U.S. car production from 2013 to 2015, overall U.S. vehicle production increased by approximately 9.3 percent between 2013 and 2015 (figure II-3).[26] The construction sector experienced steady growth during this period with privately owned housing starts increasing by 18.5 percent between January 2013 and September 2016 (figure II-4).[27] Privately owned housing starts increased by 16.5 percent between September 2016 and December 2016.

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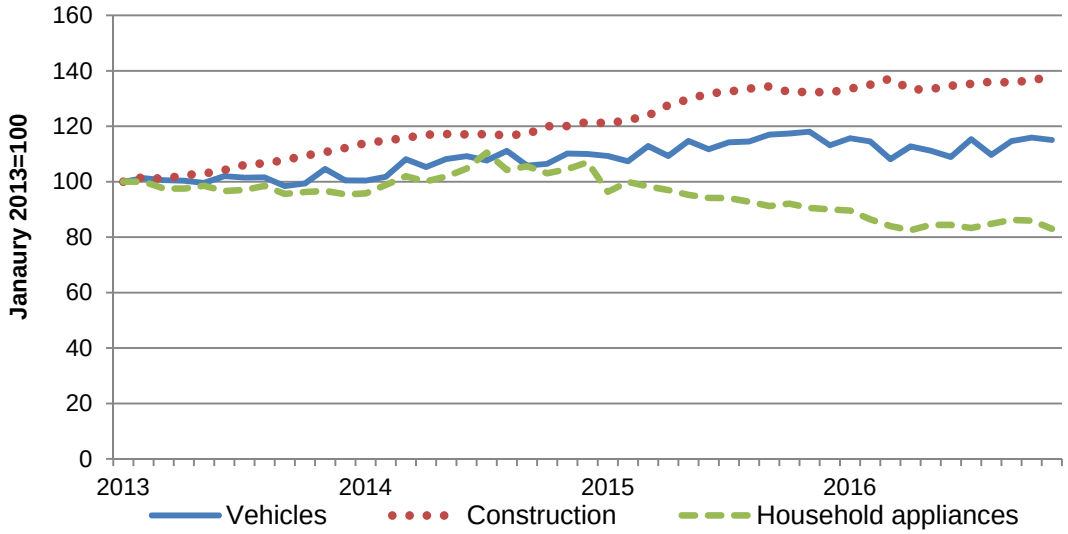
[25] Hearing transcript, p. 78 (Hartford).

[26] International Organization of Motor Vehicle Manufacturers, http://www.oica.net/category/production-statistics/, retrieved January 6, 2017.

[27] U.S. Census Bureau, New Privately Owned Housing Units Started, http://www.census.gov/construction/nrc/historical_data/index.html, retrieved February 5, 2017.

Figure II-2

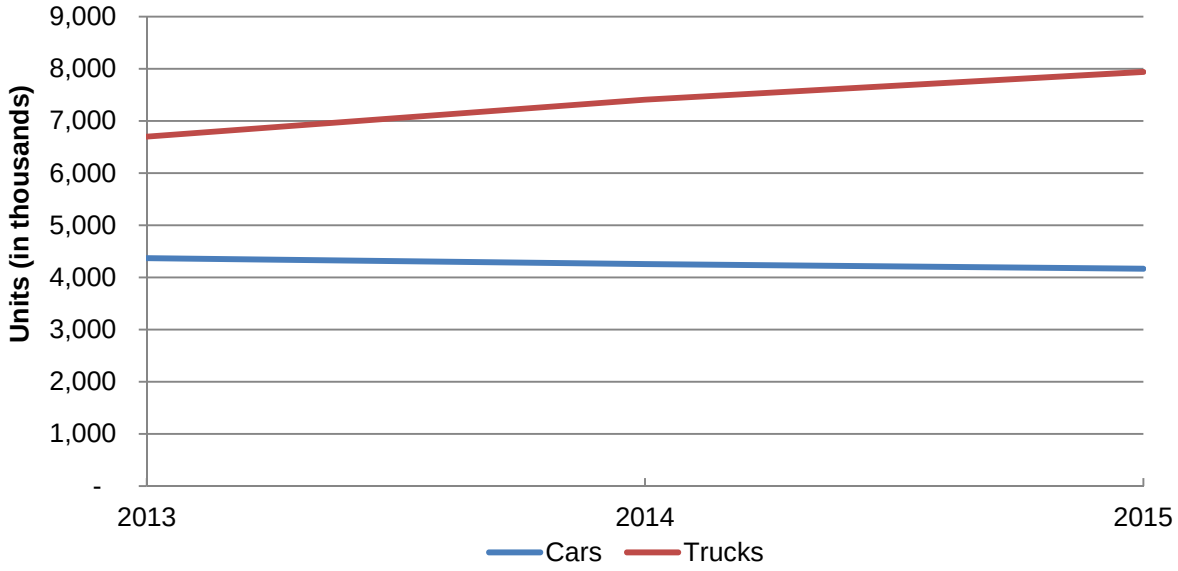
Indices of manufacturing spending: Total vehicles, total construction, and total household appliances, seasonally adjusted, monthly, January 2013-December 2016



Source: Bureau of Economic Analysis and U.S. Census Bureau, retrieved February 3, 2017.

Figure II-3

Annual U.S. passenger car and truck production, 2013-15[1]



[1] Annual car and truck production data for 2016 has not been released.

Source: International Organization of Motor Vehicle Manufacturers, retrieved February 3, 2017.

Figure II-4
Total new privately owned housing units started, seasonally adjusted, monthly, January 2013-December 2016

Source: U.S. Census Bureau, retrieved February 5, 2017.

Most U.S. producers, some importers, and a plurality of purchasers reported an increase in U.S. demand for stainless steel sheet and strip since January 1, 2013 (table II-3). Several firms attributed the increased demand for stainless steel sheet and strip to both the growth in the auto and construction industries. Firms noted that the improved conditions in the construction sector increased the demand for stainless steel sheet and strip in architectural uses and in home appliances from housing construction. Several purchasers noted a general increase in demand for stainless steel amongst their consumers. ATI stated that demand surged in 2014 due to several factors including: distributors restocking their inventories in early to mid-2014; customers trying to purchase preemptively in anticipation of increasing raw material costs; and a general "herd mentality" by which purchasers began increasing their purchasers to avoid falling behind their competition as other purchasers had started making large purchases in the first half of 2014.[28] Furthermore, the respondents stated that service centers often "over-buy" when demand increases quickly as they fear the result may be a supply shortage.[29] Importers and purchasers that reported fluctuating demand for stainless steel sheet and strip noted that growth trends across industries varied. *** reported a decline in demand for industrial uses (e.g., oil and gas industry) and stated that demand from stainless steel sheet and strip in the architectural industry improved during the period of investigation. One importer, ***, noted

[28] Hearing transcript, pp. 96-97 (Hartford).
[29] Hearing transcript, pp. 120-121 (Junker).

that demand fluctuated between different grades of stainless steel, which are selected based on end-user specifications. Another firm explained that fluctuating demand was the result of decreased shipments by distributors of stainless steel sheet and strip since 2013. NAS stated that it forecasts modest demand growth of 1 to 2 percent in the next year.[30]

Firms' responses regarding demand for stainless steel sheet and strip outside the United States were varied. Half of U.S. producers indicated that demand for stainless steel sheet and strip outside the United Stated increased since January 1, 2013, and a plurality of importers and purchasers reported that it had fluctuated. Of the two producers that reported increased demand for stainless steel sheet and strip outside the United States, ***, stated that foreign demand was largely driven by the same forces as the domestic market, including the growth in the construction and automotive sector.

Table II-3
Stainless steel sheet and strip: Firms' responses regarding U.S. demand and demand outside the United States

Item	Increase	No change	Decrease	Fluctuate
Demand in the United States:				
U.S. producers	3	0	1	0
Importers	5	4	3	7
Purchasers	13	7	2	8
Demand outside the United States:				
U.S. producers	2	1	1	0
Importers	3	4	2	7
Purchasers	4	5	1	7
Demand for purchasers' final products: Purchasers	7	2	1	5

Source: Compiled from data submitted in response to Commission questionnaires.

Most responding purchasers indicated that demand for end-use products had increased or fluctuated since January 1, 2013. Nine of 14 responding purchasers reported that the demand for end-use products has affected their firms' demand for stainless steel sheet and strip. Five of these nine purchasers stated that their demand for stainless steel sheet and strip had increased due to new markets, products, and sales growth.

Substitute products

Substitutes for stainless steel sheet and strip are limited. All four U.S. producers, all 16 responding importers, and the vast majority of purchasers (30 of 34) reported that there were no substitutes for stainless steel sheet and strip. The potential for substitution is often limited by the end use. Substitute products include carbon steel in appliances and clips (e.g., towers), plastic in automotive parts and trim, galvanized steel in heat exchangers and building construction, aluminum sheet in building exteriors, and aluminum in automotive trim. Most firms reported that changes in the prices of substitute products have not affected prices for

[30] Hearing transcript, p. 105 (Lyons).

stainless steel sheet and strip. Purchaser *** stated that stainless steel is preferred over aluminum, but customers will substitute aluminum if the price is significantly lower than stainless steel sheet and strip. It stated that the falling plastic prices have impacted the price of stainless steel sheet and strip.

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported stainless steel sheet and strip depends upon such factors as relative prices, quality (e.g., grade standards, reliability of supply, defect rates, etc.), and conditions of sale (e.g., price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available data, staff believes that there is moderate-to-high degree of substitutability between domestically produced stainless steel sheet and strip and stainless steel sheet and strip imported from China.

Lead times

Stainless steel sheet and strip is primarily sold on a produced-to-order basis. U.S. producers reported that 92.9 percent of their commercial shipments were produced-to-order, with reported lead times ranging between 30-35 days (***) and 56-63 days (***).[31] [32] The remaining 7.1 percent came from inventories, with reported lead times averaging four days. Importers reported that *** percent of their commercial shipments of stainless steel sheet and strip imported from China were produced-to-order, with reported lead times averaging 106 days. Importers reported that 5.0 percent of subject import shipments were shipped from U.S. inventory, with lead times averaging 14 days. Importers reported that 4.3 percent of their total shipments of stainless steel sheet and strip imported from China shipped from a foreign manufacturer's inventory, with lead times averaging 98 days.

[31] In a declaration, Mr. Voet van Vormizeele of Outokumpu stated that Outokumpu's lead times reached a peak of *** weeks in 2014, but noted that lead times had returned to their normal period *** by December of 2015. Postconference brief, p. 9.

[32] In addition, AK Steel, ATI, and NAS experienced lengthened lead times for a period of five months during the second half of 2014 due to increased customer demand for stainless steel sheet and strip. Petitioners contend that domestic producers' lead times did not exceed the lead times for subject imports, even during periods of longer than average lead times due to potential supply constraints. Hearing transcript, pp. 27, 50, 59, 78, 89, and 90 (Pfeiffer, Cannon, Hartford, Kerwin). However, respondents argued that the extended lead times in 2014 pulled subject imports into the U.S market. According to American Metal Market, lead times for domestically produced stainless steel matched those of imports in 2014. Respondents' prehearing brief, exhibit 7.

Knowledge of country sources

Thirty-one purchasers indicated they had marketing/pricing knowledge of domestic stainless steel sheet and strip, 12 of Chinese stainless steel sheet and strip, and 14 of stainless steel sheet and strip from nonsubject sources.[33]

As shown in table II-4, purchasers are more likely to make purchasing decisions based on the producer than their customers. Twenty-three of 33 purchasers reported that they "usually" or "sometimes" make purchasing decisions based on the producer/mill. Twenty-four of 28 purchasers reported that their customers "sometimes" or "never" make purchasing decisions based on the producer/mill. Country of origin is less of a factor in purchasing decisions. Most purchasers and their customers "sometimes" or "never" make purchasing decisions based on country of origin. Of the five purchasers that reported that they always make decisions based on the manufacturer, three firms cited either product quality or reliability as the reason that they purchase based on the manufacturer. Other reasons cited include the need to know the producing mill as well as the service quality.

Table II-4
Stainless steel sheet and strip: Purchasing decisions based on producer and country of origin

Purchaser/customer decision	Always	Usually	Sometimes	Never
Purchases based on producer:				
Purchaser's decision	5	11	12	5
Purchaser's customer's decision	1	3	13	11
Purchases based on country of origin:				
Purchaser's decision	2	7	14	10
Purchaser's customer's decision	1	2	18	7

Source: Compiled from data submitted in response to Commission questionnaires.

Factors affecting purchasing decisions

The most often cited top-three factors firms consider in their purchasing decisions for stainless steel sheet and strip were price (31 firms), quality (28 firms), and lead times/delivery (19 firms) as shown in table II-5. Pricing was the most frequently cited first-most important factor (cited by 15 firms), followed by quality (10 firms); quality was the most frequently reported second-most important factor (14 firms); and lead times/delivery was the most frequently reported third-most important factor (8 firms).

[33] However, 20 purchasers reported purchase quantities of stainless steel sheet and strip from China and 25 purchasers reported purchase quantities of stainless steel sheet and strip from nonsubject sources since 2013.

Table II-5
Stainless steel sheet and strip: Ranking of factors used in purchasing decisions as reported by U.S. purchasers, by factor

Item	1st	2nd	3rd	Total
	Number of firms (number)			
Price / Cost	15	8	8	31
Quality	10	14	4	28
Lead times / Delivery	2	6	11	19
Availability / Supply	3	5	2	10
All other factors[1]	4	1	8	13

[1] Other factors include extension of credit and range of suppliers providing a product.

Source: Compiled from data submitted in response to Commission questionnaires.

When asked to identify factors that determine the quality of stainless steel sheet and strip, purchasers most frequently reported surface conditions (i.e., no pits, no scratches, cleanliness, appearance, and corrosion resistance), meeting buyer ASTM specifications, surface finish, and dimensional tolerance (i.e., gauge control and flatness). Other factors identified include packaging, chemical/physical properties (i.e., grain size, inclusion level, and micro cleanliness), and mechanical properties (i.e., ductility).

More than half of purchasers (18 of 34) indicated that they "usually" purchase the lowest-priced product; whereas some purchasers (12 of 34) indicated that they "sometimes" purchased the lowest priced stainless steel sheet and strip. Three purchasers reported that they "always" purchase the lowest-priced product and one purchaser indicated that it "never" purchases the lowest-priced product.

When asked if they purchased stainless steel sheet and strip from one country source although a comparable product was available at a lower price from another source, 20 purchasers reported reasons for choosing a more expensive source. These reasons included shorter lead times, better availability, minimum order requirements, higher quality, better technical support, and policies of preference to domestic producers.

Eleven of 33 purchasers reported that certain grades, types, or sizes of stainless steel sheet and strip were only available from a single source. Purchaser *** stated that colored stainless steel (e.g. 304 Gold #4 (satin)) is only available from China. Purchaser *** reported that certain thicknesses are only available from Japan. Purchasers *** stated that bright annealed finishes have very limited domestic availability. Purchaser *** stated that grade 409 aluminized is only available from the United States. Purchaser *** reported that many domestic mills will not quote 400 grade products. Respondents stated that grade 201 is not supplied by Chinese exporters to the U.S.[34]

[34] Hearing transcript, p. 168 (Junker).

Importance of specified purchase factors

Purchasers were asked to rate the importance of 15 factors in their purchasing decisions (table II-6). The factors rated as very important by more than half of responding purchasers were availability (33), quality meets industry standards (31), reliability of supply (31), product consistency (30), delivery time (29), price (29), delivery terms (20), extension of credit (18), and U.S. transportation costs (18).

Table II-6
Stainless steel sheet and strip: Importance of purchase factors, as reported by U.S. purchasers, by factor

Factor	Very important	Somewhat important	Not important
Availability	33	1	0
Delivery terms	20	14	0
Delivery time	29	5	0
Discounts offered	13	18	3
Extension of credit	18	11	5
Minimum quantity requirements	12	18	4
Packaging	10	19	5
Price	29	4	0
Product consistency	30	4	0
Product range	17	14	3
Quality exceeds industry standards	17	14	3
Quality meets industry standards	31	3	0
Reliability of supply	31	2	1
Technical support/service	14	17	3
U.S. transportation costs	18	13	3

Source: Compiled from data submitted in response to Commission questionnaires.

Supplier certification

The majority of purchasers (25 of 33) require their suppliers to become certified or qualified to sell stainless steel sheet and strip to their firm. Eleven purchasers reported that it took 30 days or less to qualify a new supplier and 10 purchasers reported that the time to qualify a new supplier ranged from 60 days to 720 days. Purchasers described their process to certify new suppliers based on ISO certification, trial order, customer feedback, site visit, and compliant with conflict mineral regulation. Three purchasers reported that a domestic or foreign supplier had failed in its attempt to qualify product, or had lost its approved status since 2013.

Changes in purchasing patterns

Purchasers were asked about changes in their purchasing patterns from different sources since 2013 (table II-7); reasons reported for changes in sourcing included previous suppliers no longer offering relatively competitive prices, previous suppliers changing their management structure, and new suppliers (such as Outokumpu's Calvert facility) becoming more accessible.

Table II-7
Stainless steel sheet and strip: Changes in purchase patterns from U.S., subject, and nonsubject countries

Source of purchases	Did not purchase	Decreased	Increased	Constant	Fluctuated
United States	2	3	8	10	10
China	8	2	4	2	12
Other	2	2	10	5	11

Source: Compiled from data submitted in response to Commission questionnaires.

Fifteen of 34 purchasers reported that they had changed suppliers since January 1, 2013. Specifically, three purchasers reported that they dropped Chinese suppliers TISCO and Bao due to the affirmative determination in the preliminary phase of the USITC's investigation. *** dropped or reduced purchases from *** because of major management changes at the supplier. Another commonly cited reason for purchasers changing suppliers was a supplier no longer offering the most competitive product. Firms added or increased purchases from Outokumpu because of their new production at a mill start-up in Calvert, Alabama. Two firms added purchases from ***, citing better flexibility and prices. Three purchasers began buying from POSCO due to quality and a desire to diversify their supply sources.

Six of 34 purchasers reported new suppliers entering the market since January 2013. The most commonly identified new supplier was the firm *** because of the firm's new mill in Calvert, Alabama. Some new suppliers were said to have entered the market in response to EU antidumping cases on product.

Importance of purchasing domestic product

Thirty-one of 32 purchasers (accounting for 80.4 percent of total reported purchases) reported that purchasing domestically produced stainless steel sheet and strip was not an important factor in their purchasing decisions. Eleven purchasers reported that domestic stainless steel sheet and strip was required by law (for 2 to 20 percent of total purchases by all purchasers), 21 reported it was required by their customers (for 1 to 100 percent of their purchases), and 5 reported other preferences for domestic product. Reasons cited for preferring domestic product included: shorter lead times, better quality product, and the domestic product better meets the technical specifications of the customer.

Comparisons of domestic products, subject imports, and nonsubject imports

Purchasers were asked a number of questions comparing stainless steel sheet and strip produced in the United States, subject countries, and nonsubject countries. First, purchasers were asked for a country-by-country comparison on the same 15 factors (table II-8) for which they were asked to rate the importance.

Table II-8
Stainless steel sheet and strip: Purchasers' comparisons between U.S.-produced and imported product

Factor	U.S. vs. China			U.S. vs. Taiwan			U.S. vs Mexico		
	S	C	I	S	C	I	S	C	I
Availability	12	11	0	8	7	0	11	5	0
Delivery terms	12	11	0	7	7	1	5	10	1
Delivery time	18	5	0	10	4	1	9	6	1
Discounts offered	2	12	5	2	7	3	2	12	1
Extension of credit	8	11	2	4	8	2	2	12	2
Minimum quantity requirements	6	15	2	3	11	1	1	11	3
Packaging	4	13	5	2	10	3	2	13	1
Price[1]	0	9	12	1	6	8	3	10	3
Product consistency	10	12	0	6	7	2	5	11	0
Product range	10	11	1	7	5	2	8	6	2
Quality meets industry standards	8	14	0	4	11	0	3	13	0
Quality exceeds industry standards	6	14	1	4	10	1	4	12	0
Reliability of supply	12	10	0	5	10	0	5	11	0
Technical support/service	16	6	1	9	4	2	7	8	1
U.S. transportation costs[1]	8	10	4	5	7	3	7	7	2

Table continued on next page.

Table II-8--Continued
Stainless steel sheet and strip: Purchasers' comparisons between U.S.-produced and imported product

Factor	U.S. vs. all other sources			China vs. Taiwan		
	S	C	I	S	C	I
Availability	11	10	0	1	9	1
Delivery terms	11	9	0	0	11	0
Delivery time	16	5	0	0	10	1
Discounts offered	4	12	2	0	8	0
Extension of credit	8	12	0	1	10	0
Minimum quantity requirements	5	15	1	1	10	0
Packaging	4	14	3	0	10	1
Price[1]	0	11	10	2	9	0
Product consistency	8	13	0	0	9	2
Product range	7	13	0	1	8	1
Quality meets industry standards	5	16	0	0	11	0
Quality exceeds industry standards	7	14	0	0	9	2
Reliability of supply	10	11	0	0	9	2
Technical support/service	14	7	0	0	10	1
U.S. transportation costs[1]	9	8	4	0	10	0

Factor	China vs. Mexico			China vs. all other sources		
	S	C	I	S	C	I
Availability	1	5	2	0	9	1
Delivery terms	0	4	4	0	7	3
Delivery time	0	2	6	1	6	3
Discounts offered	3	4	0	2	5	1
Extension of credit	1	4	3	1	7	1
Minimum quantity requirements	1	6	1	1	8	1
Packaging	1	7	0	0	9	1
Price[1]	7	1	0	6	3	1
Product consistency	0	7	1	0	6	3
Product range	1	6	1	0	7	3
Quality meets industry standards	0	7	1	0	8	2
Quality exceeds industry standards	0	6	2	0	7	3
Reliability of supply	1	4	3	1	9	0
Technical support/service	0	2	6	0	8	2
U.S. transportation costs[1]	3	4	1	1	8	1

[1] A rating of superior means that price/U.S. transportation cost is generally lower. For example, if a firm reported "U.S. superior," it meant that the U.S. product was generally priced lower than the imported product.

Note.--S=first listed country's product is superior; C=both countries' products are comparable; I=first list country's product is inferior.

Source: Compiled from data submitted in response to Commission questionnaires.

Most U.S. purchases reported that U.S. product and Chinese product were comparable on all factors except for availability, delivery terms, delivery time, reliability of supply, and technical support/service,[35] U.S. transportation costs,[36] and price.[37] [38]

In comparing U.S. product and stainless steel sheet and strip from nonsubject sources, most purchasers reported that domestic product and stainless steel sheet and strip from Taiwan were comparable on all factors except for availability, delivery time, product range, technical support (for which most purchasers rated the U.S. product as superior), delivery terms (for which seven purchasers rated the U.S. product superior, seven purchasers rated the products comparable, and one purchaser rated the U.S. product inferior), and U.S. transportation costs (for which five purchasers rated the U.S. product superior, seven purchasers rated the products comparable, and three purchasers rated the U.S. product inferior).

Most purchasers reported that domestic product and stainless steel sheet and strip from Mexico were comparable on all factors except for availability (for which most purchasers rated the U.S. product as superior), delivery time (for which nine purchasers rated the U.S. product as superior), product range (for which eight purchasers rated the U.S. product as superior), technical support/service (for which seven purchasers rated the U.S. product superior, eight purchasers rated the products comparable, and one purchaser rated the U.S. product inferior), and U.S. transportation costs (for which seven purchasers rated the U.S. product superior, seven purchasers rated the products comparable, and two purchasers rated the U.S. product inferior). Most purchasers reported that domestic stainless steel sheet and strip and product from all other sources (besides Taiwan, China, and Mexico) were comparable on all factors except for availability, delivery terms, delivery time, and technical support (for which most purchasers rated the U.S. product as superior), and U.S. transportation costs (for which nine purchasers rated the U.S. product superior, eight purchasers rated the products comparable, and four purchasers rated the U.S. product as inferior).

Comparison of U.S.-produced and imported stainless steel sheet and strip

In order to determine whether U.S.-produced stainless steel sheet and strip can generally be used in the same applications as imports from China and from nonsubject countries, U.S. producers, importers, and purchasers were asked whether the products can "always", "frequently", "sometimes", or "never" be used interchangeably (table II-9). All four producers reported that domestic stainless steel sheet and strip was "always" interchangeable with imported stainless steel sheet and strip from China and all other countries. Importers' responses were mixed with most importers reporting that U.S. product was either "always" or

[35] Most purchasers rated the U.S. product as superior for technical support/service.

[36] Regarding transportation costs, eight purchasers rated the U.S. product superior, ten purchasers rated the products comparable, and four purchasers rated the U.S. product inferior.

[37] Most purchasers rated the Chinese product as lower-priced.

[38] Purchasers rated availability, delivery terms, delivery time, price, and reliability of supply as very important factors in their purchasing decisions (see table II-6).

"frequently" interchangeable with imported product from China and imported product from all other sources. Most purchasers reported that domestic and imported stainless steel sheet and strip from China was "frequently" interchangeable.

Firms that indicated that stainless steel sheet and strip from country pairs were not interchangeable cited the following reasons: some sources did not offer certain sizes or gauges; quality issues; bright annealed products are only available from certain suppliers (such as Mexico); and some sources did not offer some grades. Two purchasers stated that the quality of stainless steel sheet and strip from China was inferior to domestically produced stainless steel sheet and strip. One firm reported that domestic product and stainless steel sheet and strip from China and Taiwan were never interchangeable when DFARS approval is required.[39]

Table II-9
Stainless steel sheet and strip: Interchangeability between stainless steel sheet and strip produced in the United States and in other countries, by country pairs

Country pair	U.S. producers				U.S. importers				U.S. purchasers			
	A	F	S	N	A	F	S	N	A	F	S	N
United States vs. China	4	0	0	0	5	6	5	0	3	15	6	0
United States vs. Mexico	4	0	0	0	2	5	2	0	4	12	8	0
United States vs. Taiwan	4	0	0	0	4	5	4	0	3	12	4	1
United States vs. Other	4	0	0	0	4	5	4	0	3	14	8	0
China vs. Mexico	4	0	0	0	2	4	2	0	5	4	6	0
China vs. Taiwan	4	0	0	0	3	4	2	0	5	5	3	1
China vs. Other	4	0	0	0	3	2	3	0	4	6	4	0
Mexico vs. Taiwan	4	0	0	0	2	3	1	0	5	4	4	0
Mexico vs. Other	4	0	0	0	2	2	1	0	5	4	6	0
Taiwan vs. Other	4	0	0	0	3	2	3	0	5	3	4	0

Note.--A=Always, F=Frequently, S=Sometimes, N=Never.

Source: Compiled from data submitted in response to Commission questionnaires.

As seen in table II-10, 11 responding purchasers reported that domestically produced stainless steel sheet and strip "always" met minimum quality specifications. Four responding purchasers reported that the stainless steel sheet and strip from China "always" met minimum quality specifications. It was most often cited by purchasers that for all sources of stainless steel sheet and strip "usually" met purchasers' minimum quality specifications.

[39] China and Taiwan are not on the list of approved countries for Defense Federal Acquisition Regulation Supplement ("DFARS").

Table II-10
Stainless steel sheet and strip: Ability to meet minimum quality specifications, by source[1]

Source	Always	Usually	Sometimes	Rarely or never
United States	11	21	0	0
China	4	16	3	0
Mexico	4	12	1	0
Taiwan	2	13	1	0
Other	8	14	0	0

[1] Purchasers were asked how often domestically produced or imported stainless steel sheet and strip meets minimum quality specifications for their own or their customers' uses.

Source: Compiled from data submitted in response to Commission questionnaires.

In addition, producers, importers, and purchasers were asked to assess how often differences other than price were significant in sales of stainless steel sheet and strip from the United States, subject, or nonsubject countries. As seen in table II-11, U.S. producers reported that differences other than price were "never" a significant factor in their sales of stainless steel sheet and strip. In contrast, the responses were mixed for importers, with a plurality of importers reporting that differences other than price were "sometimes" a factor in their firms' sales of stainless steel sheet and strip. U.S. purchasers' responses also varied; nine of 25 responding purchasers reported that differences other than price were "frequently" a factor in their purchases of stainless steel sheet and strip, and nine purchasers reported that differences other than price were "sometimes" a factor. Differences other than price cited by purchasers and importers include shorter lead times and on-time delivery, product quality, surface finish, technical support, transportation costs, and product range.

Table II-11
Stainless steel sheet and strip: Significance of differences other than price between stainless steel sheet and strip produced in the United States and in other countries, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting				Number of purchasers reporting			
	A	F	S	N	A	F	S	N	A	F	S	N
United States vs. China	0	0	0	4	2	6	7	2	6	9	9	1
United States vs. Mexico	0	0	0	4	0	1	4	3	4	4	12	2
United States vs. Taiwan	0	0	0	4	1	4	6	2	4	6	8	3
United States vs. Other	0	0	0	4	1	4	6	2	5	6	11	2
China vs. Mexico	0	0	0	4	0	1	3	3	4	3	7	1
China vs. Taiwan	0	0	0	4	0	2	5	2	4	2	7	0
China vs. Other	0	0	0	4	0	2	4	2	4	2	6	0
Mexico vs. Taiwan	0	0	0	4	0	1	2	2	4	2	6	0
Mexico vs. Other	0	0	0	4	0	1	2	2	4	3	5	0
Taiwan vs. Other	0	0	0	4	0	2	4	2	4	2	5	0

Note.--A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

ELASTICITY ESTIMATES

This section discusses elasticity estimates; no parties commented on these estimates.

U.S. supply elasticity

The domestic supply elasticity[40] for stainless steel sheet and strip measures the sensitivity of the quantity supplied by U.S. producers to changes in the U.S. market price of stainless steel sheet and strip. The elasticity of domestic supply depends on several factors including the level of excess capacity, the ease with which producers can alter capacity, producers' ability to shift to production of other products, the existence of inventories, and the availability of alternate markets for U.S.-produced stainless steel sheet and strip. Analysis of these factors above indicates that the U.S. industry has the ability to increase or decrease shipments to the U.S. market; an estimate in the range of 4 to 6 is suggested.

U.S. demand elasticity

The U.S. demand elasticity for stainless steel sheet and strip measures the sensitivity of the overall quantity demanded to a change in the U.S. market price of stainless steel sheet and strip. This estimate depends on factors discussed above such as the existence, availability, and commercial viability of substitute products, as well as the component share of the stainless steel sheet and strip in the production of any downstream products. Based on the available information, the aggregate demand for stainless steel sheet and strip is likely to be inelastic; a range of -0.5 to -1.0 is suggested.

Substitution elasticity

The elasticity of substitution depends upon the extent of stainless steel sheet and strip differentiation between the domestic and imported products.[41] Product differentiation, in turn, depends upon such factors as quality (e.g., chemistry, appearance, etc.) and conditions of sale (e.g., availability, sales terms/ discounts/ promotions, etc.). Based on available information, the elasticity of substitution between U.S.-produced stainless steel sheet and strip and imported stainless steel sheet and strip is likely to be in the range of 3 to 5.

[40] A supply function is not defined in the case of a non-competitive market.

[41] The substitution elasticity measures the responsiveness of the relative U.S. consumption levels of the subject imports and the domestic like products to changes in their relative prices. This reflects how easily purchasers switch from the U.S. product to the subject products (or vice versa) when prices change.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the subsidies and dumping margins was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of four firms that accounted for all U.S. production of stainless steel sheet and strip during 2015.

U.S. PRODUCERS

The Commission issued a U.S. producer questionnaire to four firms based on information contained in the petition. Four firms – all petitioners - provided useable data on their productive operations. Staff believes that these responses represent all U.S. production of stainless steel sheet and strip in 2015.

Table III-1 lists U.S. producers of stainless steel sheet and strip, their production locations, positions on the petition, and shares of total production.

As indicated in table III-1, several U.S. producers are related to foreign producers of stainless steel sheet and strip, but only one, ATI, is related to a producer in China, STAL. STAL, ***. Furthermore, *** U.S. producer directly imported the subject merchandise. As discussed further below, one U.S. producer did purchase stainless steel sheet and strip from U.S. importers.

Table III-1
Stainless steel sheet and strip: U.S. producers of stainless steel sheet and strip, their positions on the petition, production locations, and shares of reported production, 2015

Firm	Position on petition	Production location(s) and type of operation	Share of production (percent)
AK Steel[1]	Petitioner	Butler, PA -- melt, casting, hot rolling Coshocton, OH – cold rolling, other finishing Mansfield, OH -- melt, casting, hot rolling Middletown, OH -- hot rolling, cold rolling, coating Rockport, IN – cold rolling, other finishing Zanesville, OH – other finishing	***
ATI[2]	Petitioner	Brackenridge, PA – melt, hot rolling Vandergrift, PA -- finishing Louisville, OH -- finishing New Bedford, MA -- finishing Waterbury, CT -- finishing Midland, PA – melt, finishing	***
NAS[3]	Petitioner	Ghent, KY -- mill Minooka, IL – finishing, warehousing Pendergrass, GA – finishing, warehousing Wrightsville, PA – finishing, warehousing	***
Outokumpu[4]	Petitioner	Calvert, AL – melt and cold rolling	***
Total			100.0

[1] AK Steel is wholly owned by AK Steel Holding (U.S.A.).
[2] ATI is wholly owned by Allegheny Technologies, Inc. (U.S.A.). Shanghai STAL Precision Stainless Co., Ltd. ("STAL") of China is a producer of stainless steel sheet and strip. STAL is a joint venture between ATI and Chinese stainless steel sheet and strip producer Baosteel.
[3] NAS is wholly owned by Acerinox SA (Spain), parent firm to stainless steel sheet and strip producers in Spain, South Africa, and Malaysia.
[4] Outokumpu is wholly owned by Outokumpu Americas, Inc. (U.S.A.) and its ultimate parent company is Outokumpu Oyj (Finland), which has stainless steel sheet and strip operations in Finland, Germany, Sweden, Mexico, and the United Kingdom.

Source: Compiled from data submitted in response to Commission questionnaires.

Changes to operations

Table III-2 lists industry events reported in the trade press and public filings made by U.S. producers.

Table III-2
Stainless steel sheet and strip: Selected industry events, December 2012 to August 2016

Year	Month	Company	Event
2012	December	Outokumpu	Outokumpu acquires the stainless steel operations of ThyssenKrupp AG including operations in Calvert, Alabama.
2013	March	AK Steel	A new labor agreement, ratified with the United Auto Workers, takes effect on March 31, 2013, and runs through March 31, 2016 for employees at the Coshocton, Ohio Works.
	August	AK Steel	A new labor agreement, ratified with the United Auto Workers, takes effect on September 30, 2013, and expires on September 30, 2017 for employees at the Rockport, Indiana Works.
2014	January	ATI	Announced closure of its previously idled New Castle, Indiana operation in 2013 and its plan to close its Wallingford, Connecticut operations by mid-2014.
	June	AK Steel	A new labor agreement, ratified with the International Association of Machinists and Aerospace Workers, takes effect on September 15, 2014 and runs through March 15, 2018 for employees at the Middletown, Ohio Works.
	Third quarter	ATI	ATI's Wallingford, Connecticut operations are closed.
	December	ATI	Commissions Hot-Rolling and Processing Facility designed to "significantly expand our product offering capabilities, shorten manufacturing cycle times, reduce inventory requirements, and improve the cost structure of our flat rolled products business." Legacy equipment is planned to be idled by the end of the first quarter of 2015.
2015	May	AK Steel	A new labor agreement is ratified with the United Auto Workers for employees at the Zanesville, Ohio Works, and runs through May 31, 2019.
	August	ATI	ATI issues a lockout notice involving more than 2,000 workers at various facilities. The lockout took effect August 15, 2015. ATI will continue to operate the affected facilities with salaried non-union employees and temporary professional staffing.
	December	ATI	ATI announces intent to idle the standard stainless melt shop and sheet finishing operations at the Midland, Pennsylvania facility by January 2016.

Table continued on next page.

Table III-2--Continued
Stainless steel sheet and strip: Selected industry events, December 2012 to August 2016

2016	February	ATI	ATI issues statement that the company will challenge the complaint issued by the Pittsburgh regional office of the National Labor Relations Board (NLRB) concerning the lockout involving approximately 2,200 USW-represented employees.
	March	AK Steel	A new labor agreement is ratified with the United Auto Workers for employees at the Coshocton, Ohio Works, and runs through September 30, 2019.
		ATI	Union-represented employees of its flat-rolled products business and other locations are scheduled to return to work beginning the week of March 13, 2016. This follows ratification of the new four-year agreement with the United Steelworkers. All charges and the complaint pending with NLRB have been withdrawn.
	August	AK Steel	A new labor agreement is ratified with the United Auto Workers for employees at the Butler, Pennsylvania Works, and runs through April 1, 2019.

Source: Compiled from public sources including news articles, company press releases, and public SEC filings.

U.S. producers experienced several changes to operations in recent years. In December 2012, Outokumpu acquired the stainless steel operations of ThyssenKrupp AG ("TK") including operations in Calvert, Alabama. The stainless portion of the investments was more than $1.5 billion.[1] Cold-rolling operations started in 2010 and the melt shop began operating in 2012.[2] At the time of the original investment by TK, and when Outokumpu's parent company acquired the facility, the U.S. market characterized by Outokumpu as being strong and stable.[3] In spite of this characterization, ATI testified that with a new facility coming online in the United States it would be competing with a new competitor with new equipment, which is typically disruptive.[4] The USW echoed this sentiment, questioning the wisdom of the investment, but like ATI, saw the new facility as a substitute supplier of product Outokumpu was then importing into the United States.[5]

Calvert was in the process of ramping up in December 2012[6] with 2013 seen as the "ramp-up" year and the expectation that in 2014 it would be in a break-even state.[7] Indeed, Outokumpu tried ramping up to gain orders in 2014.[8] However, in June 2014, one of its three cold-rolling mills experienced a motor outage, removing it from operation for six months.[9] The two other cold-rolling mills were subsequently taken out of service for preventative

[1] Hearing transcript, p. 36 (Letnich).
[2] Hearing transcript, p. 36 (Letnich).
[3] Hearing transcript, p. 36 (Letnich).
[4] Hearing transcript, p. 62 (Hartford).
[5] Hearing transcript, p. 62 (Hartford) and pp. 70-71 (Conway). ATI also testified that the U.S. market could absorb some of Calvert's additional capacity. Hearing transcript, p. 64 (Hartford).
[6] Hearing transcript, p. 61 (Letnich).
[7] Hearing transcript, p. 93 (Canon).
[8] Hearing transcript, p. 36 (Letnich).
[9] Hearing transcript, p. 89 (Letnich).

maintenance during the month of September.[10] All three mills were operational by the end of 2014.[11]

In June 2014, a blast furnace was idled at AK Steel's Middleton, Ohio facility. Although AK Steel performs hot rolling, cold rolling, and finishing for its stainless steel sheet and strip at this facility, it stated that the idled furnace did not affect its stainless steel sheet and strip operations.[12]

AK Steel reported experiencing *** at its Zanesville Works' facility in Pennsylvania, which performs finishing operations for its stainless steel sheet and strip.[13] AK Steel produced stainless steel sheet and strip at its Zanesville facility on ***.[14] There were no other shutdowns reported by any other producers, although *** reported experiencing production curtailments due to reduced orders.

In 2008, ATI announced that it planned to invest $1.2 billion to build a new state of the art hot-rolling and processing facility ("HRPF") at its Brackenridge, Pennsylvania site.[15] ATI completed commissioning this facility in the first quarter of 2015. ATI stated that the new HRPF would replace legacy equipment which would be idled.[16] In December 2015, ATI announced idling the standard stainless melt shop and sheet finishing operations of its Midland operations.[17] In October 2016, ATI announced the permanent closure of its Midland, Pennsylvania melt and stainless steel finishing facility, due, in part, to "the expectation of continued significant excess global capacity for commodity stainless steel sheet."[18] This facility was characterized as having "legacy capacity", which was idled in mid-2015 "due to market conditions"[19] and was not restarted after a labor lockout (discussed below) was resolved. [20] Any

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[10] Hearing transcript, p. 89 (Letnich).

[11] Hearing transcript, p. 89 (Letnich). Outokumpu reported having *** short tons of cold-rolling capacity; these outages took *** short tons offline. Outokumpu response to staff questions, February 6, 2017. Outokumpu's ***. Outokumpu response to staff questions, February 3, 2017.

[12] Conference transcript, p. 45 (Pfeiffer).

[13] AK Steel's Zanesville facility contains finishing operations for electrical and stainless steel products. http://www.aksteel.com/production_facilities/zanesville.aspx, accessed December 28, 2016.

[14] AK Steel provided a work schedule showing when it ran stainless steel sheet and strip from 2013 to present. According to its response, stainless steel sheet and strip was not produced at the Zanesville facility during ***, and only produced stainless steel sheet and strip on *** of the *** days from *** through ***. AK Steel response to staff questions, December 16, 2016.

[15] Conference transcript, p. 52 (Hartford). See also "*Allegheny Technologies Announces Strategic Investment to Expand Capabilities and Reduce Costs*," Allegheny Technologies Incorporated, Business Wire, September 17, 2008.

[16] Allegheny Technologies, Inc., SEC Form 10-K, 2014, p. F-6.

[17] Allegheny Technologies, Inc., SEC Form 10-K, 2015, p. 7. At the hearing, ATI stated that at the time, the president and CEO cited imports from China as a reason for the idling. Hearing transcript, p. 21 (Hartford).

[18] http://ir.atimetals.com/phoenix.zhtml?c=98187&p=irol-newsArticle&ID=2215440, accessed December 28, 2016. According to ATI's release, this facility could not "be operated with an acceptable rate of return."

[19] Allegheny Technologies, Inc., SEC Form 10-K, 2015, p. 27.

restart of the facility would depend on future business conditions and its ability to earn an acceptable return.[21]

ATI also closed two other facilities, neither of which it claims it could restart. In December 2013, ATI's New Castle, Indiana plant permanently closed. The facility performed hot-roll annealing, cold-rolling, final annealing, slitting, and polishing for stainless steel sheet and strip. In September 2014, ATI's Wallingford, Connecticut plant closed. Stainless steel sheet and strip, however, represented *** of Wallingford's production.[22]

Five of AK Steel's six facilities which produce stainless steel sheet and strip have been subject to revised labor agreements. Its ***.

ATI reached new labor agreements at several of its facilities. However, in August 2015, due to a lack of progress in contract negotiations with the United Steel Workers Union ("USW") over health care benefits, ATI locked out approximately 2,000 USW-represented employees from all its production facilities.[23] On February 11, 2016, the National Labor Relations Board ("NLRB") served a complaint on ATI that alleged violations of the National Labor Relations Act including an unlawful lockout of its union employees. On March 4, 2016, ATI announced that an agreement with the union had been reached, a new contract ratified, and the complaint with the NLRB withdrawn.[24]

Petitioners testified that ATI's seven month lockout of its union employees did not materially affect its production or shipment capabilities. ATI stated that it planned far in advance for the eventuality of the effects of a labor dispute, starting thirteen months prior to the expiration of the labor contracts.[25] This included building inventory of intermediate goods that could be subsequently processed during the lockout, and finished goods.[26] It sales portfolio was changed to focus on U.S. customers and decrease exports. Inventory was being put down in locations throughout the country and warehouses that had been closed were opened. [27] The facilities were also operated by company employees and professional temporary employees during the lockout. [28] According to ATI's annual report, "after an initial drop in asset utilization during the work stoppage, production rates improved and resumed operations, meeting and in some cases exceeding output and quality expectations."[29]

(…*continued*)

[20] Allegheny Technologies, Inc., SEC Form 10-K, 2015, p. 32.

[21] Allegheny Technologies, Inc., SEC Form 10-K, 2015, p. 7. In its questionnaire response, ATI stated the operations ***.

[22] ATI response to staff questions, December 19, 2016.

[23] Allegheny Technologies, Inc., SEC Form 10-K, 2015, p. 9.

[24] During the negotiations between ATI and the USW, import prices were referenced as part of the bargaining strategy to gain concessions from labor. Hearing transcript, p. 70 (Conway).

[25] Hearing transcript, p. 64 (Hartford).

[26] Hearing transcript, pp. 65-64 (Hartford).

[27] Hearing transcript, p. 77 (Conway).

[28] Hearing transcript, pp. 65-66 (Hartford).

[29] Allegheny Technologies, Inc., SEC Form 10-K, 2015, p. 29.

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-3 and figure III-1 present U.S. producers' production, capacity, and capacity utilization. Capacity decreased from 2013 to 2014, reflecting production disruptions on Outokumpu's cold-rolling mills. From 2014 to 2015, capacity increased, surpassing slightly its 2013 level. ***. Capacity was the same during January-September 2015 and January-September 2016. U.S. producers' total production increased by 11.7 percent from 2013 to 2014, with *** producers reporting greater output. The fourth producer, ***, reported *** during this period. Production volume was 14.2 percent lower in 2015 compared to 2014, and was 4.2 percent lower when compared to 2013. *** U.S. producers reported lower production volumes in 2015 relative to 2014. *** experienced higher production volumes in 2015 compared to 2013 whereas *** produced lower volumes. Interim 2016 production was 8.5 percent greater than in January-September 2015, with *** producers reporting higher production volumes. ***'s, production, however, was *** percent lower.

Table III-3
Stainless steel sheet and strip: U.S. producers' production, capacity, and capacity utilization, 2013-15, January-September 2015, and January-September 2016

Item	Calendar year			January to September	
	2013	2014	2015	2015	2016
	Capacity (short tons)				
AK Steel[1]	***	***	***	***	***
ATI[2]	***	***	***	***	***
NAS[3]	***	***	***	***	***
Outokumpu[4]	***	***	***	***	***
Total capacity	2,733,130	***	2,737,995	2,053,493	2,053,493
	Production (short tons)				
AK Steel	***	***	***	***	***
ATI	***	***	***	***	***
NAS	***	***	***	***	***
Outokumpu	***	***	***	***	***
Total production	1,888,312	2,110,124	1,811,352	1,384,530	1,499,983
	Capacity utilization (percent)				
AK Steel	***	***	***	***	***
ATI	***	***	***	***	***
NAS	***	***	***	***	***
Outokumpu	***	***	***	***	***
Average capacity utilization	69.1	***	66.2	67.4	73.0

[1] AK Steel's capacity is based on operating *** hours per week, *** weeks per year. Capacity is for its *** operations.
[2] ATI's capacity is based on operating *** hours per week, *** weeks per year. Capacity is for its *** operations.
[3] NAS's capacity is based on operating *** hours per week, *** weeks per year. Capacity is in excess of its *** capacity but is less than its ***.
[4] Outokumpu's capacity is based on operating *** hours per week, *** weeks per year. Capacity is for its ***. Outokumpu's cold-rolling capacity, without experiencing any disruptions, is *** short tons.

Source: Compiled from data submitted in response to Commission questionnaires.

Capacity utilization rates varied across firms. *** reported operating at the highest rates – no less than *** percent – whereas *** reported capacity utilization as low as *** and no higher than *** percent. ATI reported capacity utilization rates of *** percent in 2013 and *** percent 2014 but only *** percent in 2015 and *** percent in interim 2016. Its changes in capacity utilization rates correspond to its employee lockout, the shuttering of its Midland, Pennsylvania facility, and bringing its new Brackenridge, Pennsylvania facility online. In spite of these changes, ATI's reported capacity ***.[30]

Figure III-1
Stainless steel sheet and strip: U.S. producers' capacity, production, and capacity utilization, 2013-15, January to September 2015, and January to September 2016

* * * * * * *

In each period for which data were collected, over 91 percent of U.S. producers' production of stainless steel sheet and strip was finished as cold-rolled product (table III-4), a portion of which was re-rolled using purchased steel.[31] Hot-rolled and pickled stainless steel sheet and strip accounted for the remaining portion of U.S. production of stainless steel sheet and strip.[32] *** U.S. producers reported production of hot-rolled and pickled stainless steel sheet and strip. Table III-5 presents data on U.S. producers' stainless steel sheet and strip cold-rolling capacity, cold-rolled production, and capacity utilization.

Table III-4
Stainless steel sheet and strip: U.S. producers' production by method, 2013-15, January-September 2015, and January-September 2016

Item	Calendar year			January to September	
	2013	2014	2015	2015	2016
	Production (short tons)				
U.S. producers' U.S. production.-- Mill operations – hot-rolled and pickled	***	***	***	***	***
Mill operations -- cold-rolled	***	***	***	***	***
Re-rolling operations -- hot-rolled and pickled	***	***	***	***	***
Re-rolling operations -- cold-rolled	***	***	***	***	***
Total production	1,888,312	2,110,124	1,811,352	1,384,530	1,499,983

Source: Compiled from data submitted in response to Commission questionnaires.

[30] ***. Petitioners' response to staff questions, January 6, 2017.

[31] ***.

[32] All stainless steel sheet and strip undergoes hot rolling and pickling, the large majority of which is ultimately cold-rolled. The hot-rolled production data presented in table III-4 (1) represent product that did not subsequently undergo cold-rolling; (2) do not include the volume of the hot-rolled and pickled stainless steel sheet and strip that was ultimately cold rolled.

Table III-5
Stainless steel sheet and strip: U.S. producers' cold-rolled capacity, production, and capacity utilization, 2013-15, January-September 2015, and January-September 2016

Item	Calendar year			January to September	
	2013	2014	2015	2015	2016
	Cold-rolling capacity (short tons)				
AK Steel	***	***	***	***	***
ATI	***	***	***	***	***
NAS	***	***	***	***	***
Outokumpu	***	***	***	***	***
Total cold-rolling capacity	2,381,028	***	2,381,028	1,785,771	1,785,771
	Cold-rolled production (short tons)				
AK Steel	***	***	***	***	***
ATI	***	***	***	***	***
NAS	***	***	***	***	***
Outokumpu	***	***	***	***	***
Total production	1,747,996	1,928,195	1,684,007	1,287,639	1,378,627
	Ratio (percent)				
AK Steel	***	***	***	***	***
ATI	***	***	***	***	***
NAS	***	***	***	***	***
Outokumpu	***	***	***	***	***
Average cold-rolling capacity utilization	73.4	***	70.7	72.1	77.2

Source: Compiled from data submitted in response to Commission questionnaires.

Stainless steel sheet and strip accounted for more than 90 percent of U.S. producers' total production volume of product made on the same equipment and machinery used to produce stainless steel sheet and strip.[33] ***. ***[34] produced other out-of-scope products on this shared equipment.

[33] Table III-4 of the prehearing report presents U.S. producers' data on overall capacity and production figures for products made on the same equipment and machinery used to produce stainless steel sheet and strip. *Stainless Steel Sheet and Strip from China – Prehearing Report, Inv. Nos. 701-TA-557 and 731-TA-1312 (Final)*, January 17, 2017.

[34] ***.

U.S. PRODUCERS' U.S. SHIPMENTS AND EXPORTS

Table III-6 presents U.S. producers' U.S. shipments, export shipments, and total shipments. U.S. producers' commercial U.S. shipments accounted for no less than *** percent of their total shipments during any period examined. Export shipments, destined for ***, had the second largest share, followed by transfers[35] and then a small amount of internal consumption.

The quantity of U.S. producers' U.S. shipments increased by 9.9 percent from 2013 to 2014, and value increased by 17.6 percent. From 2014 to 2015, however, the quantity of U.S. shipments decreased by 9.8 percent, resulting in an overall decrease of 1.0 percent from 2013 to 2015. Likewise, the value of commercial U.S. shipments decreased from 2014 to 2015, but at an even steeper rate than quantity experienced (by 23.3 percent) for an overall decrease of 9.9 percent of from 2013 to 2015. In January-September 2016, U.S. producers' U.S. shipments were 15.1 percent greater than during the same period in 2015. The value of these shipments was, however, 5.4 percent less compared to interim 2015.

The average unit value of U.S. producers' U.S. shipments increased by 7.0 percent from 2013 to 2014, when they reached their peak unit value, then decreased by 15.0 percent from 2014 to 2015, and were 17.8 percent lower in interim 2016 compared to interim 2015.

U.S. producers' export shipments accounted for 17.2 percent to 18.8 percent of total shipments in 2013-15.[36] In January-September 2016, exports accounted for 13.6 percent of total shipments, compared to 17.8 percent in January-September 2015. Export shipments, like U.S. shipments, increased from 2013 to 2014, but then decreased from 2014 to 2015, and were lower in interim 2016 than in interim 2015. *** U.S. producers exported more in 2014 compared to 2013, with ***. ***. ***. ***. As noted above, in anticipation of its employee lockout, ATI shifted its sales portfolio to focus on U.S. customers while decreasing exports.[37]

[35] *** to report transfers and internal consumption. Transfers were made at *** to ***. ***.

[36] Export markets identified by U.S. producers include ***.

[37] Hearing transcript, p. 64 (Hartford).

Table III-6
Stainless steel sheet and strip: U.S. producers' U.S. shipments, exports shipments, and total shipments, 2013-15, January-September 2015, and January-September 2016

Item	Calendar year			January to September	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	1,537,534	1,689,061	1,522,765	1,144,254	1,316,467
Export shipments	339,536	391,274	317,369	247,926	207,171
Total shipments	1,877,070	2,080,335	1,840,134	1,392,180	1,523,638
	Value (1,000 dollars)				
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	3,367,570	3,959,655	3,035,315	2,377,062	2,249,128
Export shipments	744,885	898,447	603,569	485,618	350,277
Total shipments	4,112,455	4,858,102	3,638,884	2,862,680	2,599,405
	Unit value (dollars per short ton)				
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	2,190	2,344	1,993	2,077	1,708
Export shipments	2,194	2,296	1,902	1,959	1,691
Total shipments	2,191	2,335	1,978	2,056	1,706
	Share of quantity (percent)				
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	81.9	81.2	82.8	82.2	86.4
Export shipments	18.1	18.8	17.2	17.8	13.6
Total shipments	100.0	100.0	100.0	100.0	100.0
	Share of value (percent)				
Commercial U.S. shipments	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	81.9	81.5	83.4	83.0	86.5
Export shipments	18.1	18.5	16.6	17.0	13.5
Total shipments	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' INVENTORIES

Table III-7 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments. End-of-period inventories were virtually the same in 2015 and 2013. They were at their highest level in 2014, which coincided with U.S. producers' peak production and shipment volumes. During 2013-15, the ratio of inventories to production, U.S. shipments, and total shipments changed little. End-of-period inventories in January-September 2016 were at their lowest levels in absolute and relative terms. Throughout the data collection period, *** held the largest volume of inventories. ATI testified that in anticipation of it having production disruptions due to negotiations with its labor union, it built up inventories, starting around mid-2014.[38] After ATI's lockout began in August 2015, between September 30, 2015 and December 31, 2015, ***.

Table III-7
Stainless steel sheet and strip: U.S. producers' inventories, 2013-15, January-September 2015, and January-September 2016

Item	Calendar year			January to September	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
AK Steel	***	***	***	***	***
ATI	***	***	***	***	***
NAS	***	***	***	***	***
Outokumpu	***	***	***	***	***
U.S. producers' end-of-period inventories	215,736	245,525	216,743	237,875	193,088
	Ratio (percent)				
Ratio of inventories to.-- U.S. production	11.4	11.6	12.0	12.9	9.7
U.S. shipments	14.0	14.5	14.2	15.6	11.0
Total shipments	11.5	11.8	11.8	12.8	9.5

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' IMPORTS AND PURCHASES

*** U.S. producers, ***, reported that it purchased subject merchandise from a U.S. importer, ***. *** purchased *** short tons of Chinese stainless steel sheet and strip in 2014, equivalent to *** percent of its production in 2014.[39] *** reported that it needed to purchase ***. ***.[40]

*** has a ***.

[38] Hearing transcript, p. 64 (Hartford).
[39] *** short tons is equivalent to *** percent of *** subject imports in 2014.
[40] ***.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-8 shows U.S. producers' employment-related data. Production and related workers ("PRWs") increased from 2013 to 2014 but then decreased in 2015 and there were fewer PRWs in January-September 2016 compared to January-September 2015. Total hours worked and wages paid exhibited the same changes. Unit labor costs were higher in 2015 compared to 2013 but were lower in interim 2016 compared to interim 2015.

Table III-8
Stainless steel sheet and strip: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2013-15, January-September 2015, and January-September 2016

Item	Calendar year			January to September	
	2013	2014	2015	2015	2016
Production and related workers (PRWs) (number)	2,753	2,813	2,637	2,625	2,288
Total hours worked (1,000 hours)	5,644	5,939	5,654	4,613	4,131
Hours worked per PRW (hours)	2,050	2,111	2,144	1,757	1,806
Wages paid ($1,000)	193,512	208,144	205,880	163,316	150,960
Hourly wages (dollars per hour)	$34.29	$35.05	$36.41	$35.40	$36.54
Productivity (short tons per 1,000 hours)	334.6	355.3	320.1	300.1	363.1
Unit labor costs (dollars per short tons)	$102.48	$98.64	$113.77	$117.96	$100.64

Source: Compiled from data submitted in response to Commission questionnaires.

*** and *** reported *** in PRWs throughout 2013-15. Their increases were partially offset by *** decrease in PRWs, when it shed *** PRWs during this period and, to a lesser extent ***, which reduced employment by *** PRWs. ATI's *** permanent closure of its Midland, Pennsylvania production facility and its laying off of 250 of its employees[41] (*** PRWS at this facility were affected).[42] ATI attributes the loss of PRWs to its decision to idle legacy capacity and replace it with the new HRPF facility, but also in part due to unfairly traded imports from China.[43]

*** PRWs increased by *** percent from 2013 to 2015 whereas its production *** by *** percent during this period. In response to staff's questions about these trends, *** reported that it anticipates ***. ***.[44] In interim 2016, AK Steel reported having *** PRWs compared to interim 2015.[45] *** production was, however, *** percent *** in interim 2016 compared to interim 2015.

[41] Petitioners' postconference brief, pp. 10-11.

[42] ATI response to staff questions, December 19, 2016.

[43] Petitioners' postconference brief, pp. 24-25. Petitioners testified that the seven month lockout of its union employees had no bearing on its decision to idle the plant. Conference transcript, pp. 53-54 (Hartford).

[44] AK Steel response to staff questions, December 16, 2016.

[45] The decrease in PRWs reflects ***. Petitioners' responses to staff questions, January 6, 2017.

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

U.S. IMPORTERS

The Commission issued importer questionnaires to 79 firms believed to be importers of stainless steel sheet and strip, as well as to all U.S. producers of stainless steel sheet and strip.[1] Usable questionnaire responses were received from 21 companies, representing 67.6 percent of U.S. imports from China and 46.4 percent of imports from all other sources in 2015.[2] Table IV-1 lists all responding U.S. importers of stainless steel sheet and strip from China and other sources, their locations, and their shares of U.S. imports, in 2015.

Table IV-1
Stainless steel sheet and strip: U.S. importers, their headquarters, and share of total imports by source, 2015

Firm	Headquarters	Share of imports by source (percent)		
		China	All other sources	Total imports
Accuride	Santa Fe Springs, CA	***	***	***
Atlas[1]	Twinsburg, OH	***	***	***
Baosteel	Montvale, NJ	***	***	***
Century	Miami, FL	***	***	***
CMC	Irving, TX	***	***	***
Empire	Fort Lee, NJ	***	***	***
Felchar	Binghamton, NY	***	***	***

Table continued on next page.

[1] The Commission issued questionnaires to firms identified in the petitions and the preliminary-phase foreign producers' questionnaire responses, as well as to firms that, based on a review of data provided by U.S. Customs and Border Protection ("Customs"), may have accounted for more than one percent of total imports under HTS statistical reporting numbers 77219.13.0031, 7219.13.0051, 7219.13.0071, 7219.13.0081, 7219.14.0030, 7219.14.0065, 7219.14.0090, 7219.23.0030, 7219.23.0060, 7219.24.0030, 7219.24.0060, 7219.32.0005, 7219.32.0020, 7219.32.0025, 7219.32.0035, 7219.32.0036, 7219.32.0038, 7219.32.0042, 7219.32.0044, 7219.32.0045, 7219.32.0060, 7219.33.0005, 7219.33.0020, 7219.33.0025, 7219.33.0035, 7219.33.0036, 7219.33.0038, 7219.33.0042, 7219.33.0044, 7219.33.0045, 7219.33.0070, 7219.33.0080, 7219.34.0005, 7219.34.0020, 7219.34.0025, 7219.34.0030, 7219.34.0035, 7219.34.0050, 7219.35.0005, 7219.35.0015, 7219.35.0030, 7219.35.0035, 7219.35.0050, 7219.90.0010, 7219.90.0020, 7219.90.0025, 7219.90.0060, 7219.90.0080, 7220.12.1000, 7220.12.5000, 7220.20.1010, 7220.20.1015, 7220.20.1060, 7220.20.1080, 7220.20.6005, 7220.20.6010, 7220.20.6015, 7220.20.6060, 7220.20.6080, 7220.20.7005, 7220.20.7010, 7220.20.7015, 7220.20.7060, 7220.20.7080, 7220.90.0010, 7220.90.0015, 7220.90.0060, and 7220.90.0080 in 2015.

[2] In 2015, U.S. imports from China as reported in U.S. importers' questionnaire responses totaled 99,467 short tons whereas official import statistics equaled 147,143 short tons (99,467/147,143=0.676). U.S. imports from all other sources reported in U.S. importers' questionnaire responses totaled 141,770 short tons whereas official import statistics equaled 305,534 short tons (141,770/305,534=0.464).

Table IV-1--Continued
Stainless steel sheet and strip: U.S. importers, their headquarters, and share of total imports by source, 2015

Firm	Headquarters	Share of imports by source (percent)		
		China	All other sources	Total imports
Hanwa	Schaumburg, IL	***	***	***
Hanwha	Teaneck, NJ	***	***	***
HSSC	Cerritos, CA	***	***	***
Jindal	New Delhi, IN	***	***	***
Marubeni-Itochu (America)	New York, NY	***	***	***
Marubeni-Itochu (Canada)	Burnaby, BC	***	***	***
NAS	Ghent, KY	***	***	***
Olbert	Mississauga, ON	***	***	***
Outokumpu	Mobile, AL	***	***	***
POSCO Daewoo	Teaneck, NJ	***	***	***
Rigidized	Buffalo, NY	***	***	***
Ryerson	Chicago, IL	***	***	***
Ta Chen	Long Beach, CA	***	***	***
ThyssenKrupp	Southfield, MI	***	***	***
TISCO	Canonsburg, PA	***	***	***
Total		***	***	***

[1] ***.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTS

Table IV-2 presents data for U.S. imports of stainless steel sheet and strip from China and all other sources. Imports of stainless steel sheet and strip from nonsubject sources, in aggregate, exceeded those from China in each period for which data were collected during 2013-September 2016. U.S. imports increased during 2013-15 by 28.0 percent. Subject imports from China, however, more than doubled from 2013 to 2014,[3] while imports imports from nonsubject sources increased by approximately 10 percent. As a result, total imports increased by nearly 100,000 short tons. The total quantity of imports was essentially level from 2014 to 2015, as imports from China continued to increase whereas imports from nonsubject sources decreased. In January-September 2016, total U.S. imports were 16.0 percent lower compared to the same period in 2015. In interim 2016, U.S. imports from China were approximately one-third of the level they were in interim 2015 whereas nonsubject imports were 13.8 percent greater.

[3] Official import statistics show that subject imports entered the United States through many U.S. Customs Districts during January 2013-September 2016, with Philadelphia, Pennsylvania being the largest, followed by Los Angeles, California; Baltimore, Maryland; and Houston-Galveston, Texas.

Table IV-2
Stainless steel sheet and strip: U.S. imports, by source, 2013-15, January to September 2015, and January to September 2016

Item	Calendar year			January to September	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
U.S. imports from.--China	63,114	132,009	147,143	128,192	38,925
Nonsubject sources	290,580	319,930	305,534	231,245	263,098
All import sources	353,694	451,939	452,677	359,437	302,023
	Value (1,000 dollars)				
U.S. imports from.--China	145,864	309,339	312,364	278,798	71,023
Nonsubject sources	735,161	879,145	761,561	585,487	560,653
All import sources	881,025	1,188,484	1,073,925	864,285	631,676
	Unit value (dollars per short ton)				
U.S. imports from.--China	2,311	2,343	2,123	2,175	1,825
Nonsubject sources	2,530	2,748	2,493	2,532	2,131
All import sources	2,491	2,630	2,372	2,405	2,091
	Share of quantity (percent)				
U.S. imports from.--China	17.8	29.2	32.5	35.7	12.9
Nonsubject sources	82.2	70.8	67.5	64.3	87.1
All import sources	100.0	100.0	100.0	100.0	100.0
	Share of value (percent)				
U.S. imports from.--China	16.6	26.0	29.1	32.3	11.2
Nonsubject sources	83.4	74.0	70.9	67.7	88.8
All import sources	100.0	100.0	100.0	100.0	100.0
	Ratio to U.S. production				
U.S. imports from.--China	3.3	6.3	8.1	9.3	2.6
Nonsubject sources	15.4	15.2	16.9	16.7	17.6
All import sources	18.7	21.4	25.0	26.0	20.2

Table continued on next page.

Table IV-2--Continued
Stainless steel sheet and strip: U.S. imports, by source, 2013-15, January to September 2015, and January to September 2016

Source: Official U.S. import statistics under HTS statistical reporting numbers 77219.13.0031, 7219.13.0051, 7219.13.0071, 7219.13.0081, 7219.14.0030, 7219.14.0065, 7219.14.0090, 7219.23.0030, 7219.23.0060, 7219.24.0030, 7219.24.0060, 7219.32.0005, 7219.32.0020, 7219.32.0025, 7219.32.0035, 7219.32.0036, 7219.32.0038, 7219.32.0042, 7219.32.0044, 7219.32.0045, 7219.32.0060, 7219.33.0005, 7219.33.0020, 7219.33.0025, 7219.33.0035, 7219.33.0036, 7219.33.0038, 7219.33.0042, 7219.33.0044, 7219.33.0045, 7219.33.0070, 7219.33.0080, 7219.34.0005, 7219.34.0020, 7219.34.0025, 7219.34.0030, 7219.34.0035, 7219.34.0050, 7219.35.0005, 7219.35.0015, 7219.35.0030, 7219.35.0035, 7219.35.0050, 7219.90.0010, 7219.90.0020, 7219.90.0025, 7219.90.0060, 7219.90.0080, 7220.12.1000, 7220.12.5000, 7220.20.1010, 7220.20.1015, 7220.20.1060, 7220.20.1080, 7220.20.6005, 7220.20.6010, 7220.20.6015, 7220.20.6060, 7220.20.6080, 7220.20.7005, 7220.20.7010, 7220.20.7015, 7220.20.7060, 7220.20.7080, 7220.90.0010, 7220.90.0015, 7220.90.0060, and 7220.90.0080, accessed December 29, 2016.

Stainless steel sheet and strip from nonsubject sources accounted for the majority of U.S. imports of stainless steel sheet and strip throughout January 2013-September 2016. China was, however, the single largest source of U.S. imported stainless steel sheet and strip in 2014, 2015, and January-September 2015. Mexico was the largest source of U.S. imports of stainless steel sheet and strip in calendar year 2013 and in January-September 2016. Table IV-3 presents the twenty-largest nonsubject country sources of U.S. imports of stainless steel sheet and strip.

U.S. producers Outokumpu and NAS import nonsubject merchandise from affiliated producers. Outokumpu imports stainless steel sheet and strip from Outokumpu Mexinox SA de CV in Mexico. Outokumpu also imports stainless steel sheet and strip from Finland and Germany. Outokumpu's imports supplement its product offerings;[4] imports from Europe are for niche products used to fill out its portfolio. NAS imports stainless steel sheet and strip from Spain and Malaysia. NAS testified that it imports product from Spain that has a finish it does not currently produce in its Ghent, Kentucky plant.[5] This product is, however, produced by other U.S. producers.[6]

[4] Hearing transcript, p. 39 (Letnich).
[5] Hearing transcript, p. 69 (Lyons).
[6] Hearing transcript, p. 149 (Junker)

Table IV-3
Stainless steel sheet and strip: U.S. imports from nonsubject sources, 2013-15, January to September 2015, and January to September 2016

Item	Calendar year			January to September	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
U.S. imports from.--					
Mexico	90,730	87,224	70,678	54,082	60,611
Taiwan	35,167	36,616	44,493	34,942	34,894
France	28,478	30,129	41,837	29,258	35,784
Korea	8,812	12,475	21,158	16,764	16,776
South Africa	11,444	18,290	15,769	12,944	9,723
Brazil	9,506	10,292	12,964	9,746	16,019
Vietnam	5,268	14,449	12,710	10,036	17,751
India	8,205	10,160	11,004	9,540	8,973
Italy	21,661	6,426	10,428	7,884	14,200
Germany	11,337	17,607	9,937	6,850	7,966
Japan	9,613	12,594	9,363	6,288	7,628
Spain	2,800	10,781	9,041	5,716	2,620
Sweden	7,609	10,313	7,817	5,687	4,491
Belgium	8,695	11,748	6,673	4,905	5,728
Finland	15,469	14,166	3,947	3,444	3,090
Indonesia	2,187	3,408	3,898	2,808	3,989
Thailand	4,220	3,690	2,890	2,441	2,733
Canada	2,649	3,095	2,816	1,888	2,703
Turkey	0	1,140	1,951	1,899	1,287
United Kingdom	1,943	1,638	1,910	1,412	2,619
All other nonsubject sources	4,787	3,687	4,250	2,710	3,513
All nonsubject sources	290,580	319,930	305,534	231,245	263,098

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Table IV-3--Continued
Stainless steel sheet and strip: U.S. imports from nonsubject sources, 2013-15, January to September 2015, and January to September 2016

Item	Calendar year			January to September	
	2013	2014	2015	2015	2016
	Value (1,000 of dollars)				
U.S. imports from.--					
Mexico	194,488	198,235	153,251	119,969	118,052
Taiwan	93,790	116,876	107,556	87,705	68,095
France	70,995	68,694	93,063	65,323	75,326
Korea	22,370	27,224	38,684	29,671	28,593
South Africa	24,974	40,833	36,432	29,640	18,736
Brazil	16,466	18,640	21,346	16,267	21,040
Vietnam	10,920	28,076	26,685	21,687	28,733
India	24,176	28,351	29,279	25,674	18,523
Italy	42,375	24,991	31,619	25,202	36,728
Germany	35,331	54,962	34,161	23,644	25,655
Japan	28,457	37,168	27,394	20,099	19,601
Spain	7,855	29,856	22,639	15,184	5,660
Sweden	41,931	60,449	38,562	27,740	22,697
Belgium	25,882	37,149	19,433	14,763	14,051
Finland	42,379	44,509	13,836	12,324	7,331
Indonesia	6,822	11,250	9,868	7,444	8,100
Thailand	8,529	10,090	8,029	6,837	4,203
Canada	6,408	7,676	7,088	5,059	5,636
Turkey	0	2,230	4,337	4,235	1,829
United Kingdom	12,137	11,711	15,401	11,794	18,351
All other nonsubject sources	18,879	20,175	22,900	15,226	13,711
All nonsubject sources	735,161	879,145	761,561	585,487	560,653

Table continued on next page.

Table IV-3--Continued
Stainless steel sheet and strip: U.S. imports from nonsubject sources, 2013-15, January to September 2015, and January to September 2016

Item	Calendar year			January to September	
	2013	2014	2015	2015	2016
	Unit value (dollars per short ton)				
U.S. imports from.--					
Mexico	2,144	2,273	2,168	2,218	1,948
Taiwan	2,667	3,192	2,417	2,510	1,951
France	2,493	2,280	2,224	2,233	2,105
Korea	2,539	2,182	1,828	1,770	1,704
South Africa	2,182	2,233	2,310	2,290	1,927
Brazil	1,732	1,811	1,647	1,669	1,313
Vietnam	2,073	1,943	2,100	2,161	1,619
India	2,946	2,790	2,661	2,691	2,064
Italy	1,956	3,889	3,032	3,196	2,587
Germany	3,117	3,122	3,438	3,452	3,220
Japan	2,960	2,951	2,926	3,196	2,570
Spain	2,805	2,769	2,504	2,656	2,160
Sweden	5,511	5,861	4,933	4,878	5,053
Belgium	2,977	3,162	2,912	3,010	2,453
Finland	2,740	3,142	3,505	3,579	2,373
Indonesia	3,119	3,301	2,531	2,651	2,031
Thailand	2,021	2,735	2,778	2,801	1,538
Canada	2,419	2,480	2,517	2,679	2,085
Turkey	---	1,956	2,223	2,230	1,421
United Kingdom	6,247	7,148	8,065	8,352	7,006
All other nonsubject sources	3,944	5,472	5,389	5,618	3,903
All nonsubject sources	2,530	2,748	2,493	2,532	2,131

Table continued on next page.

Table IV-3--Continued
Stainless steel sheet and strip: U.S. imports from nonsubject sources, 2013-15, January to September 2015, and January to September 2016

Item	Calendar year			January to September	
	2013	2014	2015	2015	2016
	Share of total U.S. imports (percent)				
U.S. imports from.--					
Mexico	25.7	19.3	15.6	15.0	20.1
Taiwan	9.9	8.1	9.8	9.7	11.6
France	8.1	6.7	9.2	8.1	11.8
Korea	2.5	2.8	4.7	4.7	5.6
South Africa	3.2	4.0	3.5	3.6	3.2
Brazil	2.7	2.3	2.9	2.7	5.3
Vietnam	1.5	3.2	2.8	2.8	5.9
India	2.3	2.2	2.4	2.7	3.0
Italy	6.1	1.4	2.3	2.2	4.7
Germany	3.2	3.9	2.2	1.9	2.6
Japan	2.7	2.8	2.1	1.7	2.5
Spain	0.8	2.4	2.0	1.6	0.9
Sweden	2.2	2.3	1.7	1.6	1.5
Belgium	2.5	2.6	1.5	1.4	1.9
Finland	4.4	3.1	0.9	1.0	1.0
Indonesia	0.6	0.8	0.9	0.8	1.3
Thailand	1.2	0.8	0.6	0.7	0.9
Canada	0.7	0.7	0.6	0.5	0.9
Turkey	0.0	0.3	0.4	0.5	0.4
United Kingdom	0.5	0.4	0.4	0.4	0.9
All other nonsubject sources	1.4	0.8	0.9	0.8	1.2
All nonsubject sources	82.2	70.8	67.5	64.3	87.1

Source: Official U.S. import statistics (see table IV-2 source note for the list of relevant HTS statistical reporting numbers).

Shipments by grade

Table IV-4 presents information on commercial U.S. shipments by U.S. producers and importers of stainless steel sheet and strip by grade types for 2015. Grade 304 accounted for the largest volume of commercial U.S. shipments from U.S. producers (36.9 percent) and responding importers' shipments of product from China (59.1 percent), whereas for nonsubject-source shipments, it was the second largest volume. U.S. producers also shipped sizeable volumes of other grades whereas there were little reported shipments of grade 201 and grade 316 stainless steel sheet and strip made in China.

In 2015, the average unit values of U.S. commercial shipments of stainless steel sheet and strip from nonsubject sources were higher than those from U.S.-origin product in all six surveyed grades, and higher than those for China-origin product in four of six surveyed grades. U.S. commercial shipments of imported stainless steel sheet and strip from China had higher unit values than U.S. producers' U.S. commercial shipments in all surveyed grades except for

grade 430. Petitioners stated that this is because of different product mix, even within the grade.[7]

Table IV-4

Stainless steel sheet and strip: U.S. producers' and U.S. importers' commercial U.S. shipments by grade, 2015

Item	U.S. producers' and importers' commercial U.S. shipments, 2015			
	Quantity (short tons)	Value (1,000 dollars)	Unit values (dollars per short ton)	Share of quantity (percent)
U.S. producers--				
Grade 201	102,988	197,833	1,921	7.2
Grade 304	529,735	1,143,623	2,159	36.9
Grade 316	85,333	243,489	2,853	5.9
Grade 409	182,227	216,513	1,188	12.7
Grade 430	104,097	168,920	1,623	7.3
All other grades	431,122	924,183	2,144	30.0
All grades	1,435,502	2,894,561	2,016	100.0
U.S. importers: China				
Grade 201	***	***	***	***
Grade 304	63,774	158,760	2,489	59.1
Grade 316	***	***	***	***
Grade 409	***	***	***	***
Grade 430	23,405	37,011	1,581	21.7
All other grades	17,198	40,476	2,354	15.9
All grades	107,967	241,621	2,238	100.0
U.S. importers: Nonsubject sources				
Grade 201	***	***	***	***
Grade 304	43,751	114,034	2,606	29.9
Grade 316	***	***	***	***
Grade 409	***	***	***	***
Grade 430	60,134	117,672	1,957	41.0
All other grades	34,780	82,805	2,381	23.7
All grades	146,524	339,591	2,318	100.0
U.S. importers: All sources				
Grade 201	***	***	***	***
Grade 304	107,525	272,794	2,537	42.3
Grade 316	***	***	***	***
Grade 409	***	***	***	***
Grade 430	83,539	154,683	1,852	32.8
All other grades	51,978	123,281	2,372	20.4
All grades	254,491	581,212	2,284	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

[7] Hearing transcript, p. 104 (Canon).

CRITICAL CIRCUMSTANCES

On February 8, 2017, Commerce issued its countervailing duty determination finding that "critical circumstances"[8] exist with regard to imports from Ningbo Baoxin and Daming, but do not exist for Taigang and ''all other'' producers or exporters in China of stainless steel sheet and strip.[9] In its final determination of sales at less than fair value published on the same date, Commerce determined that critical circumstances exist for all sources of stainless steel sheet and strip from China.[10] If both Commerce and the Commission make affirmative final critical circumstances determinations, subject imports may be subject to countervailing duties retroactive by 90 days from July 18, 2016, the effective date of Commerce's preliminary affirmative countervailing duty determination. Subject imports may also be subject to LTFV duties retroactive by 90 days from September 19, 2016, the effective date of Commerce's preliminary LTFV determination. For the purpose of evaluating critical circumstances in regard to the LTFV investigation, table IV-5 presents monthly import data for all imports from China, for periods before and after the filing of the petition on February 12, 2016. U.S. importers reported end-of-period inventories of subject imports of *** short tons in January-September 2015 compared to *** short tons in January-September 2016. Table IV-6 also presents monthly import data for periods before and after the filing of the petition on February 12, 2016, but only for firms covered by the CVD critical circumstances determination. Of the firms that reported U.S. imports of stainless steel sheet and strip from China, seven firms imported from manufacturers / exporters in China covered by Commerce's affirmative final countervailing duty critical circumstances determination (i.e., from Ningbo Baoxin and Daming). Reported inventories of stainless steel sheet and strip imported from China by these seven firms amounted to *** short tons in September 2015 and *** short tons in September 2016. These data, however, are overstated for the purposes of critical circumstances considerations because four of the seven importers also imported from firms in China for which Commerce did not make an affirmative critical circumstances determination.

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[8] When petitioners file timely allegations of critical circumstances, Commerce examines whether there is a reasonable basis to believe or suspect that (1) either there is a history of dumping and material injury by reason of dumped imports in the United States or elsewhere of the subject merchandise, or the person by whom, or for whose account, the merchandise was imported knew or should have known that the exporter was selling the subject merchandise at LTFV and that there was likely to be material injury by reason of such sales; and (2) there have been massive imports of the subject merchandise over a relatively short period.

[9] *Countervailing Duty Investigation of Stainless Steel Sheet and Strip From the People's Republic of China: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination, in Part*, 82 FR 9714, February 8, 2017.

[10] *Antidumping Duty Investigation of Stainless Steel Sheet and Strip From the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, 82 FR 9716, February 8, 2017.

Table IV-5
Stainless steel sheet and strip: U.S. imports from China subject to Commerce's final critical circumstance determination in its LTFV investigation, September 2015 through August 2016

Period	Actual monthly quantity (short tons)	Outwardly cumulative subtotals (short tons)	Outwardly cumulative 2-, 4-, 6-, 8-, 10- and 12-month totals (short tons)[1]	Mirror shares (percent)[2]	Mirror shares (enumeration)[3]	Percentage change from comparable period (percent)[4]
2015.-- August	7,260	40,377	71,409	56.5	F	
September	7,302	33,117	62,936	52.6	E	
October	7,327	25,816	54,262	47.6	D	
November	4,450	18,489	45,061	41.0	C	
December	7,174	14,039	29,353	47.8	B	
2016.-- January	6,865	6,865	12,669	54.2	A	
Petition file date: February 12, 2016						
February	5,805	5,805	12,669	45.8	A	(15.4)
March	9,509	15,314	29,353	52.2	B	9.1
April	11,258	26,572	45,061	59.0	C	43.7
May	1,875	28,447	54,262	52.4	D	10.2
June	1,372	29,819	62,936	47.4	E	(10.0)
July	1,213	31,032	71,409	43.5	F	(23.1)

Note.--Imports subject to Commerce's final AD critical circumstance determination: imports from all firms in China.

[1] The totals represent the total imports summing both sides of the petition file date.

[2] Mirror shares represent data in the second column divided by the data in third column.

[3] The enumerations indicate which two shares should sum to 100 percent (e.g., the two lines labeled A should sum to 100 percent, the two lines labeled B should sum to 100 percent, et cetera).

[4] The percentage increase or (decrease) over the comparable pre-petition period.

Source: Official U.S. import statistics (see table IV-2 source note for the list of relevant HTS statistical reporting numbers).

Table IV-6
Stainless steel sheet and strip: U.S. imports from China subject to Commerce's final critical circumstance determination in its subsidy investigation, September 2015 through August 2016

* * * * * * *

NEGLIGIBILITY

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[11] Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[12] Imports from China accounted for 30.7 percent of total imports of stainless steel sheet and strip by quantity during February 2015-January 2016.[13]

APPARENT U.S. CONSUMPTION

Table IV-7 and figure IV-1 present data on apparent U.S. consumption and U.S. market shares for stainless steel sheet and strip. From 2013 to 2014, apparent U.S. consumption increased by 13.2 percent based on quantity. Parties agreed that the market experienced a surge in demand from 2013 to 2014. Petitioners stated that this increase in demand was seen throughout all end use markets whereas respondents claimed that the surge was due in large part to an increase in orders for durable goods, specifically appliances, during the period.[14]

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[11] Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

[12] Section 771 (24) of the Act (19 U.S.C § 1677(24)).

[13] Based on official U.S. import statistics (see table IV-2 source note for the list of relevant HTS statistical reporting numbers).

[14] Respondents' postconference brief, pp. 5-6; Conference transcript, p. 102 (Lyons).

Table IV-7
Stainless steel sheet and strip: U.S. shipments of domestic product, U.S. shipments of imports, and apparent U.S. consumption, 2013-15, January to September 2015, and January to September 2016

Item	Calendar year			January to September	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
U.S. producers' U.S. shipments	1,537,534	1,689,061	1,522,765	1,144,254	1,316,467
U.S. imports from.--					
China	63,114	132,009	147,143	128,192	38,925
Nonsubject sources	290,580	319,930	305,534	231,245	263,098
All import sources	353,694	451,939	452,677	359,437	302,023
Apparent U.S. consumption	1,891,228	2,141,000	1,975,442	1,503,691	1,618,490
	Value (1,000 dollars)				
U.S. producers' U.S. shipments	3,367,570	3,959,655	3,035,315	2,377,062	2,249,128
U.S. imports from.--					
China	145,864	309,339	312,364	278,798	71,023
Nonsubject sources	735,161	879,145	761,561	585,487	560,653
All import sources	881,025	1,188,484	1,073,925	864,285	631,676
Apparent U.S. consumption	4,248,595	5,148,139	4,109,240	3,241,347	2,880,804
	Share of quantity (percent)				
U.S. producers' U.S. shipments	81.3	78.9	77.1	76.1	81.3
U.S. imports from.--					
China	3.3	6.2	7.4	8.5	2.4
Nonsubject sources	15.4	14.9	15.5	15.4	16.3
All import sources	18.7	21.1	22.9	23.9	18.7
	Share of value (percent)				
U.S. producers' U.S. shipments	79.3	76.9	73.9	73.3	78.1
U.S. imports from.--					
China	3.4	6.0	7.6	8.6	2.5
Nonsubject sources	17.3	17.1	18.5	18.1	19.5
All import sources	20.7	23.1	26.1	26.7	21.9

Source: Compiled from data submitted in response to Commission questionnaires and official U.S. import statistics (see table IV-2 source note for the list of relevant HTS statistical reporting numbers).

Apparent U.S. consumption measured by quantity decreased by 7.7 percent from 2014 to 2015. Overall, from 2013 to 2015, apparent U.S. consumption increased by 4.5 percent and was 7.6 percent greater in January-September 2016 compared to January-September 2015. Measured by value, apparent U.S. consumption increased by 21.2 percent from 2013 to 2014 but decreased by 20.2 percent from 2014 to 2015. While the quantity of apparent U.S. consumption was greater in 2015 compared the 2013, the value was 3.3 percent lower. Likewise, in January-September 2016, the value of apparent U.S. consumption was 11.1 percent less than in January-September 2015, whereas the quantity of shipments was greater.

Figure IV-1

Stainless steel sheet and strip: Apparent U.S. consumption, 2013-15, January to September 2015, and January to September 2016

Source: Compiled from data submitted in response to Commission questionnaires and official U.S. import statistics (see table IV-2 source note for the list of relevant HTS statistical reporting numbers).

Monthly shipment data

Monthly shipment data are presented in table IV-8, and graphically presented in figure IV-2 (showing quantities of monthly shipments) and figure IV-3 (showing shares of monthly shipments). Respondents argued that U.S. imports from China were drawn into the U.S. market in 2014 due to production and delivery time issues experienced by the U.S. producers[15] at that time and that as the problems with U.S. supply abated, U.S. imports from China decreased as well.[16] Specifically, respondents observed that monthly U.S. import statistics show that U.S. imports from China increased in mid-2014 due to increasing demand in the U.S. market at the same time U.S. producers were experiencing supply issues.[17] As ATI testified, its lockout did not occur until August 2015, whereas imports from China began increasing in mid-2014.[18] ATI testified that its labor dispute was anticipated over a year in advance of the eventuality, and made extensive plans to maintain supply the U.S. market with stainless steel sheet and strip by building inventory.[19] Outokumpu's production disruptions, which it characterized as being "of limited duration," occurred during the second half of 2014.[20]

Respondents state that increase in subject import volume in 2014 was followed by a decrease in monthly U.S. imports from China by 2015, as U.S. producers addressed their supply concerns and normalcy returned to the U.S. market.[21] Further, subject imports that entered in the first five months of 2015 were from orders booked in 2014, when prices were high.[22] Petitioners point to the volume of subject imports increasing after the EU initiated trade cases on merchandise in May 2014.[23] Petitioners claimed that U.S. imports from China decreased in 2015 because (1) the prices in 2014 were so low that purchasers stockpiled product leading to a subsequent inventory draw down period; and (2) rumors in the industry that an antidumping petition could be filed.[24]

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[15] Respondents cited Outokumpu's partial mill shutdown, Allegheny's union worker lockout, and increasingly extended lead times as issues with U.S. production supply. Respondents' postconference brief, pp. 3-9.

[16] Respondents' postconference brief, pp. 1-2.

[17] Respondents' postconference brief, pp. 1-2. Respondents also noted that NAS's parent company stated that imports were pulled into the U.S. market due to production issues with U.S. companies. Respondents' prehearing brief, p. 17, citing Acerinox 2015 annual report, p. 52, included as exhibit 13. Petitioners show that in the same document, Acerinox also discussed the negative effect of Chinese exports being redirected to the United States after the EU issued orders on Chinese stainless steel products. Petitioners' posthearing brief, exhibit 11, pp. 3-4.

[18] Hearing transcript, p. 23 (Hartford).

[19] Hearing transcript, pp. 65-66 and 77 (Hartford).

[20] Hearing transcript, p. 39 (Letnich).

[21] Respondents' postconference brief, pp. 1-2.

[22] Hearing transcript, p. 123 (Junker).

[23] Hearing transcript, p. 20 (Hartford). The EU issued preliminary duties on imported Chinese stainless steel sheet and strip in March 2015. Hearing transcript, p. 31 (Pfeiffer).

[24] Petitioners' postconference brief, p. 29.

Table IV-8

Stainless steel sheet and strip: U.S. producers' U.S. shipments and monthly U.S. imports by source, January 2013 through December 2016

Year / month	U.S. producers' U.S. shipments	U.S. imports from						Total
		China	Mexico	Taiwan	All other sources	Nonsubject sources	All import sources	
	Quantity (short tons)							
2013.--								
January	114,882	6,098	9,026	3,356	22,793	35,175	41,273	156,155
February	130,427	2,922	7,787	2,302	15,646	25,736	28,657	159,084
March	153,503	5,379	7,085	2,797	15,246	25,127	30,507	184,010
April	163,729	5,921	7,352	3,679	18,109	29,141	35,061	198,790
May	147,739	6,100	8,076	2,924	14,490	25,489	31,590	179,329
June	154,549	4,972	8,139	3,039	12,450	23,628	28,599	183,148
July	156,314	6,314	7,170	3,443	12,174	22,787	29,100	185,414
August	153,630	4,900	7,065	1,945	11,460	20,471	25,370	179,000
September	136,878	3,822	6,117	3,045	7,951	17,113	20,935	157,813
October	143,982	6,854	8,484	2,871	12,934	24,289	31,143	175,125
November	139,661	3,889	7,297	3,380	10,716	21,392	25,281	164,942
December	127,748	5,943	7,132	2,387	10,714	20,234	26,177	153,925
2014.--								
January	139,368	3,936	8,070	3,324	14,685	26,079	30,015	169,383
February	131,568	6,863	6,228	2,442	11,666	20,337	27,199	158,767
March	144,367	6,432	6,381	3,157	13,614	23,153	29,584	173,951
April	144,450	7,521	6,195	2,751	15,302	24,248	31,769	176,219
May	147,712	12,357	7,352	2,693	11,850	21,895	34,252	181,964
June	152,229	8,867	7,206	3,111	12,885	23,201	32,068	184,297
July	149,162	13,501	7,037	3,741	15,750	26,528	40,029	189,191
August	134,013	9,782	7,644	2,913	16,691	27,248	37,030	171,043
September	147,411	16,108	8,548	3,328	16,432	28,308	44,416	191,827
October	141,876	16,209	9,363	3,186	20,146	32,695	48,904	190,780
November	129,531	16,384	6,734	3,053	17,725	27,511	43,895	173,426
December	135,935	14,050	6,466	2,917	29,344	38,727	52,778	188,713

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Table IV-8--Continued

Stainless steel sheet and strip: U.S. producers' U.S. shipments and monthly U.S. imports by source, January 2013 through December 2016

Year / month	U.S. producers' U.S. shipments	U.S. imports from						Total
		China	Mexico	Taiwan	All other sources	Nonsubject sources	All import sources	
	Quantity (short tons)							
2015.--								
January	141,972	22,052	8,925	3,957	17,421	30,302	52,354	194,326
February	128,956	17,218	5,844	3,025	17,150	26,019	43,237	172,193
March	133,541	13,943	6,086	4,976	18,110	29,172	43,115	176,656
April	131,497	21,108	6,097	4,390	19,153	29,639	50,747	182,244
May	122,138	19,375	5,951	3,717	17,477	27,145	46,520	168,658
June	119,633	10,876	4,454	3,694	15,535	23,683	34,559	154,192
July	128,332	9,059	5,933	3,738	16,002	25,674	34,732	163,064
August	121,057	7,260	5,423	3,741	10,856	20,020	27,280	148,337
September	122,640	7,302	5,369	3,704	10,519	19,592	26,893	149,533
October	120,744	7,327	5,960	3,347	16,311	25,617	32,944	153,688
November	99,354	4,450	5,370	2,887	13,974	22,230	26,680	126,034
December	117,811	7,174	5,266	3,317	17,858	26,442	33,616	151,427
2016.--								
January	128,156	6,865	6,883	2,995	12,986	22,864	29,729	157,885
February	116,611	5,805	6,040	4,002	13,731	23,773	29,578	146,189
March	131,573	9,509	6,883	3,382	19,104	29,369	38,878	170,451
April	130,845	11,258	6,866	2,779	15,670	25,316	36,575	167,420
May	128,325	1,875	6,038	2,958	16,499	25,496	27,370	155,695
June	129,672	1,372	7,040	4,008	20,620	31,668	33,040	162,712
July	135,243	1,213	6,067	4,796	22,016	32,879	34,092	169,335
August	140,325	601	6,673	4,948	24,547	36,167	36,768	177,093
September	140,726	428	8,122	5,024	22,419	35,565	35,993	176,719
October	141,904	482	7,171	5,188	25,623	37,981	38,463	180,367
November	128,987	366	6,674	6,152	25,964	38,790	39,156	168,143
December	145,513	277	7,054	5,134	27,002	39,190	39,467	184,980

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Table IV-8--Continued

Stainless steel sheet and strip: U.S. producers' U.S. shipments and monthly U.S. imports by source, January 2013 through December 2016

Year / month	U.S. producers' U.S. shipments	U.S. imports from						Total
		China	Mexico	Taiwan	All other sources	Nonsubject sources	All import sources	
	Share of quantity across (percent)							
2013.--								
January	73.6	3.9	5.8	2.1	14.6	22.5	26.4	100.0
February	82.0	1.8	4.9	1.4	9.8	16.2	18.0	100.0
March	83.4	2.9	3.9	1.5	8.3	13.7	16.6	100.0
April	82.4	3.0	3.7	1.9	9.1	14.7	17.6	100.0
May	82.4	3.4	4.5	1.6	8.1	14.2	17.6	100.0
June	84.4	2.7	4.4	1.7	6.8	12.9	15.6	100.0
July	84.3	3.4	3.9	1.9	6.6	12.3	15.7	100.0
August	85.8	2.7	3.9	1.1	6.4	11.4	14.2	100.0
September	86.7	2.4	3.9	1.9	5.0	10.8	13.3	100.0
October	82.2	3.9	4.8	1.6	7.4	13.9	17.8	100.0
November	84.7	2.4	4.4	2.0	6.5	13.0	15.3	100.0
December	83.0	3.9	4.6	1.6	7.0	13.1	17.0	100.0
2014.--								
January	82.3	2.3	4.8	2.0	8.7	15.4	17.7	100.0
February	82.9	4.3	3.9	1.5	7.3	12.8	17.1	100.0
March	83.0	3.7	3.7	1.8	7.8	13.3	17.0	100.0
April	82.0	4.3	3.5	1.6	8.6	13.8	18.0	100.0
May	81.2	6.8	4.0	1.5	6.5	12.0	18.8	100.0
June	82.6	4.8	3.9	1.7	7.0	12.6	17.4	100.0
July	78.8	7.1	3.7	2.0	8.3	14.0	21.2	100.0
August	78.4	5.7	4.5	1.7	9.8	15.9	21.6	100.0
September	76.8	8.4	4.5	1.6	8.7	14.8	23.2	100.0
October	74.4	8.5	4.9	1.7	10.6	17.1	25.6	100.0
November	74.7	9.4	3.9	1.8	10.2	15.9	25.3	100.0
December	72.0	7.4	3.4	1.5	15.5	20.5	28.0	100.0

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Table IV-8--Continued

Stainless steel sheet and strip: U.S. producers' U.S. shipments and monthly U.S. imports by source, January 2013 through December 2016

Year / month	U.S. producers' U.S. shipments	U.S. imports from						Total
		China	Mexico	Taiwan	All other sources	Nonsubject sources	All import sources	
	Share of quantity by source (percent)							
2015.--								
January	73.1	11.3	4.6	2.0	9.0	15.6	26.9	100.0
February	74.9	10.0	3.4	1.8	10.0	15.1	25.1	100.0
March	75.6	7.9	3.4	2.8	10.3	16.5	24.4	100.0
April	72.2	11.6	3.3	2.4	10.5	16.3	27.8	100.0
May	72.4	11.5	3.5	2.2	10.4	16.1	27.6	100.0
June	77.6	7.1	2.9	2.4	10.1	15.4	22.4	100.0
July	78.7	5.6	3.6	2.3	9.8	15.7	21.3	100.0
August	81.6	4.9	3.7	2.5	7.3	13.5	18.4	100.0
September	82.0	4.9	3.6	2.5	7.0	13.1	18.0	100.0
October	78.6	4.8	3.9	2.2	10.6	16.7	21.4	100.0
November	78.8	3.5	4.3	2.3	11.1	17.6	21.2	100.0
December	77.8	4.7	3.5	2.2	11.8	17.5	22.2	100.0
2016.--								
January	81.2	4.3	4.4	1.9	8.2	14.5	18.8	100.0
February	79.8	4.0	4.1	2.7	9.4	16.3	20.2	100.0
March	77.2	5.6	4.0	2.0	11.2	17.2	22.8	100.0
April	78.2	6.7	4.1	1.7	9.4	15.1	21.8	100.0
May	82.4	1.2	3.9	1.9	10.6	16.4	17.6	100.0
June	79.7	0.8	4.3	2.5	12.7	19.5	20.3	100.0
July	79.9	0.7	3.6	2.8	13.0	19.4	20.1	100.0
August	79.2	0.3	3.8	2.8	13.9	20.4	20.8	100.0
September	79.6	0.2	4.6	2.9	12.7	20.1	20.4	100.0
October	78.7	0.3	4.0	2.9	14.2	21.1	21.3	100.0
November	76.7	0.2	4.0	3.7	15.4	23.1	23.3	100.0
December	78.7	0.1	3.8	2.8	14.6	21.2	21.3	100.0

Source: AISI monthly U.S. shipment data and official U.S. import statistics (see table IV-2 source note for the list of relevant HTS statistical reporting numbers).

Figure IV-2

Stainless steel sheet and strip: Quantity of U.S. producers' U.S. shipments and monthly U.S. imports by source, January 2013 through October 2016

[1] In June 2014, Outokumpu's 54-inch cold-rolling mill was removed from operation for six months.

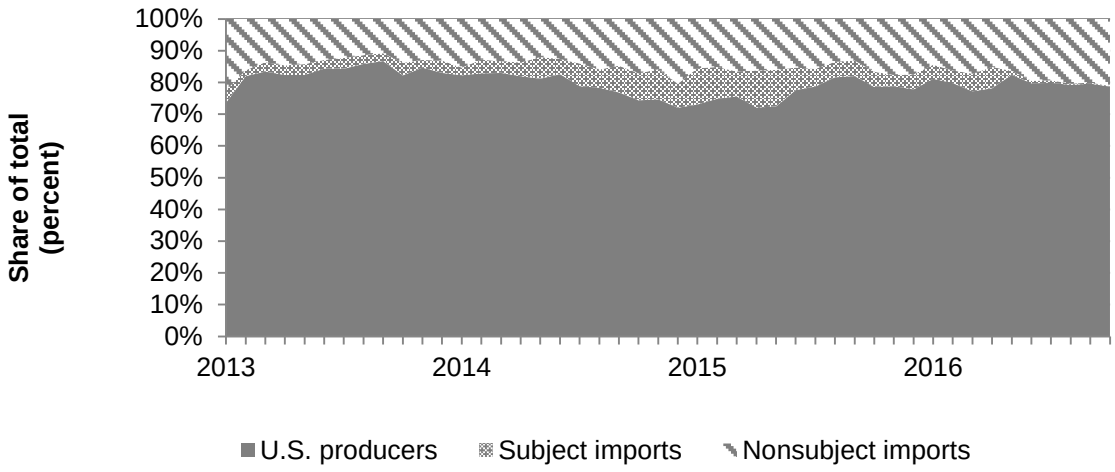
[2] In September 2014, Outokumpu's two remaining cold-rolling mills were taken out of service for preventative maintenance for 10 and 19 days.

[3] In August 2015, ATI issued a lockout notice; workers returned in March 2016.

Source: AISI monthly U.S. shipment data and official U.S. import statistics (see table IV-2 source note for the list of relevant HTS statistical reporting numbers).

Figure IV-3

Stainless steel sheet and strip: U.S. producers' U.S. shipments and monthly U.S. imports by source, share of total, January 2013 through October 2016



Source: AISI monthly U.S. shipment data and official U.S. import statistics (see table IV-2 source note for the list of relevant HTS statistical reporting numbers).

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Stainless steel is an iron alloy that contains at least 10.5 percent chromium and no more than 1.2 percent carbon. The primary raw materials used in the production of stainless steel sheet and strip include alloy materials (particularly chromium, nickel, and molybdenum), stainless steel scrap, and iron scrap. The amount of alloying elements varies by the grade of stainless steel sheet and strip.[1] Common grades of stainless steel sheet and strip include AISI grades 304, 316, 409, and 430.[2] Grades 304 and 316 contain substantial amounts of nickel, for example, while grades 409 and 430 do not (table V-1).

Table V-1

Stainless steel sheet and strip: Chemical analysis of grades 304, 316, 409, and 430

Grade	Chemical analysis								
	Quantity (maximum percent)								
	Carbon	Manganese	Phosphorus	Sulfur	Silicon	Chromium	Nickel	Molybdenum	Other
304	0.08	2.00	0.045	0.030	1.00	18.00-20.00	8.00-10.50	0	0
316	0.08	2.00	0.045	0.030	1.00	16.00-18.00	10.00-14.00	2.00-3.00	0
409	0.08	1.00	0.045	0.045	1.00	10.50-11.75	0.50	0	([1])
430	0.12	1.00	0.040	0.030	1.00	16.00-18.00	0.75	0	0

[1] Titanium is an alloying element in grade 409. The minimum percentage of titanium is 6 times the amount of carbon to a maximum of 0.75 percent of titanium.

Source: Specialty Steel Industry of North America, *Designer Handbook: Design Guidelines for the Selection and Use of Stainless Steel*, tables 8 and 11, pp. 8, 10.

Published prices of grades 304 and 316 stainless steel coil fluctuated from January 2013-September 2016, but decreased overall by *** percent and *** percent, respectively (figure V-1).[3] Published prices for stainless steel in coil AISI grades 409 and 430 were relatively more stable, but decreased overall as well. Published prices of grades 409 and 430 stainless

[1] For more specific information on the types of stainless steel sheet and strip and their makeup, see Part I of this report or *Stainless Steel Sheet and Strip from Germany, Italy, Japan, Korea, Mexico, and Taiwan, Inv. Nos. 701-TA-382 and 731-TA-798-803 (Second Review)*, USITC Publication 4244, July 2011, p. V-1.

[2] Conference transcript, pp. 47 (Pfeiffer) and 80 (Taylor, Hartford).

[3] During January 2013-September 2016, the price of grade 304 stainless steel coil peaked in August 2014 at $*** per short ton and was at its lowest in February 2016 at $*** per short ton. The price of grade 316 stainless steel coil peaked in July 2014 at $*** per short ton and was at its lowest in January 2016 at $*** per short ton. The price of grade 409 stainless steel coil peaked in August-October 2014 at $*** per short ton and was at its lowest in November 2015 at $***. The price of grade 430 stainless steel coil peaked in October 2014 at $*** per short ton and was at its lowest in November 2015 at $***.

steel coil decreased overall from January 2013-September 2016 by *** percent and *** percent, respectively. Between October and December 2016, published prices of all four grades have modestly increased, ranging from *** percent (grade 409) to *** percent (grade 304).

Figure V-1
Stainless steel sheet and strip: Prices of U.S. ex-mill cold-rolled AISI grades 304 and 316 stainless steel, including alloy surcharges, by month, January 2013-December 2016

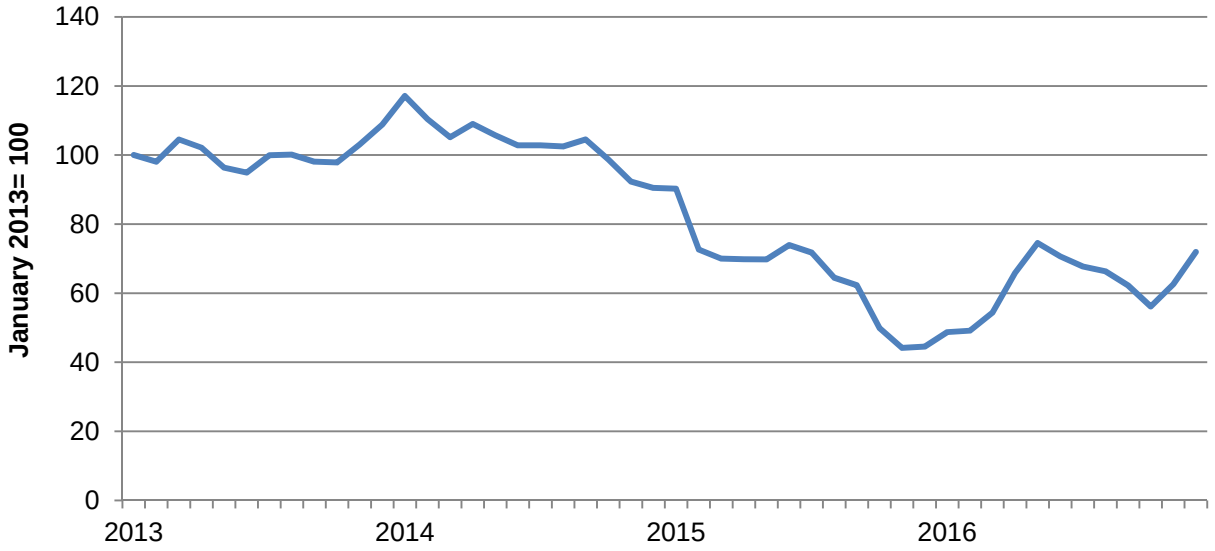
* * * * * * *

Raw material costs

Prices for the primary raw materials used in the production of stainless steel sheet and strip fluctuated but decreased overall during January 2013-September 2016. Between January 2013 and September 2016, prices for iron and steel scrap decreased by 38.0 percent (figure V-2). The costs of the alloying agents nickel, chrome, and molybdenum fluctuated, peaking in 2014 before decreasing through February 2016 (figure V-3).[4] Overall, the prices of nickel, chrome, and molybdenum decreased by 40.9 percent, 13.0 percent, and 33.1 percent, respectively, between January 2013 and September 2016. Since then, the prices of nickel, chrome, and molybdenum have increased by 7.2 percent, 45.5 percent, and 2.8 percent respectively, between October 2016 and December 2016. U.S. producers' raw material costs as a share of the cost of goods sold ("COGS") decreased from 66.4 percent in 2013 to 61.9 percent in 2015; U.S. producers' raw material costs as a share of the COGS decreased from 62.9 percent in January-September 2015 to 57.5 percent in January-September 2016.

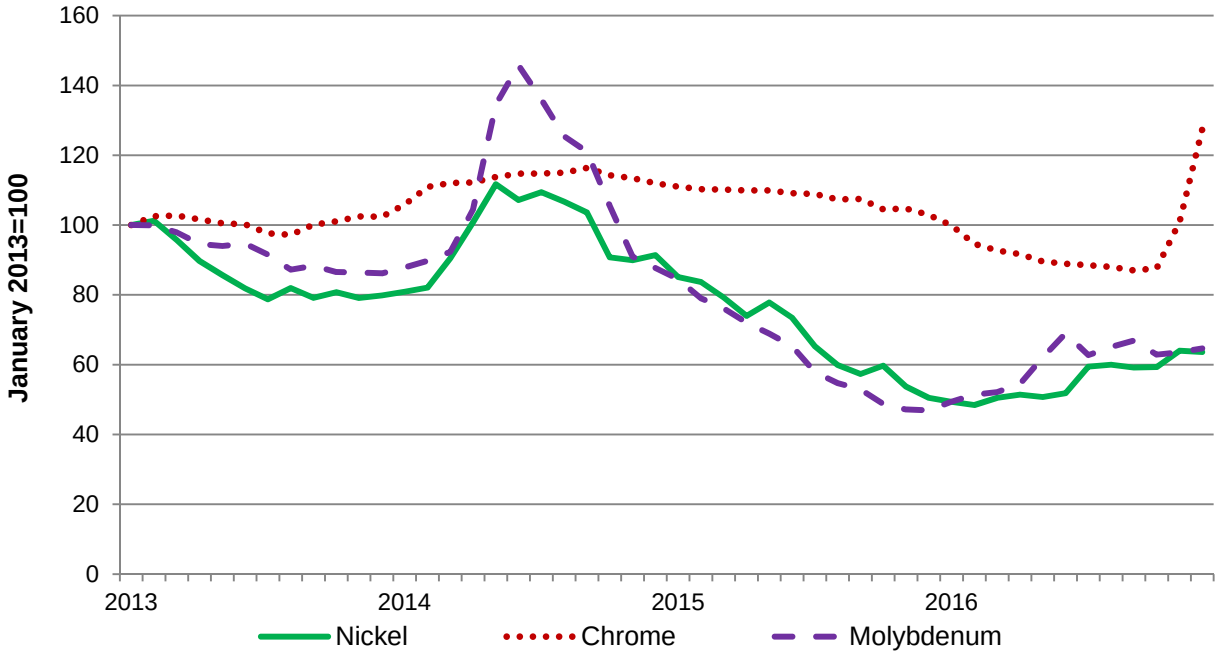
[4] During January 2013-September 2016, the price of nickel was at its highest in May 2014 at $*** per pound; the price of chrome was at its highest in September 2014 at *** cents per pound; and the price of molybdenum was at its highest in June 2014 at $*** per pound. The price of molybdenum was at its lowest in December 2015 at $*** per pound; the price of nickel was at its lowest in February 2016 at $*** per pound; and chrome was at its lowest in September 2016 at *** cents per pound.

Figure V-2
Raw materials: Producer price index of iron and steel scrap in the United States, monthly, January 2013-December 2016



Source: U.S. Bureau of Labor Statistics, retrieved February 1, 2017.

Figure V-3
Raw materials: Alloy cost indices of nickel, chrome, and molybdenum spot prices, by month, January 2013-December 2016



Source: American Metal Market, retrieved February 6, 2017.

All four U.S. producers and 12 of 20 responding importers reported that raw material prices decreased since January 2013. U.S. producer *** stated that the declining raw material costs were reflected in the monthly surcharge to customers. Importers *** stated that the decline in nickel prices, in particular, has been a large driver of price declines of stainless steel sheet and strip since January 2013. Seven importers indicated fluctuating raw material prices, noting the increase in nickel, molybdenum, and chrome prices in 2014 and their sharp decline during 2015.

Two of four U.S. producers and eight of 18 responding importers reported that their firms' selling price for stainless steel sheet and strip sold in the spot market was indexed to raw material costs. Two of four U.S. producers and four of 16 responding importers reported that their firms' selling price for stainless steel sheet and strip sold by contract was indexed to raw material costs. U.S. producers *** stated that their prices included a surcharge which is indexed to raw material costs. Two importers reported that the mill sets the price based on the costs of raw materials. Two importers reported that the price was indexed to U.S. domestic producers' published surcharge formulas.

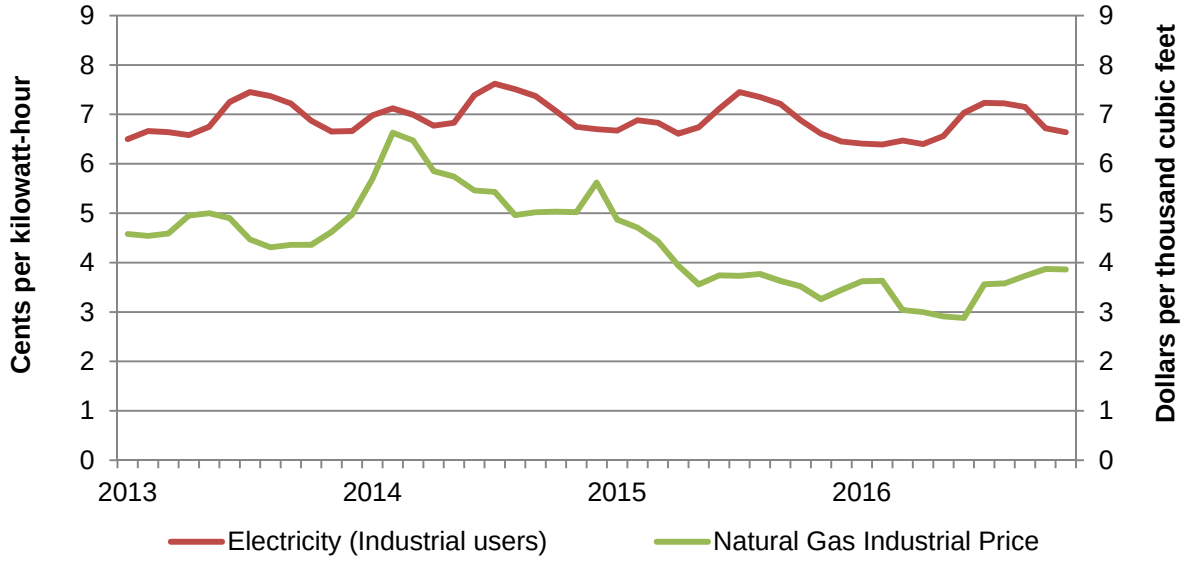
Most responding purchasers (19 of 30 purchasers) reported that the purchase prices of domestically produced stainless steel sheet and strip on the spot market and by contract were indexed to raw material costs. Purchasers stated that for domestic purchases of stainless steel sheet and strip, raw material surcharges—which are indexed to chromium, nickel, iron, and molybdenum—are applied. The application of the surcharge varied with two purchasers stating that their purchases are subject to monthly surcharges; one purchaser reported that the surcharge is added at the time of delivery; and one purchaser stated that the surcharge is applied at the time of shipment. However, most purchasers reported that their purchase prices of imported stainless steel sheet and strip from China—purchased either on the spot market or via contract—were not indexed to raw material costs.

Energy costs

Energy costs are another important factor in stainless steel sheet and strip production. Electricity prices fluctuated slightly from January 2013 to September 2016, mainly due to monthly fluctuations in demand for electricity. Although electricity prices increased by 10.0 percent through the entire period, they were 1.0 percent lower in September 2016 than in September 2013 (figure V-4). Natural gas prices fluctuated, increasing by 44.8 percent between January 2013 and February 2014, declining by 56.6 percent through June 2016, and then increasing by 29.5 percent during June-September 2016. Overall, natural gas prices decreased by 18.6 percent between January 2013 and September 2016.

Figure V-4

Industrial natural gas and electricity: Monthly prices, January 2013-November 2016



Source: Energy Information Administration, www.eia.gov, retrieved February 1, 2016.

U.S. inland transportation costs

All four U.S. producers and 8 of 14 responding importers reported that they typically arrange transportation to their customers. Among U.S. producers, U.S. inland transportation costs were 2 to 4 percent of the delivered cost of stainless steel sheet and strip products. Most U.S. importers reported U.S. inland transportation costs ranging from 1 to 5 percent.[5]

PRICING PRACTICES

Pricing structure

U.S.-produced stainless steel sheet and strip prices consist of two components: a surcharge and a base price. Surcharges are largely reflect the price of alloying materials used in stainless steel and are used when index costs for the alloys exceed a specific threshold.[6] Surcharge lists are often published.[7] [8] U.S. producers typically issue their surcharge lists on a

[5] Importers *** reported U.S. inland transportation costs of 8 and 10 percent, respectively, and *** reported costs of 22 percent.

[6] If the costs for the alloying elements used in stainless steel do not exceed the threshold, the costs for the alloys are covered under the base price. Hearing transcript, p. 30 (Lyons).

[7] Petitioners' current raw material surcharge lists are available at: http://www.northamericanstainless.com/NAS_App/Surcharge1?language=E&type=F,

(*continued*...)

monthly basis, and numerous other firms – including some importers of stainless steel sheet and strip from China – use these lists in quoting their own prices. Base prices consist, in part, of all other inputs to making stainless steel sheet and strip.

Surcharges

Surcharges typically reflect the pricing of the alloying elements used in the production of stainless steel. The amount of alloying elements used in different grades of stainless steel varies, as different grades use different amounts or different alloys altogether. Some firms include energy costs in their surcharge lists, and some include it in their base price. NAS indicated that its surcharges are based on prices published by Platts and the London Metal Exchange (LME),[9] while the other U.S. producers reported using various combinations of Platts, LME, American Metal Market (AMM), metalprices.com, and NYMEX (for natural gas).

All four U.S. producers reported raw material surcharges for nickel, chromium, molybdenum, manganese, iron, and fuel for transport. Three firms also reported a surcharge for energy (electricity and/or natural gas), three firms reported surcharges for niobium, two firms reported surcharges for titanium, and one firm reported surcharges for copper. All four U.S. producers reported similar formulas to calculate the surcharge for the high-value alloying elements used in stainless steel such as nickel, chromium, and molybdenum. The surcharge is equal to the price of the alloy minus its trigger price, times the alloy content in the stainless steel grade,[10] times a yield factor of 1.2. U.S. producers *** reported that the 20 percent yield factor applied to the alloying elements used in stainless steel such as nickel, chromium, and molybdenum reflect their loss rate in converting raw material inputs into finished stainless steel sheet and strip. All four producers reported that ***. Respondents, however, argued that the U.S. producers' average loss rate is approximately 3-7 percent and the remaining share reflects a profit margin. [11] Chinese producer *** reported that its average loss rate was *** percent for

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(…*continued*)
http://www.outokumpu.com/en/pricing-aaf/surcharges-north-america/Pages/default.aspx, http://www.aksteel.com/markets_products/surcharges/stainless.aspx, https://www.atimetals.com/businesses/ATIFlatRolledProducts/Tools/Pages/Stainless-Steel-Report.aspx?d=635923872000000000&r=False.

[8] NAS estimated that surcharges accounted for approximately 60 percent of the total sale price; however, it noted that this share can shift due to the large fluctuations in raw material prices. Hearing transcript, pp. 74-75 (Lyons).

[9] Hearing transcript, p. 29 (Lyons).

[10] U.S. producer *** reported that its surcharge calculation is based on the minimum quantity of the raw material content specified for that grade for calculating the surcharge even though the actual alloy content is often above the minimum.

[11] According to TISCO, surcharges are not a pass-through, but instead contain a margin. TISCO stated that in the mid 1980's, the U.S. industry first introduced the surcharge mechanism due to rising nickel prices. At that time, the surcharge was based on a yield factor of 1.1 times the nickel content in the material times the monthly published price, minus the trigger price. This yield factor represented an estimated loss rate of 10 percent in the production process although TISCO argued that the actual loss

(*continued*...)

nickel and *** percent for chromium for grade 304 during 2013-15. *** stated that this loss rate takes into account the material that is recycled back into the production process.[12]

U.S. producers' surcharges are typically adjusted monthly. Three of the four U.S. producers reported that their customers are quoted surcharges based on the month during which an order ships.[13] AK Steel stated that its surcharge is based on the time of delivery.[14]

U.S. importers reported that the same surcharge formula was applied to both contract and spot sales. Eight of 20 responding importers also reported surcharges for nickel, chromium, molybdenum, manganese, and iron. Six importers reported surcharges for energy and fuel for transport, two importers reported surcharges for niobium, and one importer reported a surcharge for titanium. Importers reported basing their surcharges on either the same sources as U.S. producers or the U.S. producers' surcharge lists themselves. Eleven importers reported adjusting surcharges monthly and one reported adjusting surcharges quarterly. Four importers, ***, reported that they do not charge surcharges.

Base prices

Base prices consist of the cost of production, such as labor costs, industrial gases, acids, and all other components of conversion. Therefore, a firm's profitability, according to NAS, comes from the base price.[15] When a firm seeks to initiate changes to the price of their stainless steel sheet and strip products, it typically does so through changes in the base price. These changes are done at the discretion of each firm, though when one firm changes its base price it is not uncommon for others to do so.

Petitioners argue that base prices *** decreased between the first quarter of 2013 and the last quarter of 2015, with base prices falling to their lowest levels on record in 2015. Petitioners argue that this decline was due to the influx of imports of stainless steel sheet and strip from China.[16]

All four U.S. producers and two importers reported that base prices are based on market conditions and the local competitive market. Most importers reported that the base price is determined from the mills' spot price or the cost of the product. One importer, ***

(…*continued*)
rate at this time was closer to 5-7 percent. In 1994, the U.S. industry increased the yield factor to 1.2 despite the fact that nickel efficiency rates in the production process had improved. Respondents argue that a firm's profitability increases during periods when the prices of raw material inputs are high. Hearing transcript, pp. 117-119 (Junker); respondents' posthearing brief, pp. 4-5.

[12] Respondents' response to staff questions, February 17, 2017. Respondents also contend that according to the World Steel Association, 97.3 percent of raw materials that are used to make steel are converted to products and by-products. Respondents' response to staff questions, February 17, 2017; and https://www.worldsteel.org/steel-by-topic/sustainable-steel-old/environmental/efficient-use.html.

[13] Hearing transcript, pp. 112-113 (Hartford, Lyons, and Letnich).

[14] Hearing transcript, p. 113 (Pfeiffer).

[15] Conference transcript, p. 70 (Hartford).

[16] Petitioners' prehearing brief, pp. 25-26. According to ***. Petitioners' prehearing brief, pp. 25-27.

***, reported that its base price is determined from either the trend of the London Metal Exchange or the domestic surcharge.

Two of four U.S. producers and one of 16 responding importers indicated that the base price includes raw material costs that are not included in their surcharges. U.S. producers *** reported that raw material surcharges are not imposed until the current market rate exceeds a specific base rate. Importer *** reported that iron ore, energy, and fuel affect its mill's base price which in turn affects its firm's base price for stainless steel sheet and strip.

U.S. producers' and importers' responses varied when asked how frequently their firms changed or adjusted their base price. Two U.S. producers reported that base price adjustments are dependent on market conditions. U.S. producer *** and importer *** reported that there is no regular interval for base price adjustments and *** reported that base prices are changed rarely. Importer *** reported that it adjusted its base price according to its mill's price changes. Seven of 18 responding importers reported that they adjusted their base price for stainless steel sheet and strip on a monthly basis; two reported doing so weekly; one reported quarterly adjustments; and one reported daily adjustments.

Pricing methods

U.S. producers and importers reported selling stainless steel sheet and strip primarily on a transaction-by-transaction basis and/or through contracts (table V-2). All four U.S. producers reported using both transaction-by-transaction negotiations and contracts for their sales of stainless steel sheet and strip, and *** reported issuing price lists related to alloy surcharges. Among importers, ten firms reported selling only through transaction-by-transaction negotiations, seven firms reported using transaction-by-transaction negotiations and contracts, and one reported selling only through contracts. Importers *** reported using price lists.

Table V-2

Stainless steel sheet and strip: U.S. producers and importers reported price setting methods, by number of responding firms[1]

Method	U.S. producers	Importers
Transaction-by-transaction	4	17
Contract	4	8
Set price list	2	4
Other	0	0

[1] The sum of responses down may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. producers reported selling approximately half of their product in the spot market in 2015, while importers reported selling a majority of their product through short-term contracts (table V-3). U.S. producers' contract sales were roughly evenly distributed between short-term, annual, and long-term contracts. U.S. producers *** reported that their short-term contracts averaged *** days and *** reported that their short-term contracts averaged *** days. All four U.S. producers reported that both their short-term contracts and annual contracts did not allow for price renegotiation, and three of four U.S. producers reported that that both their short-

term contracts and annual contracts fixed both price and quantity, and did not have a meet-or-release provision. *** long-term contracts averaged two years. *** reported that their long-term contracts did not allow for price renegotiation and did not have meet-or-release provisions.

Nine of 14 responding importers reported selling exclusively in the spot market, while five importers, ***, reported selling through short-term contracts with an average duration of 90 to 157 days. All five importers reported that their short-term contracts did not allow for price renegotiation, fixed both price and quantity, and did not have a meet-or-release provision. *** reported selling *** percent of its product under short-term contract, and *** reported selling *** through short-term contracts. *** importers reported selling via long-term contracts.

Table V-3
Stainless steel sheet and strip: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2015

Type of sale	U.S. producers	Importers
Long-term contracts	15.7	0.0
Annual contracts	17.1	0.6
Short-term contracts	18.0	78.3
Spot sales	49.2	21.1

Note.--Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

Fifteen of 34 purchasers reported that they purchase stainless steel sheet and strip daily, seven purchase monthly, five purchase weekly, two purchase quarterly, and two purchase annually. The majority of purchasers (31 of 34) reported that their purchasing frequency has not changed since 2013. Most (28 of 34) purchasers contact 1 to 5 suppliers before making a purchase.

Sales terms and discounts

All four U.S. producers typically quote prices on an f.o.b. basis while importers' responses were split, with eight of 16 importers reporting that they typically quote prices on a delivered basis. All four U.S. producers reported offering quantity discounts and three reported offering total volume discounts. U.S. producer *** stated that it may provide additional discounts based on "competitive feedback." The majority of importers (15 of 20) reported having no discount policies. Three importers reported offering quantity discounts and one reported offering total volume discounts. Three importers reported offering other discounts; importer *** reported that one customer negotiated a rebate into the price; importer *** stated that discounts are determined on a transaction-by-transaction basis; and importer *** reported offering an alloy surcharge discount policy. The most typical payment terms for both U.S. producers and importers were net 30 days.

The majority of purchasers (26 of 34) reported that their purchases of stainless steel sheet and strip usually involve negotiations with their suppliers. The most cited factors by purchasers in their negotiations with suppliers were price and delivery terms. Other factors

included: lead times, volume, packaging, grade, quality requirements, discounts, rebates, freight terms, and payment terms. Seven purchasers stated that their firms quote competing prices during negotiations.

The majority of purchasers (24 of 34) reported that changes in raw material costs affect their firms' price negotiations with their suppliers. Purchaser *** stated that the forecasted outlook on nickel, molybdenum, chrome, etc., can impact either the surcharge or the entire price of the product. Purchaser *** reported that when surcharges or base prices are moving higher, it buys more import volumes where the price is fixed. One purchaser (***) stated that raw material indexes and surcharges affect its firm's price negotiations with service centers. In addition, purchaser *** noted that raw material costs may affect the quantity it purchases.

Price leadership

Six of 34 purchasers listed one or more price leaders. The firms most frequently reported to be price leaders were NAS (listed by 24 purchasers), Outokumpu (listed by 4 purchasers), AK Steel (listed by 3 purchasers), and Olympic Steel (listed by 2 purchasers). Purchasers reported that NAS is typically the first firm to make price changes (both price increases and decreases).

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following stainless steel sheet and strip products shipped to unrelated U.S. customers during January 2013 to September 2016.

Product 1.-- AISI Grade 304, 0.075 inch nominal thickness (0.068-0.082 inch actual), width 48-60 inches, in coils, 2B finish.

Product 2.-- AISI Grade 304, 0.029 inch nominal thickness (0.0260-0.032 inch actual), width 48-60 inches, in coils, 2B finish.

Product 3.-- AISI Grade 304, 0.029 inch nominal thickness (0.0260-0.032 inch actual), width 48-60 inches, in coils, polished.

Product 4.-- AISI Grade 304, 0.036 inch nominal thickness (0.032-0.040 inch actual), width 48-60 inches, in coils, 2B finish.

Product 5.-- AISI Grade 304, 0.036 inch nominal thickness (0.032-0.040 inch actual), width 48-60 inches, in coils, polished.

Product 6.-- AISI Grade 304, 0.024 inch nominal thickness (0.0231-0.0260 inch actual), width 48-60 inches, in coils, polished.

Product 7.-- AISI Grade 409, 0.048 inch nominal thickness (0.0450-0.0510 inch actual), width 48-60 inches, in coils, 2B finish.

Product 8.-- AISI Grade 430, 0.036 inch nominal thickness (0.032-0.040 inch actual), width 36-48 inches, in coils, polished.

Products 1, 2, and 4 are the same as products 1, 2, and 3 from the preliminary phase. Products 3, 5, 6, 7, and 8 are new products to this phase of the investigations.[17]

Four U.S. producers and 11 importers provided usable pricing data for sales of the requested products,[18] although not all firms reported pricing for all products for all quarters.[19] Pricing data reported by these firms accounted for approximately 3.1 percent of U.S. producers' shipments of stainless steel sheet and strip[20] and 15.5 percent of U.S. shipments of subject imports from China in 2015.

Price data for products 1-8 are presented in tables V-4 to V-11 and figures V-5 to V-12. Nonsubject country prices are presented in appendix D. [21]

[17] Petitioners suggested products 3, 5, and 6. Respondents suggested product 7. Staff added product 8, a pricing product used in previous stainless steel sheet and strip proceedings.

[18] Per-unit pricing data are calculated from total quantity and total value data provided by U.S. producers and importers. The precision and variation of these figures may be affected by rounding, limited quantities, and producer or importer estimates.

[19] ***.

[20] Importer *** provided price data for imports from China for products 1, 2, 4, 6, 7, and 8, accounting for *** percent of importers' reported price data from China. These data have higher than average unit values. *** reported that its sales of stainless steel sheet and strip to its U.S. customers were on a contract basis and the selling price was based on the price that *** agreed to buy from its Chinese suppliers regardless of the market conditions. It stated that its sales are above market prices starting in 2014. See staff email with ***. Staff has included *** data in the price data.

[21] ***.

Table V-4

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of domestic and imported product 1[1] and margins of underselling/(overselling), by quarters, January 2013-September 2016

Period	United States		China		
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Margin (percent)
2013:					
Jan.-Mar.	2,495	5,853	2,622	292	(5.1)
Apr.-June	2,366	5,645	2,727	198	(15.3)
July-Sept.	2,207	6,099	2,394	170	(8.5)
Oct.-Dec.	2,261	6,716	2,387	63	(5.6)
2014:					
Jan.-Mar.	2,307	6,021	2,430	234	(5.3)
Apr.-June	***	***	2,519	435	***
July-Sept.	***	***	2,717	663	***
Oct.-Dec.	2,640	5,938	2,700	1,134	(2.3)
2015:					
Jan.-Mar.	2,471	4,527	2,652	1,169	(7.3)
Apr.-June	***	***	2,417	1,362	***
July-Sept.	***	***	2,184	427	***
Oct.-Dec.	***	***	2,362	552	***
2016:					
Jan.-Mar.	***	***	1,838	242	***
Apr.-June	1,659	4,926	***	***	***
July-Sept.	1,815	6,197	***	***	***

[1] Product 1: AISI Grade 304, 0.075 inch nominal thickness (0.068-0.082 inch actual), width 48-60 inches, in coils, 2B finish.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-5

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of domestic and imported product 2[1] and margins of underselling/(overselling), by quarters, January 2013-September 2016

Period	United States		China		
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Margin (percent)
2013:					
Jan.-Mar.	2,739	1,980	2,757	298	(0.7)
Apr.-June	2,557	1,896	2,659	444	(4.0)
July-Sept.	2,317	2,819	2,447	330	(5.6)
Oct.-Dec.	2,454	2,019	2,398	269	2.3
2014:					
Jan.-Mar.	2,528	2,153	2,462	381	2.6
Apr.-June	2,788	2,048	2,713	477	2.7
July-Sept.	***	***	2,737	764	***
Oct.-Dec.	***	***	2,829	827	***
2015:					
Jan.-Mar.	2,710	1,204	2,687	834	0.9
Apr.-June	2,358	976	2,405	1,304	(2.0)
July-Sept.	***	***	2,250	578	***
Oct.-Dec.	1,877	1,027	2,169	595	(15.5)
2016:					
Jan.-Mar.	1,785	843	***	***	***
Apr.-June	1,905	1,348	***	***	***
July-Sept.	***	***	2,305	34	***

[1] Product 2: AISI Grade 304, 0.029 inch nominal thickness (0.0260-0.032 inch actual), width 48-60 inches, in coils, 2B finish.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-6

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by quarters, January 2013-September 2016

Period	United States		China		
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Margin (percent)
2013: Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	2,755	131	***
July-Sept.	2,572	1,440	2,583	167	(0.4)
Oct.-Dec.	***	***	2,446	173	***
2014: Jan.-Mar.	***	***	2,494	299	***
Apr.-June	3,015	917	2,620	341	13.1
July-Sept.	3,362	938	2,994	430	10.9
Oct.-Dec.	***	***	2,923	525	***
2015: Jan.-Mar.	***	***	2,788	571	***
Apr.-June	***	***	2,567	539	***
July-Sept.	***	***	***	***	***
Oct.-Dec.	***	***	2,283	364	***
2016: Jan.-Mar.	***	***	1,824	415	***
Apr.-June	***	***	***	***	***
July-Sept.	2,277	844	***	***	***

[1] Product 3: AISI Grade 304, 0.029 inch nominal thickness (0.0260-0.032 inch actual), width 48-60 inches, in coils, polished.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-7

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of domestic and imported product 4[1] and margins of underselling/(overselling), by quarters, January 2013-September 2016

Period	United States		China		
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Margin (percent)
2013:					
Jan.-Mar.	2,608	3,045	2,731	206	(4.7)
Apr.-June	2,988	2,167	2,663	236	10.9
July-Sept.	2,283	3,071	2,405	173	(5.3)
Oct.-Dec.	***	***	2,333	203	***
2014:					
Jan.-Mar.	2,387	2,494	2,476	214	(3.7)
Apr.-June	2,666	3,123	2,638	333	1.1
July-Sept.	2,901	3,083	2,827	831	2.6
Oct.-Dec.	2,731	2,954	2,753	719	(0.8)
2015:					
Jan.-Mar.	2,588	2,274	2,643	1,175	(2.1)
Apr.-June	2,287	1,543	2,422	1,543	(5.9)
July-Sept.	***	***	2,273	394	***
Oct.-Dec.	***	***	2,240	440	***
2016:					
Jan.-Mar.	***	***	1,738	432	***
Apr.-June	1,761	2,861	***	***	***
July-Sept.	1,895	2,765	2,105	32	(11.1)

[1] Product 4: AISI Grade 304, 0.036 inch nominal thickness (0.032-0.040 inch actual), width 48-60 inches, in coils, 2B finish.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-8

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of domestic and imported product 5[1] and margins of underselling/(overselling), by quarters, January 2013-September 2016

Period	United States		China		
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Margin (percent)
2013: Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	2,760	254	***
July-Sept.	***	***	2,575	246	***
Oct.-Dec.	***	***	2,416	419	***
2014: Jan.-Mar.	***	***	2,496	367	***
Apr.-June	2,822	1,476	2,582	470	8.5
July-Sept.	3,126	1,293	2,911	711	6.9
Oct.-Dec.	2,932	1,491	2,862	821	2.4
2015: Jan.-Mar.	2,745	1,361	2,665	534	2.9
Apr.-June	2,430	1,265	2,507	795	(3.2)
July-Sept.	2,142	1,407	***	***	***
Oct.-Dec.	***	***	1,998	322	***
2016: Jan.-Mar.	***	***	***	***	***
Apr.-June	1,928	1,764	***	***	***
July-Sept.	2,107	1,931	***	***	***

[1] Product 5: AISI Grade 304, 0.036 inch nominal thickness (0.032-0.040 inch actual), width 48-60 inches, in coils, polished.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-9

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of domestic and imported product 6[1] and margins of underselling/(overselling), by quarters, January 2013-September 2016

Period	United States		China		
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Margin (percent)
2013:					
Jan.-Mar.	***	***	2,849	132	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	2,734	102	***
Oct.-Dec.	***	***	2,489	103	***
2014:					
Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	2,787	154	***
July-Sept.	***	***	2,943	170	***
Oct.-Dec.	***	***	2,992	230	***
2015:					
Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	***	***	***
Oct.-Dec.	***	***	2,122	151	***
2016:					
Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	2,447	290	***	***	***

[1] Product 6: AISI Grade 304, 0.024 inch nominal thickness (0.0231-0.0260 inch actual), width 48-60 inches, in coils, polished.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-10

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of domestic and imported product 7[1] and margins of underselling/(overselling), by quarters, January 2013-September 2016

Period	United States		China		
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Margin (percent)
2013: Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	---	***	---
July-Sept.	***	***	---	***	---
Oct.-Dec.	***	***	---	***	---
2014: Jan.-Mar.	***	***	---	***	---
Apr.-June	***	***	---	***	---
July-Sept.	***	***	---	***	---
Oct.-Dec.	***	***	***	***	***
2015: Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	***	***	***
Oct.-Dec.	***	***	***	***	***
2016: Jan.-Mar.	***	***	***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	---	***	---

[1] Product 7: AISI Grade 409, 0.048 inch nominal thickness (0.0450-0.0510 inch actual), width 48-60 inches, in coils, 2B finish.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-11

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of domestic and imported product 8[1] and margins of underselling/(overselling), by quarters, January 2013-September 2016

Period	United States		China		
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Margin (percent)
2013:					
Jan.-Mar.	1,684	1,668	1,577	124	6.4
Apr.-June	1,674	1,777	1,615	154	3.6
July-Sept.	1,590	2,099	***	***	***
Oct.-Dec.	***	***	***	***	***
2014:					
Jan.-Mar.	1,661	1,870	1,541	172	7.2
Apr.-June	1,703	1,929	***	***	***
July-Sept.	1,789	1,204	1,643	168	8.2
Oct.-Dec.	***	***	1,590	286	***
2015:					
Jan.-Mar.	1,750	1,305	1,600	437	8.6
Apr.-June	***	***	1,597	632	***
July-Sept.	***	***	1,518	228	***
Oct.-Dec.	***	***	1,374	540	***
2016:					
Jan.-Mar.	1,433	1,094	1,179	616	17.7
Apr.-June	***	***	1,296	528	***
July-Sept.	***	***	1,527	111	***

[1] Product 8: AISI Grade 430, 0.036 inch nominal thickness (0.032-0.040 inch actual), width 36-48 inches, in coils, polished.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-5

Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2013-September 2016

* * * * * * *

Figure V-6

Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2013-September 2016

* * * * * * *

Figure V-7

Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2013-September 2016

* * * * * * *

Figure V-8

Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 4, by quarters, January 2013-September 2016

* * * * * * *

Figure V-9

Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 5, by quarters, January 2013-September 2016

* * * * * * *

Figure V-10

Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 6, by quarters, January 2013-September 2016

* * * * * * *

Figure V-11

Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 7, by quarters, January 2013-September 2016

* * * * * * *

Figure V-12

Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 8, by quarters, January 2013-September 2016

* * * * * * *

Price trends

In general, prices decreased during January 2013-September 2016. Table V-12 summarizes the price trends, by product and by country. As shown in the table, domestic price decreases for products 1-6 (grade 304) ranged from *** to *** percent and domestic price decreases for products 7-8 (grades 409/430) ranged from *** to *** percent during January 2013-September 2016. Import price decreases for products 1-6 (grade 304) ranged from *** to *** percent and import price decreases products 7-8 (grades 409/430) ranged from *** to *** percent during the same period.

Table V-12

Stainless steel sheet and strip: Summary of weighted-average f.o.b. prices for products 1-8 from the United States and China

Item	Number of quarters	Low price (per short ton)	High price (per short ton)	Change in price[1] (percent)
Product 1				
United States	15	***	***	(27.3)
China	15	***	***	***
Product 2				
United States	15	***	***	***
China	15	***	***	(16.4)
Product 3				
United States	15	***	***	***
China	15	***	***	***
Product 4				
United States	15	***	***	(27.3)
China	15	***	***	(22.9)
Product 5				
United States	15	***	***	***
China	15	***	***	***
Product 6				
United States	15	***	***	***
China	15	***	***	***
Product 7				
United States	15	***	***	***
China	8	***	***	***
Product 8				
United States	15	***	***	***
China	15	***	***	(3.1)

[1] Percentage change from the first quarter in which data were available to the last quarter in which price data were available.

Source: Compiled from data submitted in response to Commission questionnaires.

Price comparisons

As shown in table V-13, prices for stainless steel sheet and strip imported from China were below those for U.S.-produced product in 58 of 113 instances (20,055 short tons); margins

of underselling ranged from 0.4 to 22.6 percent.[22] In the remaining 55 instances (19,924 short tons), prices for stainless steel sheet and strip from China were between 0.4 and 41.4 percent above prices for the domestic product.[23]

Table V-13
Stainless steel sheet and strip: Instances of underselling/overselling of Chinese product and the range and average of margins, by pricing product, January 2013-September 2016

Product	Underselling				
	Number of quarters	Quantity[1] (short tons)	Average margin (percent)	Margin range (percent)	
				Min	Max
Product 1	2	***	2.8	2.4	3.2
Product 2	7	***	3.9	0.9	10.3
Product 3	13	***	8.4	2.0	22.6
Product 4	3	***	4.8	1.1	10.9
Product 5	6	***	4.2	0.8	8.5
Product 6	12	***	9.3	2.4	18.9
Product 7	1	***	1.5	1.5	1.5
Product 8	14	***	6.7	0.4	17.7
Total	58	20,055	6.7	0.4	22.6
Product	**(Overselling)**				
	Number of quarters	**Quantity[1] (short tons)**	**Average margin (percent)**	**Margin range (percent)**	
				Min	**Max**
Product 1	13	***	(15.0)	(2.3)	(41.4)
Product 2	8	***	(7.1)	(0.7)	(15.5)
Product 3	2	***	(4.5)	(0.4)	(8.6)
Product 4	12	***	(7.8)	(0.8)	(27.9)
Product 5	9	***	(5.3)	(1.8)	(12.3)
Product 6	3	***	(5.3)	(1.1)	(10.7)
Product 7	7	***	(15.7)	(2.3)	(38.2)
Product 8	1	***	(0.8)	(0.8)	(0.8)
Total	55	19,924	(9.6)	(0.4)	(41.4)

[1] These data include only quarters in which there is a comparison between the U.S. and subject product.

Source: Compiled from data submitted in response to Commission questionnaires.

[22] On an annual basis, there were 11 instances of underselling during 2013, 24 instances of underselling during 2014, 13 instances of underselling during 2015, and 10 instances of underselling in 2016.

[23] On an annual basis, there were 18 instances of overselling during 2013, 5 instances of overselling during 2014, 19 instances of overselling during 2015, and 13 instances of overselling during 2016.

LOST SALES AND LOST REVENUE

In the preliminary phase of the investigations, the Commission requested U.S. producers of stainless steel sheet and strip to report purchasers where they experienced instances of lost sales or revenue due to competition from imports of stainless steel sheet and strip from China during January 2013-September 2016. All four U.S. producers submitted lost sales and lost revenue allegations, identifying 26 firms where they lost sales or revenue (19 consisting lost sales allegations and seven consisting of both lost sales and lost revenues allegations).

In the final phase of the investigations, all four responding U.S. producers reported that they had to reduce prices and roll back announced price increases, and all four firms reported that they had lost sales. As noted in Part II, the Commission received purchaser questionnaire responses from 34 purchasers.[24] Responding purchasers reported purchasing 924,251 short tons of stainless steel sheet and strip during 2015 (table V-14).

Table V-14
Stainless steel sheet and strip: Purchasers' responses to purchasing patterns

Purchaser	Purchases in 2015 (short tons)			Change in firm-level share of purchases by source 2013-15	
	Domestic	China	All other[1]	Domestic purchases (percentage points)	Subject country purchases (percentage points)
***	***	***	***	***	***
Total	656,062	51,827	216,362	(3.7)	3.3

[1] Includes all other sources and unknown sources.
[2] ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Of the 33 responding purchasers, 19 reported that, since 2013, they had purchased imported stainless steel sheet and strip from China instead of U.S.-produced product. Eighteen of these purchasers reported that subject import prices were lower than U.S.-produced product, and 14 of these purchasers reported that price was a primary reason for the decision to purchase imported product rather than U.S.-produced product. Twelve purchasers provided an estimate of the quantity of subject imports purchased rather than domestic sources since January 2013; quantities ranged from 467 short tons to 43,604 short tons (table V-15). Availability was the most frequently cited non-price reasons for purchasing imported rather than U.S.-produced product; other reasons included freight cost and quality.

[24] Two purchasers (***) submitted lost sales/lost revenue survey responses in the preliminary phase, but did not submit purchaser questionnaire responses in the final phase.

Table V-15
Stainless steel sheet and strip: Purchasers' responses to regarding supply sources

* * * * * * *

Of the 34 responding purchasers, nine reported that U.S. producers had reduced prices in order to compete with lower-priced imports from subject countries (table V-16; 15 reported that they did not know). The reported estimated price reduction ranged from 6 to 30 percent. In describing the price reductions, purchasers indicated that the domestic base price was reduced during 2014-15.

Table V-16
Stainless steel sheet and strip: Purchasers' responses to U.S. producer price reductions

* * * * * * *

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Four integrated U.S. producers, AK Steel, ATI, NAS, and Outokumpu, reported their financial results on stainless steel sheet and strip.[1] While no U.S. producer represented the majority of overall stainless steel sheet and strip revenue, *** accounted for the largest share of total sales value in 2015 (*** percent), followed by *** (*** percent), *** (*** percent), and *** (*** percent).[2]

Staff verified the results of *** with its company records. The verification adjustments were incorporated into this report.[3] ***.

*** reported purchasing *** of inputs from related suppliers (*** percent of COGS, respectively). *** companies confirmed that these inputs were reported in a manner consistent with the firm's accounting books and records.[4] [5]

OPERATIONS ON STAINLESS STEEL SHEET AND STRIP

Table VI-1 presents aggregated data on U.S. producers' operations in relation to stainless steel sheet and strip. Table VI-2 shows the changes in average unit values of select financial indicators. Table VI-3 presents selected company-specific financial data.[6]

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[1] All four U.S. producers have fiscal years that end December 31, and have therefore reported their financial results on a calendar year basis. With the exception of Outokumpu, which reported on the basis of International Financial Reporting Standards (IFRS), U.S. producers reported their financial results on the basis of Generally Accepted Accounting Principles ("GAAP").

[2] As mentioned previously, ThyssenKrupp constructed the Calvert, Alabama facility, which became operational in 2010. Outokumpu Oyj (Outokumpu's parent company) purchased ThyssenKrupp's global stainless steel division, Inoxum, which included the stainless producing portion of the Calvert plant.

[3] Staff verification report, ***.

[4] U.S. producer questionnaires, responses to III-7 and III-8.

[5] The Commission's current practice requires that relevant cost information associated with input purchases from related suppliers correspond to the manner in which this information is reported in the U.S. producer's own accounting books and records. *See 1,1,1,2-Tetrafluoroethane from China, Inv. Nos. 701-TA-509 and 731-TA-1244 (Final)*, USITC Publication 4503, December 2014, pp. 23 and 37.

[6] Outokumpu has a toll agreement with AM/NS Calvert (the joint venture that owns that carbon steel portion of the Calvert facility) to hot roll slabs and ingots for Outokumpu. In 2015, 100 percent of Outokumpu's hot rolling was toll-produced by AM/NS Calvert. The tolling fees accounted for approximately *** percent of Outokumpu's COGS in 2015 and were reported in ***. Conference transcript, pp. 75-76 (Vormizeele); Michael Kerwin, economic consultant, email message with attachment to USITC auditor, March 3, 2016; and Patrick Grundke, CFO Outokumpu Business Area Coil Americas, email message to USITC auditor March 9, 2016. The other three responding U.S. producers reported a small amount of toll processing related to stainless steel sheet and strip, mainly for finishing operations such as slitting, cutting-to-length, polishing, and aluminizing. The tolling fees encountered by these companies accounted for between *** and *** percent of their company-specific COGS in 2015,

(*continued*...)

Revenue

Net sales primarily reflect commercial sales (*** of total sales quantity during the period examined), followed by transfers (*** of total sales volume during the period examined).[7] Internal consumption, the smallest revenue category, accounted for *** percent of total sales volume throughout the period examined.[8] [9]

Net sales, by both quantity and value, increased from 2013 to 2014, and decreased from 2014 to 2015 to levels below 2013. In January-September 2016, net sales quantity was higher than in the same period in 2015, whereas net sales value was lower due to a lower net sales unit value. As shown in table VI-3, the directional trend of company-specific sales quantity was largely uniform (***). ***. The directional trend of company-specific net sales values was uniform during the full years (with all companies reporting increasing sales from 2013 to 2014, and all companies reporting decreasing sales from 2014 to 2015), and *** companies reported lower net sales value in January-September 2016 than in the same period in 2015.

The directional trend of company-specific average sales values was uniform, increasing between 2013 and 2014 and decreasing between 2014 and 2015, with all companies reporting lower unit sales values in 2015 compared to 2013, and all companies reporting lower unit sales values in January-September 2016 than in the same period in 2015. From 2013 to 2015, the overall net sales unit value decreased by 9.7 percent from $2,191 per short ton in 2013 to $1,978 per short ton in 2015, and was 17.0 percent lower in January-September 2016 ($1,706) than in January-September 2015 ($2,056). As shown in table VI-3, *** consistently reported the *** average value, followed by ***.

(…*continued*)
and have minimal impact on the financial data. Conference transcript pp. 76-77 (Hartford), p. 77 (Lyons), and p. 77 (Pfeiffer) and Michael Kerwin, economic consultant, email message with attachment to USITC auditor, March 3, 2016.

[7] The transfers to related firms were sales of stainless steel sheet and strip by *** to ***. *** U.S. producer questionnaire, response to II-11.

[8] Internal consumption was reported by *** and was described as ***. ***, email message with attachment to USITC auditor, March 3, 2016.

[9] ***. ***.

Table VI-1
Stainless steel sheet and strip: Results of operations of U.S. producers, 2013-15, January-September 2015, and January-September 2016

Item	Fiscal year			January to September	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
Total net sales	1,877,070	2,080,335	1,840,134	1,392,180	1,523,639
	Value ($1,000)				
Total net sales	4,112,515	4,858,103	3,638,885	2,862,680	2,599,404
Cost of goods sold.-- Raw materials	2,769,863	3,147,756	2,292,055	1,807,142	1,468,539
Direct labor	254,204	286,983	250,696	197,322	190,347
Other factory costs	1,150,483	1,274,546	1,152,076	859,799	896,409
Total COGS	4,174,550	4,709,285	3,694,827	2,864,263	2,555,295
Gross profit	(62,035)	148,818	(55,942)	(1,583)	44,109
SG&A expense	124,638	143,927	116,173	90,731	101,211
Operating income or (loss)	(186,673)	4,891	(172,115)	(92,314)	(57,102)
Interest expense	***	***	***	***	***
All other expenses	***	***	***	***	***
All other income	***	***	***	***	***
Net income or (loss)	(249,142)	(87,069)	(349,996)	(178,260)	(117,184)
Depreciation/amortization	163,287	162,228	170,881	127,056	114,215
Cash flow	(85,855)	75,159	(179,115)	(51,204)	(2,969)
	Ratio to net sales (percent)				
Cost of goods sold.-- Raw materials	67.4	64.8	63.0	63.1	56.5
Direct labor	6.2	5.9	6.9	6.9	7.3
Other factory costs	28.0	26.2	31.7	30.0	34.5
Average COGS	101.5	96.9	101.5	100.1	98.3
Gross profit	(1.5)	3.1	(1.5)	(0.1)	1.7
SG&A expense	3.0	3.0	3.2	3.2	3.9
Operating income or (loss)	(4.5)	0.1	(4.7)	(3.2)	(2.2)
Net income or (loss)	(6.1)	(1.8)	(9.6)	(6.2)	(4.5)

Table continued on the next page.

Table VI-1 – Continued
Stainless steel sheet and strip: Results of operations of U.S. producers, 2013-15, January-September 2015, and January-September 2016

Item	Fiscal year			January to September	
	2013	2014	2015	2015	2016
	Ratio to total COGS (percent)				
Cost of goods sold.-- Raw materials	66.4	66.8	62.0	63.1	57.5
Direct labor	6.1	6.1	6.8	6.9	7.4
Other factory costs	27.6	27.1	31.2	30.0	35.1
Average COGS	100.0	100.0	100.0	100.0	100.0
	Unit value (dollars per short ton)				
Total net sales	2,191	2,335	1,978	2,056	1,706
Cost of goods sold.-- Raw materials	1,476	1,513	1,246	1,298	964
Direct labor	135	138	136	142	125
Other factory costs	613	613	626	618	588
Average COGS	2,224	2,264	2,008	2,057	1,677
Gross profit	(33)	72	(30)	(1)	29
SG&A expense	66	69	63	65	66
Operating income or (loss)	(99)	2	(94)	(66)	(37)
Net income or (loss)	(133)	(42)	(190)	(128)	(77)
	Number of firms reporting				
Operating losses	2	2	2	2	2
Net losses	2	2	2	2	2
Data	4	4	4	4	4

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-2
Stainless steel sheet and strip: Changes in AUVs, between fiscal years and partial year periods

Item	Between fiscal years			Between partial year period
	2013-15	2013-14	2014-15	2015-16
Total net sales	(213)	144	(358)	(350)
Cost of goods sold.-- Raw materials	(230)	37	(268)	(334)
Direct labor	1	3	(2)	(17)
Other factory costs	13	(0)	13	(29)
Average COGS	(216)	40	(256)	(380)
Gross profit	3	105	(102)	30
SG&A expense	(3)	3	(6)	1
Operating income or (loss)	6	102	(96)	29
Net income or (loss)	(57)	91	(148)	51

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-3
Stainless steel sheet and strip: Results of operations of U.S. producers, by firm, 2013-15, January-September 2015, and January-September 2016

* * * * * * *

Cost of goods sold and gross profit or (loss)

*** as the primary raw materials in the production of stainless steel sheet and strip. ***, while ***.[10]

As shown in table VI-1 raw material costs represented the largest component of COGS, accounting for between 57.5 percent (January-September 2016) and 66.8 percent in (2014), of total COGS. Raw materials as a share of COGS increased slightly in 2014, but decreased in 2015 and were at a period low in January-September 2016. Table VI-3 shows that company-specific trends in average raw material costs were generally uniform, increasing from 2013 to 2014, decreasing from 2014 to 2015, and lower in January-September 2016 than in the same period in 2015. The ***.[11] *** consistently had the lowest average raw material costs.

Other factory costs were the second largest component of COGS, accounting for between 27.1 percent (in 2014) and 35.1 percent (in January-September 2016), while direct labor accounted for between 6.1 percent (in 2014) and 7.4 percent (in January-September 2016). ***.

The industry's gross profit improved from a loss of $62.0 million in 2013 to a profit of $148.8 million in 2014, before decreasing to a loss of $55.9 million in 2015. The industry reported a gross profit in January to September 2016 ($44.1 million) and a gross loss in the same period in 2015 (loss of $1.6 million). The improvement in gross profit in 2014 reflects an increase in the gross margin from a negative $33 per short ton in 2013 to $72 per short ton in 2014 (per-short ton net sales values increased more than the increase in per-short ton COGS) as well as an increase in the net sales quantity. Conversely, from 2014 to 2015, the gross margin decreased from $72 per short ton to a negative $30 per short ton. While the per-short ton unit COGS decreased during this time, the per-short ton sales values decreased to a greater extent. On a company-specific basis, ***.

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[10] ***, email message with attachments to USITC auditor, March 3, 2016.

[11] Dr. Philipp Vormizeele, Senior Vice President and General Counsel of Outokumpu, testified at the staff conference that "Outokumpu is the result of a merger between the former Outokumpu operations based in Finland and the former ThyssenKrupp stainless activities in Germany. The merger was announced in January 2012, and followed a rather long merger control proceeding with the European Commission." The merger was approved in 2012, "but included some remedies that Outokumpu had to fulfill." When ThyssenKrupp owned the Calvert facility, its cold-rolling mill was supplied by its sister company in Terni, Italy. One of the requirements issued by the European Commission was that Outokumpu would continue supplying the Calvert facility with hot-rolled steel from the Terni, Italy plant until it was sold. Conference transcript, pp. 73-75.

SG&A expenses and operating profit or (loss)

As shown in table VI-1, the industry's SG&A expense ratio (i.e., total SG&A expenses divided by total revenue) moved within a relatively narrow range, from 3.0 percent in 2014 to 3.9 percent in January-September 2016.[12]

Operating income followed the same trend as gross profit, improving from a loss of $186.7 million in 2013 to an income of $4.9 million in 2014, before worsening to a loss of $172.1 million in 2015. The industry reported an operating loss of $57.1 million in January-September 2016 compared to an operating loss of $92.3 million in January-September 2015.

All other expenses and net income or (loss)

Classified below the operating income level are interest expense, other expense, and other income, which are usually allocated to the product line from high levels in the corporation. Interest expense increased from 2013 to 2015, but was lower in January to September 2016 than in the same period in 2015. All other expenses were $*** in 2013, $*** in 2014, and $*** in 2015. *** accounted for the majority of the reported other expenses. *** reported non-recurring expenses classified within all other expenses. ***.[13] All other income increased from 2013 to 2014 and decreased from 2014 to 2015, but remained at a higher level than 2013. ***.[14]

Net income followed the same trend as operating income, improving from a loss of $249.1 million in 2013, to a loss of $87.1 million in 2014, before worsening to a loss of $350.0 million in 2015. The industry reported a net loss of $178.3 million in January-September 2015 and a net loss of $117.2 million in January-September 2016.

Variance analysis

A variance analysis for the operations of U.S. producers of stainless steel sheet and strip is presented in table VI-4.[15] The information for this variance analysis is derived from table VI-1.

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[12] ***.

[13] ***.

[14] ***.

[15] The Commission's variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances. The overall volume component of the variance analysis is generally small.

Table VI-4
Stainless steel sheet and strip: Variance analysis on the operations of U.S. producers, between fiscal years and partial year periods

Item	Between fiscal years			Between partial year period
	2013-15	2013-14	2014-15	2015-16
Net sales:				
Price variance	(392,706)	300,250	(658,289)	(533,590)
Volume variance	(80,924)	445,338	(560,929)	270,314
Net sales variance	(473,630)	745,588	(1,219,218)	(263,276)
COGS:				
Price variance	397,578	(82,679)	470,711	579,431
Volume variance	82,145	(452,056)	543,747	(270,463)
COGS variance	479,723	(534,735)	1,014,458	308,968
Gross profit variance	6,093	210,853	(204,760)	45,692
SG&A expenses:				
Cost/expense variance	6,012	(5,792)	11,136	(1,913)
Volume variance	2,453	(13,497)	16,618	(8,567)
Total SG&A expense variance	8,465	(19,289)	27,754	(10,480)
Operating income variance	14,558	191,564	(177,006)	35,212
Summarized (at the operating income level) as:				
Price variance	(392,706)	300,250	(658,289)	(533,590)
Net cost/expense variance	403,591	(88,472)	481,847	577,518
Net volume variance	3,673	(20,215)	(565)	(8,717)

Source: Compiled from data submitted in response to Commission questionnaires.

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-5 presents capital expenditures and research and development ("R&D") expenses by firm. Capital expenditures decreased by *** percent from 2013 to 2015. As shown in table VI-5 ***.[16]

Table VI-5
Stainless steel sheet and strip: Capital expenditures and research and development expenses of U.S. producers, 2013-15, January-September 2015, and January-September 2016

* * * * * * *

[16] ***. ***.

ASSETS AND RETURN ON INVESTMENT

Table VI-7 presents data on the U.S. producers' total assets, their operating return on assets, and their asset turnover ratio (net sales divided by net assets).[17] Total assets increased from $3.3 billion in 2013 to $3.7 billion in 2014 and decreased to $3.3 billion in 2015.

Table VI-7
Stainless steel sheet and strip: U.S. producers' total assets, operating return on assets, and asset turnover ratio, 2013-15

Firm	Fiscal years		
	2013	2014	2015
	Total net assets ($1,000)		
AK Steel	***	***	***
ATI	***	***	***
NAS	***	***	***
Outokumpu	***	***	***
Total net assets	3,264,082	3,737,009	3,265,036
	Operating return on assets (percent)		
AK Steel	***	***	***
ATI	***	***	***
NAS	***	***	***
Outokumpu	***	***	***
Average operating return on assets	(5.7)	0.1	(5.3)
	Asset turnover ratio (multiple)		
AK Steel	***	***	***
ATI	***	***	***
NAS	***	***	***
Outokumpu	***	***	***
Average asset turnover	1.3	1.3	1.1

Source: Compiled from data submitted in response to Commission questionnaires.

[17] With respect to a company's overall operations, staff notes that a total asset value (i.e., the bottom line number on the asset side of a company's balance sheet) reflects an aggregation of a number of assets which are generally not product specific. Accordingly, high-level allocation factors were required in order to report a total asset value for stainless steel sheet and strip.

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of stainless steel sheet and strip to describe any actual or potential negative effects of imports of stainless steel sheet and strip from China on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Table VI-7 presents U.S. producers' responses in a tabulated format and table VI-8 provided the narrative responses.

Table VI-7
Stainless steel sheet and strip: Actual and anticipated negative effects of imports on investment and growth and development

Item	No	Yes
Negative effects on investment	1	3
Cancellation, postponement, or rejection of expansion projects		1
Denial or rejection of investment proposal		1
Reduction in the size of capital investments		1
Return on specific investments negatively impacted		1
Other		1
Negative effects on growth and development	0	4
Rejection of bank loans		1
Lowering of credit rating		2
Problem related to the issue of stocks or bonds		1
Ability to service debt		1
Other		4
Anticipated negative effects of imports	0	4

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-8
Stainless steel sheet and strip: Narratives relating to actual and anticipated negative effects of imports on investment and growth and development, since January 1, 2013

* * * * * * *

Terry Hartford, Vice President of ATI Defense at Allegheny Technologies, testified at the hearing that a $1.2 billion capital investment in a hot-rolling and processing facility which ATI uses to hot-roll stainless steel sheet and strip is running fewer days than planned due to "weak conditions in the U.S. market caused by the dumped and subsidized imports from China." He further testified that the weak pricing for stainless steel sheet and strip products is "preventing {ATI} from earning a return on {its} capital investment."[18] Similarly, Steven Letnich, Vice President of Sales for Coil Americas, Outokumpu Stainless USA, testified that at the time of Outokumpu's original investment in the stainless steel sheet and strip facility in Calvert, Alabama (previously owned by ThyssenKrupp), "the U.S. market was strong and stable." He further testified that, "a wave of low-priced unfairly traded imports from China flooded the U.S. market" and prevented Outokumpu from earning a reasonable rate of return on its new investment.[19]

As presented in table VI-8, one or more U.S. producers reported each of the following conditions: cancellation, postponement, or rejection of expansion projects; denial or rejection of investment proposal; reduction in the size of capital investments; return on specific investments negatively impacted; rejection of bank loans; lowering of credit rating; problem related to the issue of stocks or bonds; ability to service debt; and anticipated negative effects from imports). ***. ***.

[18] Hearing transcript, p. 21 (Hartford).
[19] Hearing transcript, p. 36 (Letnich).

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

> *In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors*[1]*--*
>
> *(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
>
> *(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
>
> *(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
>
> *(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
>
> *(V) inventories of the subject merchandise,*

---

[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

(VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the nature of the subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV* and *V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

THE INDUSTRY IN CHINA

Overview

The Commission issued questionnaires to 55 Chinese firms believed to manufacture and/or export stainless steel sheet and strip.[3] Useable responses to the Commission's questionnaire were received from seven firms with exports to the United States equivalent to 58.6 percent of U.S. imports of stainless steel sheet and strip from China in 2015.[4] In 2015, the seven responding firms reported total capacity in China of 5.4 million short tons whereas ***.[5] Petitioners listed 31 reports of Chinese firms' expansions of their stainless steel sheet and strip operations and reports of ongoing or planned expansions.[6] Table VII-1 presents summary information on the stainless steel sheet and strip producers and exporters in China.

Table VII-1
Stainless steel sheet and strip: Summary data on firms in China, 2015

Firm	Production (short tons)	Share of reported production (percent)	Exports to the United States (short tons)	Share of reported exports to the United States (percent)	Total shipments (short tons)	Share of firm's total shipments exported to the United States (percent)
Baosteel	***	***	***	***	***	***
Guanghan Tiancheng	***	***	***	***	***	***
Ningbo Baoxin	***	***	***	***	***	***
Ningbo Qiyi	***	***	***	***	***	***
Shanxi Taigang	***	***	***	***	***	***
STAL Precision	***	***	***	***	***	***
Taiyuan Ri De Tai	***	***	***	***	***	***
Total	4,534,940	***	86,233	***	4,525,141	***

Source: Compiled from data submitted in response to Commission questionnaires.

Data for the stainless steel sheet and strip industry in China

Table VII-2 presents data from responding Chinese manufacturers/exporters of stainless steel sheet and strip provided by the seven responding manufacturers/exporters in China. Capacity and production increased each year during 2013-15, showing overall increases during this period of 24.2 percent and 28.9 percent, respectively. Likewise, total shipments increased.

[3] These firms were identified through a review of information submitted in the petition and contained in proprietary Customs records.

[4] Responding Chinese producers' exports to the United States were equivalent to 66.0 percent of exports reported by official Chinese export statistics in 2015.

[5] Petitioners' postconference brief, exh. 7, ***.

[6] Petitioners' prehearing brief, pp. 45-47.

Home market shipments, exports to the United States, and exports to all other sources increased from 2013 to 2014. Home market shipments continued to increase from 2014 to 2015 while exports to the United States and all other markets decreased, but remained at levels greater than 2013.

Table VII-2
Stainless steel sheet and strip: Data on industry in China, 2013-15, January to September 2015, and January to September 2016 and projections for calendar years 2016 and 2017

Item	Actual experience					Projections	
	Calendar year			January to September		Calendar year	
	2013	2014	2015	2015	2016	2016	2017
	Quantity (short tons)						
Capacity	4,316,033	5,052,200	5,360,700	4,022,075	3,888,875	5,183,000	5,183,000
Production	3,517,026	4,228,611	4,534,940	3,415,541	3,434,847	4,526,943	4,541,980
End-of-period inventories	147,197	206,782	216,581	346,990	250,448	257,307	314,192
Shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial shipments	***	***	***	***	***	***	***
Subtotal, home market shipments	2,925,966	3,294,670	3,934,996	2,875,852	3,032,672	3,999,628	3,997,647
Export shipments to:							
United States	47,933	115,660	86,233	72,984	20,305	31,244	29,143
All other markets	489,453	758,696	503,912	326,497	348,003	455,345	458,305
Total exports	537,386	874,356	590,145	399,481	368,308	486,589	487,448
Total shipments	3,463,352	4,169,026	4,525,141	3,275,333	3,400,980	4,486,217	4,485,095
	Ratios and shares (percent)						
Capacity utilization	81.5	83.7	84.6	84.9	88.3	87.3	87.6
Inventories/production	4.2	4.9	4.8	7.6	5.5	5.7	6.9
Inventories/total shipments	4.3	5.0	4.8	7.9	5.5	5.7	7.0
Shipments:							
Home market shipments:							
Internal consumption/ transfers	***	***	***	***	***	***	***
Commercial shipments	***	***	***	***	***	***	***
Subtotal, home market shipments	84.5	79.0	87.0	87.8	89.2	89.2	89.1
Export shipments to:							
United States	1.4	2.8	1.9	2.2	0.6	0.7	0.6
All other markets	14.1	18.2	11.1	10.0	10.2	10.1	10.2
Total exports	15.5	21.0	13.0	12.2	10.8	10.8	10.9
Total shipments	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Home market shipments, which accounted for 79.0 to 89.2 percent of total shipments from 2013 to January-September 2016, increased by 34.5 percent from 2013 to 2015. From 2013 to 2014, Chinese exports to the United States increased by 141.3 percent but then decreased by 25.4 percent from 2014 to 2015, resulting in an overall increase of 79.9 percent from 2013 to 2015. Exports to the United States, however, accounted for no more than 2.8

percent of total shipments during any period. By comparison, exports to other markets[7] accounted for 10.0 to 18.2 percent of total shipments during 2013 to January-September 2016.

The changes in reported capacity,[8] production, and shipments are largely attributable to the operations of ***. Each contributed to the rise in production volumes and total shipments, while *** were largely responsible for the increase in exports to the United States.

Tiancheng reported that it commenced operations in late November 2013. Its capacity *** short tons in 2013 to *** short tons in 2014 and 2015 while its production volume *** short tons in 2013 to *** short tons in 2014, before *** short tons in 2015. Tiancheng did not report having ***. In each period for which data were collected, no less than *** percent of Tiancheng's shipments were commercial home market shipments and no more than *** percent of its shipments were exports to the United States. Its projected capacity is to *** in 2016 and 2017, and its production and shipments, by destination markets, are projected to be consistent with its operations in 2014.

Taigang ***. The reported use of the expected output from the additional capacity was to serve its home market. Taigang's capacity increased from *** short tons in 2013 to *** short tons in 2015 to *** short tons in 2015. It does not project any changes in capacity for 2016 or 2017 and reported ***. Taigang's production volume output *** kept pace with its increases in capacity: its capacity utilization rates increased from *** percent in 2013 to *** percent in 2014 and *** percent in 2015. In January-September 2016, its capacity utilization rate was (*** percent) compared to (***) percent in interim 2015. Taigang projects that its production and home market shipments will remain at levels consistent with its 2015 operations in 2016 and 2017 but expects to export ***.

Unlike Tiancheng and Taigang, Baoxin did not undergo an expansion. Baoxin's production, did, however, increase from 2013 to 2014 but then decreased *** from 2014 to 2015. Combined, ***[9] and ***[10] accounted for *** percent of the increase in reported exports to the United States from 2013 to 2014.[11] ***'s total shipments increased from 2013 to 2014, with *** of the increase being shipped domestically, but it also increased its exports to the United States by *** short tons and to other export markets by *** short tons. Likewise, *** total shipments increased from 2013 to 2014. Its home market shipments increased by approximately *** short tons whereas its exports to the United States increased by approximately *** short tons. From 2014 to 2015, in spite of an increase in home market

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[7] Export markets identified by responding Chinese producers include Asia, Europe, Russia, Mexico, and the UAE. The preponderance of Asian destinations identified by responding foreign producers is consistent with the top destination markets for Chinese exports reported in official Chinese trade statistics (see tables VII-4 and VII-5).

[8] *** reported that it closed a service center in December 2015 and that it will add ***.

[9] Respondent *** identified *** as its largest U.S. importer.

[10] Respondent *** identified *** as its largest U.S. importer.

[11] Proprietary Customs records show that these two firms accounted for *** percent of the supply of the increase in U.S. imports of stainless steel sheet and strip from China from 2013 to 2014. The inclusion of *** percent. E-mail from ***, February 15, 2017.

shipments, its total shipments decreased, due to less stainless steel sheet and strip being exported to the United States and to other markets.

Potential product shifting in production facilities in China

Table VII-3 presents overall capacity and production in China on manufacturing equipment used to produce stainless steel sheet and strip. Producers in China used more than *** percent of their overall capacity to produce stainless steel sheet and strip. *** of the seven responding producers produce other products made on the same equipment and machinery used to produce stainless steel sheet and strip. Of the *** producers that made other products, *** at some point produced thin/ultra-thin gauge stainless steel while *** made other products, namely products with a thickness of 4.75 mm or more.

Table VII-3
Stainless steel sheet and strip: Chinese producers' overall capacity and production on the same equipment as subject production, summary data on firms in China, 2013-15, January-September 2015, and January-September 2016

Item	Calendar year			January to September	
	2013	2014	2015	2015	2016
	Quantity (short tons)				
Overall capacity	4,865,700	5,607,891	5,917,195	4,439,445	4,399,960
Production: Stainless steel sheet and strip	3,517,026	4,228,611	4,534,940	3,415,541	3,434,847
Thin/ultra thin gauge	75,308	65,635	70,473	54,703	48,246
All other products	530,898	598,371	558,326	422,269	359,926
Out-of-scope production	606,206	664,006	628,799	476,972	408,172
Total production on same machinery	4,123,232	4,892,617	5,163,739	3,892,513	3,843,019
	Ratios and shares (percent)				
Overall capacity utilization	84.7	87.2	87.3	87.7	87.3
Share of production: Stainless steel sheet and strip	85.3	86.4	87.8	87.7	89.4
Thin/ultra thin gauge	1.8	1.3	1.4	1.4	1.3
All other products	12.9	12.2	10.8	10.8	9.4
Out-of-scope production	14.7	13.6	12.2	12.3	10.6
Total production on same machinery	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Exports of stainless steel sheet and strip from China

Table VII-4 presents overall export shipments of stainless steel sheet and strip from China. Responding Chinese producers accounted for more than one quarter of total exports reported by official Chinese government statistics for the period of 2013-15, and almost 73 percent of export shipments to the United States during the same period. Asian markets are the largest destinations for Chinese stainless steel sheet and strip exports. Table VII-5 presents overall export shipments of stainless steel sheet and strip from China to the United States, the European Union, and all other destinations for the period of 2011-15.

Table VII-4
Stainless steel sheet and strip: Exports from China of stainless steel sheet and strip, by destination market, 2013-15

Destination market	Calendar year		
	2013	2014	2015
	Quantity (short tons)		
China exports to the United States	61,851	159,371	123,093
China exports to other major destination markets.--			
Taiwan	529,486	606,143	504,758
Korea	284,064	523,419	471,453
Vietnam	171,473	246,483	294,713
India	115,389	232,223	275,559
Italy	74,372	202,841	99,842
Pakistan	52,794	64,140	71,707
Indonesia	35,643	61,439	71,421
Malaysia	39,213	64,639	63,498
Turkey	54,056	77,367	54,579
Bangladesh	25,336	40,548	51,297
All other destination markets	317,178	464,418	345,230
Total China exports	1,760,856	2,743,031	2,427,149
	Value (1,000 dollars)		
China exports to the United States	131,395	350,976	240,992
China exports to other major destination markets.--			
Taiwan	993,549	1,153,480	752,821
Korea	527,907	972,592	730,688
Vietnam	265,062	373,061	403,904
India	201,653	393,809	369,102
Italy	164,823	420,776	162,924
Pakistan	77,452	86,066	84,614
Indonesia	69,629	117,761	114,483
Malaysia	84,254	153,083	120,747
Turkey	105,012	145,972	87,015
Bangladesh	37,402	57,265	60,732
All other destination markets	694,614	1,000,007	643,888
Total China exports	3,352,753	5,224,847	3,771,911

Table continued on next page.

Table VII-4--Continued
Stainless steel sheet and strip: Exports from China of stainless steel sheet and strip, by destination market, 2013-15

Destination market	Calendar year		
	2013	2014	2015
	Unit value (dollars per short ton)		
China exports to the United States	2,124	2,202	1,958
China exports to other major destination markets.--			
Taiwan	1,876	1,903	1,491
Korea	1,858	1,858	1,550
Vietnam	1,546	1,514	1,370
India	1,748	1,696	1,339
Italy	2,216	2,074	1,632
Pakistan	1,467	1,342	1,180
Indonesia	1,953	1,917	1,603
Malaysia	2,149	2,368	1,902
Turkey	1,943	1,887	1,594
Bangladesh	1,476	1,412	1,184
All other destination markets	2,190	2,153	1,865
Total China exports	1,904	1,905	1,554
	Share of quantity (percent)		
China exports to the United States	3.5	5.8	5.1
China exports to other major destination markets.--			
Taiwan	30.1	22.1	20.8
Korea	16.1	19.1	19.4
Vietnam	9.7	9.0	12.1
India	6.6	8.5	11.4
Italy	4.2	7.4	4.1
Pakistan	3.0	2.3	3.0
Indonesia	2.0	2.2	2.9
Malaysia	2.2	2.4	2.6
Turkey	3.1	2.8	2.2
Bangladesh	1.4	1.5	2.1
All other destination markets	18.0	16.9	14.2
Total China exports	100.0	100.0	100.0

Source: Official Chinese exports statistics under HS subheading 7219.13, 7219.14, 7219.23, 7219.24, 7219.32, 7219.33, 7219.34, 7219.35, 7219.90, 7220.12, 7220.20, and 7220.90 as reported by China Customs in the IHS/GTA database, accessed December 16, 2016.

Table VII-5
Stainless steel sheet and strip: Exports from China to the United States and the European Union, 2011-16

Destination market	Calendar year					
	2011	2012	2013	2014	2015	2016
	Quantity (short tons)					
China exports to.-- The United States	88,528	80,934	61,851	159,371	123,093	33,226
The European Union (28)	102,684	115,886	181,117	387,207	128,965	161,934
All other destination markets	1,210,528	1,092,931	1,517,888	2,196,453	2,175,091	2,673,445
Total China exports	1,401,741	1,289,751	1,760,856	2,743,031	2,427,149	2,868,606
	Value (1,000 dollars)					
China exports to.-- The United States	270,055	191,520	131,395	350,976	240,992	58,700
The European Union (28)	311,290	280,672	401,988	834,904	222,113	230,900
All other destination markets	2,930,321	2,220,172	2,819,369	4,038,968	3,308,806	3,439,258
Total China exports	3,511,666	2,692,364	3,352,753	5,224,847	3,771,911	3,728,858
	Unit value (dollars per short ton)					
China exports to.-- The United States	3,051	2,366	2,124	2,202	1,958	1,767
The European Union (28)	3,032	2,422	2,219	2,156	1,722	1,426
All other destination markets	2,421	2,031	1,857	1,839	1,521	1,286
Total China exports	2,505	2,088	1,904	1,905	1,554	1,300
	Share of quantity (percent)					
China exports to.-- The United States	6.3	6.3	3.5	5.8	5.1	1.2
The European Union (28)	7.3	9.0	10.3	14.1	5.3	5.6
All other destination markets	86.4	84.7	86.2	80.1	89.6	93.2
Total China exports	100.0	100.0	100.0	100.0	100.0	100.0

Source: Official Chinese exports statistics under HS subheading 7219.13, 7219.14, 7219.23, 7219.24, 7219.32, 7219.33, 7219.34, 7219.35, 7219.90, 7220.12, 7220.20, and 7220.90 as reported by China Customs in the IHS/GTA database, accessed February 1, 2017.

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-6 presents data on U.S. importers' reported inventories of stainless steel sheet and strip.

Table VII-6
Stainless steel sheet and strip: U.S. importers' inventories, China, 2013-15, January-September 2015, and January-September 2016

Item	Calendar year			January to September	
	2013	2014	2015	2015	2016
Imports from China: Inventories (short tons)	***	***	***	***	***
Ratio to U.S. imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Ratio to total shipments of imports (percent)	***	***	***	***	***
Imports from all other sources: Inventories (short tons)	***	***	***	***	***
Ratio to U.S. imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Ratio to total shipments of imports (percent)	***	***	***	***	***
Imports from all import sources: Inventories (short tons)	24,617	54,005	34,459	39,680	22,174
Ratio to U.S. imports (percent)	12.9	20.3	14.3	15.1	11.4
Ratio to U.S. shipments of imports (percent)	14.3	23.7	13.4	14.3	10.5
Ratio to total shipments of imports (percent)	13.2	22.9	13.2	14.1	10.4

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTERS' OUTSTANDING ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of stainless steel sheet and strip from China subsequent to September 30, 2016. Only ***, reported that it had imported or arranged for import of stainless steel sheet and strip from China subsequent to September 30, 2016. Table VII-7 presents the U.S. importers that had imported or arranged for the importation of subject merchandise from China, as well as import of merchandise from other sources and the quantity of those imports.

Table VII-7
Stainless steel sheet and strip: U.S. importers' orders of subject imports from China subsequent to September 30, 2016

Item	Period				
	Oct-Dec 2016	Jan-Mar 2017	Apr-Jun 2017	Jul-Sept 2017	Total
China	***	***	***	***	***
All other sources	***	***	***	***	***
Total U.S. imports	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

There have been numerous unfair trade remedy investigations in third-country markets on stainless steel sheet and strip from China. Table VII-8 presents a list of countries with current remedies in effect and pending investigations as well as the type of trade remedy action and the year in which orders were issued.[12]

Table VII-8
Stainless steel sheet and strip: Unfair trade remedies on stainless steel sheet and strip from China in third countries, by type of action and date of orders

Country imposing remedy	Type of remedy	Year of orders
Brazil	Antidumping	2013
European Union	Antidumping	2015
India	Antidumping	2010 (Continued in 2014)
Taiwan	Antidumping	2013
Thailand	Antidumping	2013
Vietnam	Antidumping	2014
Turkey	Pending antidumping investigation[1]	n/a

Note. -- Indonesia initiated antidumping investigations on imports from six countries, including China, in December 2014. As of June 2016, no measures, either preliminary or final, had been made. Further, several Indonesian producers of stainless steel sheet and strip indicated that the investigations had been terminated.

[1] Turkey initiated an antidumping investigation on August 22, 2015 and as of June 2016, no measures, either preliminary or final, had been made.

Source: Various World Trade Organization, Semi-Annual Report under Article 16.4 of the Agreement.

[12] A report from February 2016 suggested that Korean producer POSCO was considering filing an antidumping duty petition in Korea against imports of stainless steel products from China. ***. As of December 2016, Korea did not report having any outstanding trade remedy orders on stainless steel sheet and strip, and no current investigations. World Trade Organization, Semi-Annual Report under Article 16.4 of the Agreement: Republic of Korea, G/ADP/N/294/KOR, February 15, 2017, pp. 2, 4, and 6.

INFORMATION ON NONSUBJECT COUNTRIES

Asia accounted for most of the global shipments of stainless steel cold-rolled flat products with a ***-percent shipment share in 2015 (table VII-9).[13] China alone accounted for almost half, *** percent, of global shipments. Western Europe accounted for *** percent of shipments and North America (primarily the United States), accounted for *** percent.

Table VII-9

Stainless steel cold-rolled flat products:[1] Shipments, by country or region, actual and projected, 2013-17

Region or country	Calendar year				
	Actual			Projections	
	2013	2014	2015	2016	2017
	Quantity (1,000 short tons)				
China	***	***	***	***	***
India	***	***	***	***	***
Japan	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Other Asia	***	***	***	***	***
Subtotal Asia	***	***	***	***	***
Western Europe	***	***	***	***	***
Eastern Europe	***	***	***	***	***
Mexico	***	***	***	***	***
United States	***	***	***	***	***
Subtotal North America	***	***	***	***	***
Latin America	***	***	***	***	***
Africa	***	***	***	***	***
Middle East	***	***	***	***	***
Commonwealth of Independent States	***	***	***	***	***
Total world shipments	***	***	***	***	***

[1] Data may include cold-rolled flat products outside of the product scope of these investigations, i.e. flat-rolled products thinner than 0.3048 mm and/or narrower than 9.5 mm. Shipments of hot-rolled sheet are not included in the table because of ***. As the great majority of stainless steel sheet and strip is cold rolled, cold-rolled shipments may provide a reasonable estimate of stainless steel sheet and strip shipments.

Source: Petitioner's postconference brief, exh. 7, ***.

[13] The large majority of steel sheet and strip is cold rolled with cold-rolled products within the scope of these investigations constituting the majority as material thinner and narrower than the product scope constitutes a relatively small share. Therefore, in this section, cold-rolled stainless steel products are used as a proxy for products within the scope of these investigations.

Asia accounted for *** percent of cold-rolled stainless steel product capacity in 2015; China alone accounted for *** percent (table VII-10). Capacity increased in Asia during 2013-15 by *** percent (*** short tons), with China accounting for ***.[14] In contrast, the other two large stainless steel sheet and strip producing regions, Western Europe and North America, ***.

Table VII-10

Stainless steel cold-rolled flat products:[1] Capacity, by country and region, actual and projected, 2013-17

Region or country	Calendar year				
	Actual			Projections	
	2013	2014	2015	2016	2017
	Quantity (1,000 short tons)				
China	***	***	***	***	***
India	***	***	***	***	***
Japan	***	***	***	***	***
Korea	***	***	***	***	***
Taiwan	***	***	***	***	***
Other	***	***	***	***	***
Subtotal Asia	***	***	***	***	***
Western Europe	***	***	***	***	***
Eastern Europe	***	***	***	***	***
Mexico	***	***	***	***	***
United States	***	***	***	***	***
Subtotal North America	***	***	***	***	***
Latin America	***	***	***	***	***
Africa	***	***	***	***	***
Middle East	***	***	***	***	***
Commonwealth of Independent States	***	***	***	***	***
Total world capacity	***	***	***	***	***

[1] Data may capacity to produce material outside of the product scope of these investigations, i.e. flat-rolled products thinner than 0.3048 mm and/or narrower than 9.5 mm. Capacity to produce hot-rolled sheet is not included in the table because of ***. As the great majority of stainless steel sheet and strip is cold rolled, cold-rolled capacity may provide a reasonable estimate of stainless steel sheet and strip capacity.

Source: Petitioner's postconference brief, exh. 7, ***.

[14] Respondents accept the use of *** data provided by the petitioners as a basis for estimating Chinese industry capacity, with the caveats that the expansion claimed for Baosteel is inaccurate and that the capacity in China should be considered both in terms of the capacity for the firms that participate in the U.S. market and those other companies which are not in the U.S. market. Respondents' posthearing brief, response to question if Vice Chairman Johanson, p. 2.

The largest global exporters of stainless steel sheet and strip were China (with a 18.7 percent export share in 2015), Korea (10.1 percent), Belgium (9.8 percent), Finland (8.6 percent) and Taiwan (6.4 percent) (table VII-11).

Table VII-11

Stainless steel sheet and strip: Global exports, by country, 2013-15

Exporter	Calendar year		
	2013	2014	2015
	Quantity (short tons)		
United States	485,289	648,214	718,022
China	1,760,856	2,743,031	2,427,149
All other major exporters.--Korea	1,182,843	1,231,346	1,302,049
Belgium	1,240,441	1,295,489	1,267,086
Finland	835,399	949,649	1,111,706
Taiwan	1,012,213	1,035,771	825,037
Japan	735,841	767,773	682,172
Netherlands	508,431	605,099	658,498
Italy	690,459	573,307	605,515
Germany	593,174	579,417	546,550
France	452,539	492,711	543,707
Spain	341,116	400,146	412,249
All other exporters	1,586,571	1,652,864	1,851,470
Total global exports	11,425,172	12,974,818	12,951,210
	Share of quantity (percent)		
United States	4.2	5.0	5.5
China	15.4	21.1	18.7
All other major exporters.--Korea	10.4	9.5	10.1
Belgium	10.9	10.0	9.8
Finland	7.3	7.3	8.6
Taiwan	8.9	8.0	6.4
Japan	6.4	5.9	5.3
Netherlands	4.5	4.7	5.1
Italy	6.0	4.4	4.7
Germany	5.2	4.5	4.2
France	4.0	3.8	4.2
Spain	3.0	3.1	3.2
All other exporters	13.9	12.7	14.3
Total global exports	100.0	100.0	100.0

Source: Official exports statistics under HS subheading 7219.13, 7219.14, 7219.23, 7219.24, 7219.32, 7219.33, 7219.34, 7219.35, 7219.90, 7220.12, 7220.20, and 7220.90 as reported by various national statistical authorities in the GTIS/GTA database, accessed December 15, 2016.

Mexico and Taiwan were the largest nonsubject suppliers to the U.S. market, accounting for one-quarter of imports in 2015 between the two sources (table IV-3). There is one producer of stainless steel sheet and strip in Mexico, Outokumpu Mexinox; a sister company of Outokumpu USA. The great majority of exports from Mexico (74.2 percent) are to the United States in 2015 (table VII-12). There are *** producers in Taiwan;[15] the largest producer is Yieh United Steel Corp. ("YUSCO") which is the largest integrated steel mill in Southeast Asia.[16] Exports from Taiwan are not as concentrated as those from Mexico as Taiwan's largest export market for stainless steel sheet and strip is Korea with an 8.8-percent share (table VII-13).

Table VII-12
Stainless steel sheet and strip: Exports from Mexico by destination market, 2013-15

Destination market	Calendar year		
	2013	2014	2015
	Quantity (short tons)		
Mexico exports to the United States	93,434	89,666	73,424
Mexico exports to other major destination markets.--			
India	8,192	14,511	11,715
Uruguay	2,474	1,713	2,400
China	4,103	3,797	1,950
Brazil	1,670	1,293	1,683
Vietnam	22	60	1,325
Colombia	2,309	1,694	1,189
Pakistan	981	680	1,087
Argentina	0	42	918
Taiwan	0	0	810
Ecuador	1,017	182	751
All other destination markets	2,556	1,283	1,688
Total Mexico exports	116,758	114,920	98,941

Table continued on next page.

[15] Petitioner's postconference brief, exh. 7, ***.

[16] YUSCO, "About YUSCO," http://www.yusco.com.tw/English/about_yusco_ch.htm, retrieved March 11, 2016. An integrated steel mill produces the stainless steel that is used for its products.

Table VII-12--Continued

Stainless steel sheet and strip: Exports from Mexico by destination market, 2013-15

Destination market	Calendar year		
	2013	2014	2015
	Value (1,000 dollars)		
Mexico exports to the United States	190,263	191,923	149,570
Mexico exports to other major destination markets.--			
India	7,504	11,410	8,178
Uruguay	3,591	2,895	4,224
China	3,405	2,428	1,149
Brazil	3,393	2,820	3,957
Vietnam	14	40	681
Colombia	3,844	2,844	1,581
Pakistan	956	481	652
Argentina	0	104	1,320
Taiwan	0	0	463
Ecuador	2,338	421	1,592
All other destination markets	4,829	2,924	3,395
Total Mexico exports	220,136	218,290	176,762
	Unit value (dollars per short ton)		
Mexico exports to the United States	2,036	2,140	2,037
Mexico exports to other major destination markets.--			
India	916	786	698
Uruguay	1,451	1,690	1,760
China	830	639	589
Brazil	2,032	2,180	2,352
Vietnam	640	665	514
Colombia	1,665	1,679	1,330
Pakistan	975	708	600
Argentina	0	2,480	1,438
Taiwan	7,776	0	572
Ecuador	2,299	2,318	2,119
All other destination markets	1,889	2,280	2,011
Total Mexico exports	1,885	1,899	1,787

Table continued on the next page.

Table VII-12--Continued

Stainless steel sheet and strip: Exports from Mexico by destination market, 2013-15

Destination market	Calendar year		
	2013	2014	2015
	Share of quantity (percent)		
Mexico exports to the United States	80.0	78.0	74.2
Mexico exports to other major destination markets.--			
India	7.0	12.6	11.8
Uruguay	2.1	1.5	2.4
China	3.5	3.3	2.0
Brazil	1.4	1.1	1.7
Vietnam	0.0	0.1	1.3
Colombia	2.0	1.5	1.2
Pakistan	0.8	0.6	1.1
Argentina	0.0	0.0	0.9
Taiwan	0.0	0.0	0.8
Ecuador	0.9	0.2	0.8
All other destination markets	2.2	1.1	1.7
Total Mexico exports	100.0	100.0	100.0

Source: Official Mexico exports statistics under HS subheading 7219.13, 7219.14, 7219.23, 7219.24, 7219.32, 7219.33, 7219.34, 7219.35, 7219.90, 7220.12, 7220.20, and 7220.90 as reported by China Customs in the IHS/GTA database, accessed December 16, 2016.

Table VII-13

Stainless steel sheet and strip: Exports from Taiwan by destination market, 2013-15

Destination market	Calendar year		
	2013	2014	2015
	Quantity (short tons)		
Taiwan exports to the United States	34,182	38,432	42,255
Taiwan exports to other major destination markets.--			
Korea	115,837	104,541	72,314
Turkey	101,830	62,861	68,911
Italy	67,795	83,728	67,949
Russia	39,907	40,550	42,976
China	50,938	53,512	41,903
Iran	48,485	43,301	30,956
Malaysia	39,539	38,468	29,610
Thailand	27,355	33,964	28,919
Hong Kong	44,380	36,666	26,850
Australia	25,985	19,228	26,537
All other destination markets	415,980	480,520	345,857
Total Taiwan exports	1,012,213	1,035,771	825,037
	Value (1,000 dollars)		
Taiwan exports to the United States	84,945	116,230	92,680
Taiwan exports to other major destination markets.--			
Korea	193,577	181,140	100,987
Turkey	179,751	108,442	105,781
Italy	128,901	177,007	108,345
Russia	64,824	68,911	68,558
China	107,996	120,709	90,780
Iran	100,237	93,616	56,492
Malaysia	83,773	83,694	59,350
Thailand	53,547	65,055	51,145
Hong Kong	101,764	84,893	56,623
Australia	64,781	49,686	58,960
All other destination markets	893,868	1,073,428	659,596
Total Taiwan exports	2,057,965	2,222,810	1,509,298

Table continued on next page.

Table VII-13--Continued

Stainless steel sheet and strip: Exports from Taiwan by destination market, 2013-15

Destination market	Calendar year		
	2013	2014	2015
	Unit value (dollars per short ton)		
Taiwan exports to the United States	2,485	3,024	2,193
Taiwan exports to other major destination markets.--			
Korea	1,671	1,733	1,397
Turkey	1,765	1,725	1,535
Italy	1,901	2,114	1,595
Russia	1,624	1,699	1,595
China	2,120	2,256	2,166
Iran	2,067	2,162	1,825
Malaysia	2,119	2,176	2,004
Thailand	1,958	1,915	1,769
Hong Kong	2,293	2,315	2,109
Australia	2,493	2,584	2,222
All other destination markets	2,149	2,234	1,907
Total Taiwan exports	2,033	2,146	1,829
	Share of quantity (percent)		
Taiwan exports to the United States	3.4	3.7	5.1
Taiwan exports to other major destination markets.--			
Korea	11.4	10.1	8.8
Turkey	10.1	6.1	8.4
Italy	6.7	8.1	8.2
Russia	3.9	3.9	5.2
China	5.0	5.2	5.1
Iran	4.8	4.2	3.8
Malaysia	3.9	3.7	3.6
Thailand	2.7	3.3	3.5
Hong Kong	4.4	3.5	3.3
Australia	2.6	1.9	3.2
All other destination markets	41.1	46.4	41.9
Total Taiwan exports	100.0	100.0	100.0

Source: Official Taiwan exports statistics under HS subheading 7219.13, 7219.14, 7219.23, 7219.24, 7219.32, 7219.33, 7219.34, 7219.35, 7219.90, 7220.12, 7220.20, and 7220.90 as reported by China Customs in the IHS/GTA database, accessed December 16, 2016.

APPENDIX A

FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
81 FR 8544, February 19, 2016	*Stainless Steel Sheet and Strip From China; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*	https://www.federalregister.gov/documents/2016/02/19/2016-03434/stainless-steel-sheet-and-strip-from-china-institution-of-antidumping-and-countervailing-duty
81 FR 12711, March 10, 2016	*Stainless Steel Sheet and Strip From the People's Republic of China: Initiation of Less Than Fair Value Investigation*	https://www.federalregister.gov/documents/2016/03/10/2016-05405/stainless-steel-sheet-and-strip-from-the-peoples-republic-of-china-initiation-of-less-than-fair
81 FR 13322, March 14, 2016	*Stainless Steel Sheet and Strip From the People's Republic of China: Initiation of Countervailing Duty Investigation*	https://www.federalregister.gov/documents/2016/03/14/2016-05469/stainless-steel-sheet-and-strip-from-the-peoples-republic-of-china-initiation-of-countervailing-duty
81 FR 46643, July 18, 2016	*Countervailing Duty Investigation of Stainless Steel Sheet and Strip From the People's Republic of China: Preliminary Affirmative Determination and Alignment of Final Determination With Final Antidumping Duty Determination*	https://www.federalregister.gov/documents/2016/07/18/2016-16947/countervailing-duty-investigation-of-stainless-steel-sheet-and-strip-from-the-peoples-republic-of
81 FR 64135, September 19, 2016	*Stainless Steel Sheet and Strip From the People's Republic of China: Preliminary Affirmative Determination of Sales at Less Than Fair Value and Preliminary Affirmative Determination of Critical Circumstances*	https://www.federalregister.gov/documents/2016/09/19/2016-22397/stainless-steel-sheet-and-strip-from-the-peoples-republic-of-china-preliminary-affirmative

81 FR 69548, October 6, 2016	*Stainless Steel Sheet and Strip From China; Scheduling of the Final Phase of Countervailing Duty and Antidumping Duty Investigations*	https://www.federalregister.gov/documents/2016/10/06/2016-24060/stainless-steel-sheet-and-strip-from-china-scheduling-of-the-final-phase-of-countervailing-duty-and
82 FR 9714, February 8, 2017	*Countervailing Duty Investigation of Stainless Steel Sheet and Strip From the People's Republic of China: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination, in Part*	https://www.federalregister.gov/documents/2017/02/08/2017-02577/countervailing-duty-investigation-of-stainless-steel-sheet-and-strip-from-the-peoples-republic-of
82 FR 9716, February 8, 2017	*Antidumping Duty Investigation of Stainless Steel Sheet and Strip From the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*	https://www.federalregister.gov/documents/2017/02/08/2017-02576/antidumping-duty-investigation-of-stainless-steel-sheet-and-strip-from-the-peoples-republic-of-china

APPENDIX B

LIST OF HEARING WITNESSES

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject: Stainless Steel Sheet and Strip from China

Inv. Nos.: 701-TA-557 and 731-TA-1312 (Final)

Date and Time: January 31, 2017 - 9:30 am

Sessions were held in connection with these investigations in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, DC.

CONGRESSIONAL WITNESS:

The Honorable Peter J. Visclosky, U.S. Representative, 1st District, Indiana

OPENING REMARKS:

Petitioners (**Kathleen W. Cannon**, Kelley Drye & Warren LLP)
Respondents (**Jeffrey S. Neeley**, Husch Blackwell LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Kelley Drye & Warren LLP
Washington, DC
on behalf of

AK Steel Corporation
Allegheny Ludlum, LLC d/b/a ATI Flat Rolled Products
North American Stainless
Outokumpu Stainless USA, LLC

Terrence L. Hartford, Vice President for ATI Defense,
Allegheny Technologies Incorporated

Geoff Pfeiffer, General Manager, Specialty Steel Sales,
AK Steel Corporation

Dan Lebherz, Manager, Specialty Products & Markets,
AK Steel Corporation

In Support of the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Stephen J. Letnich, Vice President of Sales for Coil Americas, Outokumpu Stainless, LLC

Thomas Conway, International Vice President, United Steelworkers

Michael Kerwin, Director, Georgetown Economic Services

Brad Hudgens, Economic Consultant, Georgetown Economic Services

Kathleen W. Cannon)
John M. Herrmann)
) – OF COUNSEL
David A. Hartquist)
Grace W. Kim)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:

Husch Blackwell LLP
Washington, DC
on behalf of

ShanXi Taigang Stainless Steel Co., Ltd.
Baosteel Stainless Steel Co., Ltd.
Ningbo Baoxin Stainless Steel Co., Ltd.
Taiyuan Ridetaixing Precision Stainless Steel Incorporated Co., Ltd.
Ningbo Qiyi Precision Metals Co., Ltd.
Guanghan Tiancheng Stainless Steel Products Co., Ltd.
China Chamber of International Commerce

John P. Junker, General Manager, Tisco Trading USA, Inc.

Bruce Malashevich, President *and* Chief Executive Officer,
Economic Consulting Services, LLC

Jeffrey S. Neeley)
) – OF COUNSEL
Michael S. Holton)

REBUTTAL/CLOSING REMARKS:

Petitioners (**Kathleen W. Cannon**, Kelley Drye & Warren LLP)
Respondents (**Jeffrey S. Neeley,** Husch Blackwell LLP)

-END-

APPENDIX C

SUMMARY DATA

Table C-1
Stainless steel sheet and strip: Summary data concerning the U.S. market, 2013-15, January to September 2015, and January to September 2016
(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Reported data					Period changes			
	Calendar year			January to September		Calendar year			Jan-Sept
	2013	2014	2015	2015	2016	2013-15	2013-14	2014-15	2015-16
U.S. consumption quantity:									
Amount	1,891,228	2,141,000	1,975,442	1,503,691	1,618,490	4.5	13.2	(7.7)	7.6
Producers' share (fn1)	81.3	78.9	77.1	76.1	81.3	(4.2)	(2.4)	(1.8)	5.2
Importers' share (fn1):									
China	3.3	6.2	7.4	8.5	2.4	4.1	2.8	1.3	(6.1)
Nonsubject sources	15.4	14.9	15.5	15.4	16.3	0.1	(0.4)	0.5	0.9
All import sources	18.7	21.1	22.9	23.9	18.7	4.2	2.4	1.8	(5.2)
U.S. consumption value:									
Amount	4,248,595	5,148,139	4,109,240	3,241,347	2,880,804	(3.3)	21.2	(20.2)	(11.1)
Producers' share (fn1)	79.3	76.9	73.9	73.3	78.1	(5.4)	(2.3)	(3.0)	4.7
Importers' share (fn1):									
China	3.4	6.0	7.6	8.6	2.5	4.2	2.6	1.6	(6.1)
Nonsubject sources	17.3	17.1	18.5	18.1	19.5	1.2	(0.2)	1.5	1.4
All import sources	20.7	23.1	26.1	26.7	21.9	5.4	2.3	3.0	(4.7)
U.S. imports from:									
China:									
Quantity	63,114	132,009	147,143	128,192	38,925	133.1	109.2	11.5	(69.6)
Value	145,864	309,339	312,364	278,798	71,023	114.1	112.1	1.0	(74.5)
Unit value	$2,311	$2,343	$2,123	$2,175	$1,825	(8.1)	1.4	(9.4)	(16.1)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Nonsubject sources:									
Quantity	290,580	319,930	305,534	231,245	263,098	5.1	10.1	(4.5)	13.8
Value	735,161	879,145	761,561	585,487	560,653	3.6	19.6	(13.4)	(4.2)
Unit value	$2,530	$2,748	$2,493	$2,532	$2,131	(1.5)	8.6	(9.3)	(15.8)
Ending inventory quantity	***	***	***	***	***	***	***	***	***
All import sources:									
Quantity	353,694	451,939	452,677	359,437	302,023	28.0	27.8	0.2	(16.0)
Value	881,025	1,188,484	1,073,925	864,285	631,676	21.9	34.9	(9.6)	(26.9)
Unit value	$2,491	$2,630	$2,372	$2,405	$2,091	(4.8)	5.6	(9.8)	(13.0)
Ending inventory quantity	24,617	54,005	34,459	39,680	22,174	40.0	119.4	(36.2)	(44.1)
U.S. producers':									
Average capacity quantity	2,733,130	***	2,737,995	2,053,493	2,053,493	0.2	***	***	0.0
Production quantity	1,888,312	2,110,124	1,811,352	1,384,530	1,499,983	(4.1)	11.7	(14.2)	8.3
Capacity utilization (fn1)	69.1	***	66.2	67.4	73.0	(2.9)	***	***	5.6
U.S. shipments:									
Quantity	1,537,534	1,689,061	1,522,765	1,144,254	1,316,467	(1.0)	9.9	(9.8)	15.1
Value	3,367,570	3,959,655	3,035,315	2,377,062	2,249,128	(9.9)	17.6	(23.3)	(5.4)
Unit value	$2,190	$2,344	$1,993	$2,077	$1,708	(9.0)	7.0	(15.0)	(17.8)
Export shipments:									
Quantity	339,536	391,274	317,369	247,926	207,171	(6.5)	15.2	(18.9)	(16.4)
Value	744,885	898,447	603,569	485,618	350,277	(19.0)	20.6	(32.8)	(27.9)
Unit value	$2,194	$2,296	$1,902	$1,959	$1,691	(13.3)	4.7	(17.2)	(13.7)
Ending inventory quantity	215,736	245,525	216,743	237,875	193,088	0.5	13.8	(11.7)	(18.8)
Inventories/total shipments (fn1)	11.5	11.8	11.8	12.8	9.5	0.3	0.3	(0.0)	(3.3)
Production workers	2,753	2,813	2,637	2,625	2,288	(4.2)	2.2	(6.3)	(12.8)
Hours worked (1,000s)	5,644	5,939	5,654	4,613	4,131	0.2	5.2	(4.8)	(10.4)
Wages paid ($1,000)	193,512	208,144	205,880	163,316	150,960	6.4	7.6	(1.1)	(7.6)
Hourly wages (dollars)	$34.29	$35.05	$36.41	$35.40	$36.54	6.2	2.2	3.9	3.2
Productivity (short tons per 1,000 hours)	334.6	355.3	320.4	300.1	363.1	(4.2)	6.2	(9.8)	21.0
Unit labor costs	$102.48	$98.64	$113.66	$117.96	$100.64	10.9	(3.7)	15.2	(14.7)
Net sales:									
Quantity	1,877,070	2,080,335	1,840,134	1,392,180	1,523,639	(2.0)	10.8	(11.5)	9.4
Value	4,112,515	4,858,103	3,638,885	2,862,680	2,599,404	(11.5)	18.1	(25.1)	(9.2)
Unit value	$2,191	$2,335	$1,978	$2,056	$1,706	(9.7)	6.6	(15.3)	(17.0)
Cost of goods sold (COGS)	4,174,550	4,709,285	3,694,827	2,864,263	2,555,295	(11.5)	12.8	(21.5)	(10.8)
Gross profit or (loss)	(62,035)	148,818	(55,942)	(1,583)	44,109	(9.8)	fn2	fn2	fn2
SG&A expenses	124,638	143,927	116,173	90,731	101,211	(6.8)	15.5	(19.3)	11.6
Operating income or (loss)	(186,673)	4,891	(172,115)	(92,314)	(57,102)	(7.8)	fn2	fn2	(38.1)
Net income or (loss)	(249,142)	(87,069)	(349,996)	(178,260)	(117,184)	40.5	(65.1)	302.0	(34.3)
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	$2,224	$2,264	$2,008	$2,057	$1,677	(9.7)	1.8	(11.3)	(18.5)
Unit SG&A expenses	$66	$69	$63	$65	$66	(4.9)	4.2	(8.7)	1.9
Unit operating income or (loss)	$(99)	$2	$(94)	$(66)	$(37)	(5.9)	fn2	fn2	(43.5)
Unit net income or (loss)	$(133)	$(42)	$(190)	$(128)	$(77)	43.3	(68.5)	354.4	(39.9)
COGS/sales (fn1)	101.5	96.9	101.5	100.1	98.3	0.0	(4.6)	4.6	(1.8)
Operating income or (loss)/sales (fn1)	(4.5)	0.1	(4.7)	(3.2)	(2.2)	(0.2)	4.6	(4.8)	1.0
Net income or (loss)/sales (fn1)	(6.1)	(1.8)	(9.6)	(6.2)	(4.5)	(3.6)	4.3	(7.8)	1.7

Notes:

fn1.--Reported data are in percent and period changes are in percentage points.
fn2.--Undefined.

Source: Compiled from data submitted in response to Commission questionnaires and official U.S. imports statistics (for details on import data used, see part IV).

APPENDIX D

NONSUBJECT COUNTRY PRICE DATA

Four importers reported price data for nonsubject countries Mexico and Taiwan for products 1-6 and 8.[1] Price data reported by these firms accounted for 0.3 percent of U.S. commercial shipments from all other sources. These price items and accompanying data are comparable to those presented in tables V-4 to V-11. Price and quantity data for Mexico and Taiwan are shown in tables D-1 to D-7 and in figures D-1 to D-7 (with domestic and subject sources).

In comparing nonsubject country pricing data with U.S. producer pricing data, prices for stainless steel sheet and strip imported from Mexico were lower than prices for U.S.-produced product in 9 instances and higher in 33 instances. Prices for stainless steel sheet and strip imported from Taiwan were lower than prices for U.S.-produced product in 10 instances and higher in 11 instances.

In comparing nonsubject country pricing data with subject country pricing data, prices for stainless steel sheet and strip imported from Mexico were lower than prices for stainless steel sheet and strip imported from China in 13 instances and higher in 29 instances. Prices for stainless steel sheet and strip imported from Taiwan were lower than prices for stainless steel sheet and strip imported from China in 10 instances and higher in 11 instances. A summary of price differentials is presented in table D-8.

[1] ***.

Table D-1

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of imported product 1,[1] by quarters, January 2013-September 2016

Period	United States		Mexico		Taiwan	
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)
2013:						
Jan.-Mar.	2,495	5,853	***	***	---	***
Apr.-Jun.	2,366	5,645	---	***	---	***
Jul.-Sep.	2,207	6,099	***	***	***	***
Oct.-Dec.	2,261	6,716	***	***	---	***
2014:						
Jan.-Mar.	2,307	6,021	---	***	***	***
Apr.-Jun.	***	***	---	***	---	***
Jul.-Sep.	***	***	***	***	---	***
Oct.-Dec.	2,640	5,938	***	***	---	***
2015:						
Jan.-Mar.	2,471	4,527	***	***	---	***
Apr.-Jun.	***	***	***	***	---	***
Jul.-Sep.	***	***	***	***	***	***
Oct.-Dec.	***	***	***	***	---	***
2016:						
Jan.-Mar.	***	***	***	***	---	***
Apr.-Jun.	1,659	4,926	---	***	***	***
Jul.-Sep.	1,815	6,197	---	***	***	***

[1] Product 1: AISI Grade 304, 0.075 inch nominal thickness (0.068-0.082 inch actual), width 48-60 inches, in coils, 2B finish.

Source: Compiled from data submitted in response to Commission questionnaires.

Table D-2

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of imported product 2,[1] by quarters, January 2013-September 2016

Period	United States		Mexico		Taiwan	
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)
2013:						
Jan.-Mar.	2,739	1,980	***	***	---	***
Apr.-Jun.	2,557	1,896	***	***	---	***
Jul.-Sep.	2,317	2,819	***	***	***	***
Oct.-Dec.	2,454	2,019	***	***	---	***
2014:						
Jan.-Mar.	2,528	2,153	---	***	***	***
Apr.-Jun.	2,788	2,048	---	***	---	***
Jul.-Sep.	***	***	***	***	---	***
Oct.-Dec.	***	***	***	***	---	***
2015:						
Jan.-Mar.	2,710	1,204	***	***	---	***
Apr.-Jun.	2,358	976	***	***	---	***
Jul.-Sep.	***	***	---	***	***	***
Oct.-Dec.	1,877	1,027	***	***	---	***
2016:						
Jan.-Mar.	1,785	843	***	***	---	***
Apr.-Jun.	1,905	1,348	---	***	---	***
Jul.-Sep.	***	***	---	***	***	***

[1] Product 2: AISI Grade 304, 0.029 inch nominal thickness (0.0260-0.032 inch actual), width 48-60 inches, in coils, 2B finish.

Source: Compiled from data submitted in response to Commission questionnaires.

Table D-3

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of imported product 3,[1] by quarters, January 2013-September 2016

Period	United States		Mexico		Taiwan	
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)
2013:						
Jan.-Mar.	***	***	---	***	---	***
Apr.-Jun.	***	***	---	***	---	***
Jul.-Sep.	2,572	1,440	---	***	---	***
Oct.-Dec.	***	***	---	***	---	***
2014:						
Jan.-Mar.	***	***	---	***	---	***
Apr.-Jun.	3,015	917	---	***	---	***
Jul.-Sep.	3,362	938	---	***	---	***
Oct.-Dec.	***	***	---	***	---	***
2015:						
Jan.-Mar.	***	***	---	***	---	***
Apr.-Jun.	***	***	---	***	---	***
Jul.-Sep.	***	***	---	***	---	***
Oct.-Dec.	***	***	---	***	---	***
2016:						
Jan.-Mar.	***	***	---	***	---	***
Apr.-Jun.	***	***	***	***	---	***
Jul.-Sep.	2,277	844	***	***	---	***

[1] Product 3: AISI Grade 304, 0.029 inch nominal thickness (0.0260-0.032 inch actual), width 48-60 inches, in coils, polished.

Source: Compiled from data submitted in response to Commission questionnaires.

Table D-4

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of imported product 4,[1] by quarters, January 2013-September 2016

Period	United States		Mexico		Taiwan	
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)
2013:						
Jan.-Mar.	2,608	3,045	***	***	---	***
Apr.-Jun.	2,988	2,167	***	***	---	***
Jul.-Sep.	2,283	3,071	***	***	***	***
Oct.-Dec.	***	***	***	***	---	***
2014:						
Jan.-Mar.	2,387	2,494	***	***	***	***
Apr.-Jun.	2,666	3,123	***	***	---	***
Jul.-Sep.	2,901	3,083	***	***	---	***
Oct.-Dec.	2,731	2,954	***	***	---	***
2015:						
Jan.-Mar.	2,588	2,274	***	***	---	***
Apr.-Jun.	2,287	1,543	---	***	---	***
Jul.-Sep.	***	***	***	***	---	***
Oct.-Dec.	***	***	***	***	---	***
2016:						
Jan.-Mar.	***	***	---	***	---	***
Apr.-Jun.	1,761	2,861	***	***	***	***
Jul.-Sep.	1,895	2,765	***	***	***	***

[1] Product 4: AISI Grade 304, 0.036 inch nominal thickness (0.032-0.040 inch actual), width 48-60 inches, in coils, 2B finish.

Source: Compiled from data submitted in response to Commission questionnaires.

Table D-5

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of imported product 5,[1] by quarters, January 2013-September 2016

Period	United States		Mexico		Taiwan	
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)
2013:						
Jan.-Mar.	***	***	---	***	---	***
Apr.-Jun.	***	***	---	***	---	***
Jul.-Sep.	***	***	---	***	---	***
Oct.-Dec.	***	***	---	***	---	***
2014:						
Jan.-Mar.	***	***	---	***	---	***
Apr.-Jun.	2,822	1,476	---	***	---	***
Jul.-Sep.	3,126	1,293	---	***	---	***
Oct.-Dec.	2,932	1,491	---	***	---	***
2015:						
Jan.-Mar.	2,745	1,361	---	***	---	***
Apr.-Jun.	2,430	1,265	---	***	---	***
Jul.-Sep.	2,142	1,407	---	***	---	***
Oct.-Dec.	***	***	---	***	---	***
2016:						
Jan.-Mar.	***	***	---	***	---	***
Apr.-Jun.	1,928	1,764	***	***	---	***
Jul.-Sep.	2,107	1,931	---	***	---	***

[1] Product 5: AISI Grade 304, 0.036 inch nominal thickness (0.032-0.040 inch actual), width 48-60 inches, in coils, polished.

Source: Compiled from data submitted in response to Commission questionnaires.

Table D-6

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of imported product 6,[1] by quarters, January 2013-September 2016

Period	United States		Mexico		Taiwan	
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)
2013:						
Jan.-Mar.	***	***	---	***	---	***
Apr.-Jun.	***	***	---	***	---	***
Jul.-Sep.	***	***	---	***	---	***
Oct.-Dec.	***	***	---	***	---	***
2014:						
Jan.-Mar.	***	***	---	***	---	***
Apr.-Jun.	***	***	---	***	---	***
Jul.-Sep.	***	***	---	***	---	***
Oct.-Dec.	***	***	---	***	---	***
2015:						
Jan.-Mar.	***	***	---	***	---	***
Apr.-Jun.	***	***	---	***	---	***
Jul.-Sep.	***	***	---	***	---	***
Oct.-Dec.	***	***	---	***	---	***
2016:						
Jan.-Mar.	***	***	***	***	---	***
Apr.-Jun.	***	***	***	***	---	***
Jul.-Sep.	2,447	290	***	***	---	***

[1] Product 6: AISI Grade 304, 0.024 inch nominal thickness (0.0231-0.0260 inch actual), width 48-60 inches, in coils, polished.

Source: Compiled from data submitted in response to Commission questionnaires.

Table D-7

Stainless steel sheet and strip: Weighted-average f.o.b. prices and quantities of imported product 8,[1] by quarters, January 2013-September 2016

Period	United States		Mexico		Taiwan	
	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)	Dollars per short ton	Quantity (short tons)
2013:						
Jan.-Mar.	1,684	1,668	---	***	---	***
Apr.-Jun.	1,673	1,798	---	***	---	***
Jul.-Sep.	1,590	2,099	---	***	---	***
Oct.-Dec.	***	***	---	***	***	***
2014:						
Jan.-Mar.	1,661	1,870	---	***	***	***
Apr.-Jun.	1,703	1,929	---	***	***	***
Jul.-Sep.	1,785	1,240	---	***	***	***
Oct.-Dec.	***	***	---	***	---	***
2015:						
Jan.-Mar.	1,749	1,315	---	***	***	***
Apr.-Jun.	***	***	---	***	***	***
Jul.-Sep.	***	***	---	***	***	***
Oct.-Dec.	***	***	---	***	---	***
2016:						
Jan.-Mar.	1,431	1,109	***	***	---	***
Apr.-Jun.	***	***	***	***	***	***
Jul.-Sep.	***	***	***	***	---	***

[1] Product 8: AISI Grade 430, 0.036 inch nominal thickness (0.032-0.040 inch actual), width 36-48 inches, in coils, polished.

Source: Compiled from data submitted in response to Commission questionnaires.

Figure D-1
Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2013-September 2016

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Figure D-2
Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2013-September 2016

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Figure D-3
Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2013-September 2016

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Figure D-4
Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 4, by quarters, January 2013-September 2016

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Figure D-5
Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 5, by quarters, January 2013-September 2016

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Figure D-6
Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 6, by quarters, January 2013-September 2016

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Figure D-7
Stainless steel sheet and strip: Weighted-average prices and quantities of domestic and imported product 8, by quarters, January 2013-September 2016

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Table D-8
Stainless steel sheet and strip: Summary of underselling/(overselling), by nonsubject country, January 2013-January 2016

Comparison	Total number of comparisons	Nonsubject lower than the comparison source		Nonsubject higher than the comparison source	
		Number of quarters	Quantity (short tons)	Number of quarters	Quantity (short tons)
Nonsubject vs United States:					
Mexico vs. United States	42	9	278	33	1,148
Taiwan vs. United States	21	10	398	11	305
Nonsubject vs subject countries:					
Mexico vs. China	42	13	391	29	1,035
Taiwan vs. China	21	10	496	11	207

Source: Compiled from data submitted in response to Commission questionnaires.