UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	)	
	)	Investigation Nos.:
FERROSILICON FROM	)	731-TA-1224 and 1225
RUSSIA AND VENEZUELA	)	(Preliminary)

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Friday,
August 9, 2013

Hearing Room A
U.S. International
Trade Commission
500 E Street, S.W.
Washington, D.C.

The preliminary conference commenced, pursuant to Notice, at 9:29 a.m., at the United States International Trade Commission, ELIZABETH HAINES, Director of Investigations, presiding.

APPEARANCES:

On behalf of the International Trade Commission:

Staff:

WILLIAM R. BISHOP, SUPERVISORY HEARINGS AND INFORMATION OFFICER
SHARON BELLAMY, HEARING AND MEETINGS ASSISTANT
ELIZABETH HAINES, SUPERVISORY INVESTIGATOR
AMY SHERMAN, INVESTIGATOR
GERALD HOUCK, INTERNATIONAL TRADE ANALYST
MICHELE BREAUX, ECONOMIST
JUSTIN JEE, ACCOUNTANT/AUDITOR
CHARLES ST. CHARLES, ATTORNEY/ADVISOR

APPEARANCES: (cont'd.)

In Support of the Imposition of Antidumping Duty Orders:

On behalf of Globe Specialty Metals, Inc. (GSM) and CC Metals and Alloys, LLC (CCMA):

J. MARLIN PERKINS, Vice President-Sales, GSM
BARRY C. NUSS, Vice President, Treasurer, and Chief Financial Officer, CCMA
GARY JOINER, Plant Manager, CCMA
JENNIFER LUTZ, Senior Economist, Economic Consulting Services, LLC
ROBERT L. POWELL, JR., Vice President, Secretary, and General Counsel, CCMA

WILLIAM D. KRAMER, Esquire
MARTIN SCHAEFERMEIER, Esquire
DLA Piper LLP
Washington, D.C.

In Opposition to the Imposition of Antidumping Duty Orders:

On behalf of Kuznetsk Ferroalloys OAO (Kuznetsk) and Chelyabinsk Electro-Metallurgical Plant OAO (Chelyabinsk):

SERGEI ANTIPOV, Chief Executive Officer and Owner, Russian Ferro-Alloys, Inc.
JOE PONTOLI, JR., Marketing & Sales Director North America, Russia Ferro-Alloys, Inc.
MATTHEW ZANDARSKI, Sales, Russian Ferro-Alloys, Inc.
DOUGLAS D. ANDERSON, General Counsel, Russian Ferro-Alloys, Inc.

SYDNEY H. MINTZER, Esquire
JING ZHANG, Esquire
Mayer Brown LLP
Washington, D.C.

APPEARANCES: (Cont'd.)

In Opposition to the Imposition of Antidumping Duty Orders: (Cont'd.)

On behalf of FerroAtlantica de Venezuela (FerroVen) and FerroAtlantica S.A.:

ANTONIO FRANCISCO, President, FerroVen
ANTONIO SALINAS, Export Manager, FerroAtlantica
EDWARD HOPKINS, General Manager, FerroAtlantica North America

JULIE C. MENDOZA, Esquire
BRADY W. MILLS, Esquire
Morris, Manning & Martin LLP
Washington, D.C.

I N D E X

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P R O C E E D I N G S

(9:29 a.m.)

MS. HAINES: Good morning and welcome to the U.S. International Trade Commission's conference in connection with the preliminary phase of antidumping investigation Nos. 731-TA-1224 and 1225 concerning imports of Ferrosilicon From Russia and Venezuela.

My name is Elizabeth Haines. I'm the Acting Director of the Office of Investigations and the supervisory investigator for these investigations, and I will be presiding at this conference. Among those present from the Commission staff are, Amy Sherman, the investigator; Charles St. Charles is coming in, the attorney; Michele Breaux, the economist; Justin Jee, the accountant; and Gerry Houck, the industry analyst.

I understand that the parties are aware of the time allocations. I would remind speakers not to refer in your remarks to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of the court reporter.

All witnesses must be sworn in before

presenting testimony. I understand parties are aware of the time allocations. Any questions regarding the time allocations should be addressed with the Secretary.

Are there any questions?

(No response.)

MS. HAINES: Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Madam Director, I would note that all witnesses for today's conference have been sworn in.

(Witnesses sworn.)

MR. BISHOP: There are no other preliminary matters.

MS. HAINES: Very well. Let us proceed with the opening remarks.

MR. BISHOP: Opening remarks on behalf of Petitioners will be my William D. Kramer, DLA Piper.

MR. KRAMER: Good morning. The merchandise involved in these investigations is a globally traded, price sensitive commodity product. As you will hear today, the nature of this product and the conditions of competition in the U.S. market make the domestic ferrosilicon industry particularly susceptible to import injury.

Ferrosilicon is sold in a variety of grades. Regular grade material fills more than two-thirds of demand. While other grades of ferrosilicon typically are priced higher than regular grade, the prices of other grades are directly tied to the prices of regular grade material. For this reason, the prices of all ferrosilicon products, regardless of grade of chemistry, move in tandem.

The imports from Russia and Venezuela consist predominantly of regular grade 75 percent ferrosilicon. Regular grade 75 percent ferrosilicon from one source is completely interchangeable with such ferrosilicon from any other source. Some of the imports consist of higher grades of ferrosilicon such as low aluminum, low calcium and low carbon grades. Ferrosilicon of any such higher grade from all sources is completely interchangeable.

The U.S. market is highly competitive. Ferrosilicon is sold primarily through a bidding process in which many competing suppliers make price offers to supply product meeting the customers' specifications. Ferrosilicon consumers do not distinguish between foreign and domestic sources. They do not care where the ferrosilicon was produced if it meets their specifications or can be used in

their process. Extremely small differences in price can determine who gets a sale.

Consumers frequently change suppliers on the basis of price or obtain price concessions from their current supplier by threatening to change suppliers. Published spot prices are used as price benchmarks. Even with a contract in place, the contract price normally is indexed or periodically adjusted to reflect the current spot price.

In addition, the production of ferrosilicon is a very capital intensive manufacturing process. For that reason, a producer must maintain the highest possible level of capacity utilization to remain viable. This fact forces domestic producers to lower their prices to meet import competition.

The Commission should assess the volume and effect of the imports from Russia and Venezuela cumulatively as it did in the prior ferrosilicon investigations. The statute requires the Commission to do so if subject imports compete with each other in the domestic like product. The imports from Russia and Venezuela satisfy each of the criteria the Commission considers in making that determination.

The domestic ferrosilicon industry is suffering material injury by reason of the dumped

imports from Russia and Venezuela. Over the period of investigation, a very large and growing volume of Russian and Venezuelan imports entered the U.S. market. By 2012, the unfair import volume had increased to more than 117,000 short tons, nearly two-thirds of total imports, and it captured a very large share of the market.

The dumped imports are being sold at very low prices that undercut the prices of the U.S. producers. The imports have captured a large portion of the ferrosilicon volumes purchased by the major steel producers, the most important customers in the U.S. market. As a result of the aggressive pricing of the dumped imports, the domestic industry has experienced a steep decline in its shipments, volume and value and a very serious decline in financial performance. The industry has lost market share, has been forced to shut down furnaces and has suffered job losses.

The falloff in the domestic industry shipments has been particularly pronounced in a segment of the U.S. market sales of regular grade 75 percent ferrosilicon in which the subject imports are concentrated. While the industry sales losses are very significant, the aggressive pricing of the

imports has had a much broader impact because published prices for regular grade 75 percent ferrosilicon directly affect the prices of all grades of ferrosilicon.

These facts, the timing of the decline and the condition of the domestic industry in relation to changes in the volume and pricing of the dumped imports, the existence of extensive evidence of lost sales and other record facts clearly demonstrate that the Russian and Venezuelan imports are inflicting material injury on the domestic industry. Thank you.

MR. BISHOP: Opening remarks on behalf of Respondents will be by Sydney Mintzer, Mayer Brown.

MR. MINTZER: Good morning. My name is Sydney Mintzer from the law firm of Mayer Brown, LLP, here on behalf of CEMP Industrial Group. With me here today are several people from RFA, Inc., the exclusive importer of ferrosilicon from CEMP into the United States.

Also joining us at the table behind me are Julie Mendoza and Brady Mills of Morris Manning represent FerroVen and FerroAtlantica, the sole producer and importer of Venezuelan ferrosilicon into the United States.

There are several important issues we wish

to raise today, and we strongly encourage you to ask a lot of questions. According to Petitioner, a flood of imports from Russia and Venezuela in 2012 caused injury that year, which has continued allegedly into 2013. However, when you begin to analyze the data several patterns become clear.

First, there's been no flood of imports. Import shipments have been stable and consistent with patterns in U.S. demand, which is based almost entirely on the demand for steel product. Imports are a necessary component of the U.S. ferrosilicon market, and subject imports on the whole provide the only large, stable quantity of regular grade ferrosilicon in the U.S. market.

The vast majority of subject imports are sold subject to contracts that have a minimum term of 12 months. All sales under those contracts are subject to formula pricing and had no bearing on the spot market in the United States during the POI.

Second, Petitioner produces primarily specialty grade ferrosilicon. Specialty grade ferrosilicon is not interchangeable with regular grade ferrosilicon, which represents virtually all subject imports. To the extent Petitioner sells regular grade at all, it's largely in small lots and sold subject to

spot or fixed contract prices under short-term contracts.

Petitioner's business model seeks to maximize profitability on silicon content and specialty products, and therefore Petitioner shies away from large quantity, long-term contracts to sell regular grade ferrosilicon. Indeed, Globe produces silicon metal and ferrosilicon on the same machinery and equipment and takes pride in its ability to shift production depending on shifts in market demand. During the POI, there was little competition between subject imports and U.S. production.

Third, the price of ferrosilicon is set by the world market price, and the world market price is highly dependent on Chinese supply and demand. China controls about 70 percent of ferrosilicon production. Any significant movement in Chinese capacity or production has immediate effect on the world and U.S. market price. Moreover, to the extent there are short-term gyrations in U.S. price, they're typically due to nonsubject imports that enter the spot market. As we proceed with our affirmative presentation, that will be made very clear.

And finally, last point, as you proceed with your investigation into Petitioner's allegations, we

want you to ask yourselves a question. During the last half of 2012, in the year that Petitioner claims subject imports began to materially injure the U.S. industry, why are Globe and CCMA telling the market that they're running at full capacity, that growth prospects in the U.S. market are strong and that customer demand is strong? Those aren't statements made by companies materially injured by reason of subject imports. Thank you very much.

MR. BISHOP: Would the first panel, those in support of the imposition of antidumping duty orders, please come forward and be seated?

MR. KRAMER: Our first witness is Marlin Perkins.

MR. PERKINS: Good morning. My name is Marlin Perkins. I'm the Vice President of Sales at Globe Metallurgical, Inc. Since 1989, I have supervised the marketing and sale of Globe Metallurgical's entire product line, including ferrosilicon, here in the United States.

Ferrosilicon is a ferroalloy composed principally of silicon and iron, along with small amounts of other minor elements. Ferrosilicon is used mainly as an alloying agent in the production of steel and cast iron. As an alloying agent, ferrosilicon

increases the silicon content of the end product and in parts desired characteristics.

For example, it increases the tensile strength of carbon and other steels. It improves the resistance to corrosion and high temperature oxidation of stainless steel and improves the electrical characteristics of electrical steels.

MS. HAINES: Could you get just a little closer to your microphone?

MR. PERKINS: I'm sorry.

MS. HAINES: I'm sorry. Thank you.

MR. PERKINS: As an alloying agent in cast iron, ferrosilicon provides improved casting and mechanical properties, as well as enhanced physical properties such as corrosion and heat existence and machinability.

Ferrosilicon has been produced in the United States for more than 100 years. As recently as the early 1990s, there were six companies producing ferrosilicon in seven plants here in the United States. Today there are only two producers, Globe Specialty Metals and CC Metals and Alloys, operating three plants.

Our company, Globe Specialty Metals, has ferrosilicon production facilities in Beverly, Ohio,

and Bridgeport, Alabama. These facilities are important employers in those parts of Ohio and Alabama. As explained in our petition, both plants are located in disadvantaged areas with high unemployment rates. CCMA produces ferrosilicon in its plant in Calvert City, Kentucky, which is also located in a disadvantaged area.

Let me describe the current situation in the U.S. ferrosilicon market. Demand for ferrosilicon is primarily determined by the level of steel production. The domestic steel industry is still in the process of recovering from the great recession. The average capacity utilization rate for the U.S. steel industry remains about 10 percentage points below the prerecession level. In this environment, the steel producers want to purchase inputs at the lowest possible price.

Ferrosilicon is a commodity product. For any given grade, domestic and imported ferrosilicon are completely interchangeable. As a commodity product, ferrosilicon is sold primarily on the basis of price. Prices are quoted on a per pound of contained silicon basis.

The U.S. ferrosilicon market is highly competitive. In addition to the two domestic

producers competing for sales, there are many competing suppliers of imported ferrosilicon, including the U.S. sales and distribution affiliates of the Russian and Venezuelan producers.

Publications such as *Metals Week* and *Ryan's Notes* regularly publish information regarding ferrosilicon spot prices. Buyers and sellers use these published prices as benchmarks in determining sales prices for both spot and contract sales. The availability of such published price data and the multiple offers received by purchasers ensure that price changes are quickly communicated throughout the market.

The most important consumers of ferrosilicon are the large U.S. steel producers with multiple plants that use ferrosilicon such as United States Steel, Nucor, AK Steel, Steel Dynamics are ArcelorMittal. These companies purchase large quantities of ferrosilicon. In addition, they purchase ferrosilicon using a bidding process in which they issue requests for bids on a monthly, quarterly, semi-annual or annual basis based on specifications that can be met by any supplier.

As a result of the commodity nature of ferrosilicon, the size of the purchases and the

competitive bidding process, these purchasers have a great deal of pricing leverage. In the bidding process, domestic and imported suppliers compete for sales on the basis of price.

Customers typically receive bids from at least six to eight suppliers and as many as 10 to 15. A price difference of a half a penny per pound or less can determine who gets the sale. This is true even where the purchaser has an established relationship with a supplier. If we are given a second look because we are an existing supplier, we are normally expected to meet the low bid in order to retain our relationship with the customer.

The existence of contracts do not insulate the domestic producer from changes in the market price caused by low-priced sales. Contracts normally do not establish fixed prices or quantities. By one means or another, contract prices normally are adjusted on a regular basis to reflect changes in the published prices for ferrosilicon. In these circumstances, the low-priced sales of even small quantities of imports from Russia or Venezuela quickly result in lower prices not only for spot sales, but also for all of the contract sales. All these factors combine to make the U.S. ferrosilicon market extremely competitive.

Both Russia and Venezuela are large producers of ferrosilicon. Based on published data, the total annual production capacity of the Russia ferrosilicon industry is close to a million short tons and that of Venezuela is over 100,000 short tons. In addition, the ferrosilicon industries of both countries are highly export oriented.

Both Russian and Venezuelan ferrosilicon industries are far larger in size than would be necessary to supply their respective home markets. Furthermore, the industries in both countries are being forced to increase their exports due to demand declines in their own home markets. The U.S. market is a primary export destination for both countries.

In 2010, U.S. ferrosilicon imports from Russia and Venezuela totaled more than 110,000 short tons. By 2012, they had increased to more than 117,000 short tons and accounted for more than two-thirds of the U.S. imports of ferrosilicon and captured a very large share of the U.S. market. The suppliers of the Russian and Venezuelan imports were able to make inroads into the U.S. market by selling at low, dumped prices, taking sales away from Globe and CCMA.

I've experienced this aggressive pricing

firsthand. As Vice President of Sales for Globe, I've received requests for quotes from our customers and have prepared our bids in response to those requests. During the bidding process in major customers, the Russian and Venezuelan material is offered at rock bottom prices that undercut our bids. As a result of the unfairly low pricing of the dumped imports and head-to-head competition of the Russian and Venezuelan ferrosilicon, we have lost large volumes of sales.

In addition, at customers where we have been able to maintain business, our prices have often been forced down by the low bid submitted from suppliers of Russian and Venezuelan material. At one major customer, the aggressive pricing of dumped regular grade 75 percent ferrosilicon made it impossible for us to make any sales of our regular grade 75 percent ferrosilicon for two consecutive years, and in the following year we lost sales of the vast majority of facilities for which we bid and won only a fraction of the customers' regular grade 75 percent requirements. This happened even though we participated fully in the bidding process with market-based prices and made bids to supply multiple facilities of the customer.

Moreover, the aggressive pricing of the dumped imports from Russia and Venezuela does not

affect us only when we lose a sale in head-to-head competition at a particular customer. The low prices offered by these suppliers pull down the market prices more broadly. Most of our contract sales of ferrosilicon are based on a formula and are tied directly to published spot prices. Under those contract provisions, the price of our ferrosilicon is adjusted on a monthly or quarterly basis to reflect the changes in the published price.

The dumped imports predominantly consist of regular grade 75 percent ferrosilicon. By undercutting our prices for regular grade 75 percent ferrosilicon, the Russian and Venezuelan imports are driving us out of most of that important segment of the U.S. market. While the loss of those sales has hurt our ferrosilicon operations, the damaging effects of the dumped regular grade 75 percent ferrosilicon imports are not limited to that market segment. We also have lost sales and have been forced to reduce prices of sales of other grades of ferrosilicon.

Moreover, the prices of all grades of ferrosilicon are interrelated and follow the same trends. Other grades of ferrosilicon generally are priced higher than the regular grade 75 percent ferrosilicon. However, the prices of the other grades

are directly linked to the prices of the regular grade material by the use of the published benchmark prices to determine the sales prices. Because all grades of ferrosilicon move in tandem, the dumped prices of the imports negatively affect our entire ferrosilicon product line.

We have suffered substantial declines in the volume of our U.S. shipments due to the dumped imports from Russia and Venezuela. As a result of those lost shipments, volumes and declining prices caused by the dumped imports, our financial performance has deteriorated very significantly as you can see from our proprietary questionnaire data. We also have had to cut back production and have suffered job losses. In May and June of this year, we had to shut down three ferrosilicon furnaces at our Beverly plant and lay off 45 workers.

We at Globe are proud of our ferrosilicon manufacturing operations and are confident that we can compete effectively with fairly traded imports. In filing this case, we are asking our government to provide relief from the very serious harm that dumped imports have inflicted on our company and its workers and to allow us to compete with the imports on a level playing field. Thank you.

MR. NUSS: Good morning. I am Barry Nuss, Vice President, Treasurer and Chief Financial Officer of CC Metals and Alloys, LLC and its parent company, Georgian American Alloys, Inc. I became the CFO of CCMA in March 2011. Prior to that I worked for more than 30 years as a finance executive in the metals industry, including 23 years with a multinational ferroalloy producer.

CCMA's ferroalloy production operations go back to the 1940s when a company then known as Pittsburgh Metallurgical began producing large volumes of commodity ferroalloys for the steel industry. In the last 10 to 15 years, CCMA has undergone a number of ownership and organizational changes, most recently in 2011 and 2012 when it was acquired by the Optima Group and then became a wholly owned subsidiary of Georgian American Alloys.

Ferrosilicon production is a highly capital intensive manufacturing process. CCMA's largest assets are its 400,000 square foot production facility in Calvert City, Kentucky, and in particular the three submerged electric arc furnaces at the plant. In recent years we've made large investments in our ferrosilicon production operations to create a state-of-the-state facility that is able to produce as cost

efficiently as possible.

These investments include more than $6 million for major upgrades, renovation and maintenance to all three of our furnaces, as well as the electric transformers that are critical to the operations of those furnaces. In addition, we've spent close to $3 million on upgrades and renovations to our air pollution control and recovery systems, which include the bag house and the so-called induced draft fans. These systems are used for emissions control and reduction of the furnace off-gases, including the collection of very fine particles in those gases.

Finally, we've invested more than $600,000 in an enterprise resource planning system. This sophisticated software system consists of multiple integrated applications that will allow us to manage all facets of our ferrosilicon operations seamlessly, including product planning, material purchasing, inventory control, order processing and accounting and finance.

All of these investments have been made with the expectation that we would be able to compete in the U.S. market on a level playing field. However, the influx of dumped imports from Russia and Venezuela

and the injury they have caused to our ferrosilicon operations has placed at risk our ability to sustain these investments and to make new investments. The ferrosilicon production process involves high fixed costs. To be able to recover these costs, we need to run the furnaces at as high a rate of capacity utilization as possible so that we can spread these costs over sufficiently large volumes of ferrosilicon sales.

If we are forced to compete with imports sold at dumped prices, we must either lower our prices to the level of dumped imports so that we're able to maintain an adequate level of production or lose the sales to the dumped imports. Either way, our financial performance suffers. If we are unable to recover our costs, our decision will not be whether, but when to shut down our ferrosilicon production capacity.

The imports from Russia and Venezuela consist predominantly of regular grade 75 percent ferrosilicon. As you can see from the proprietary data in our questionnaire, our sales of regular grade 75 percent ferrosilicon have declined dramatically from 2010 to 2012 as a result of those imports. In addition, while the prices for those sales improved

from 2010 to 2011 when the U.S. economy was recovering from the great recession, they greatly declined from 2011 to 2012 when U.S. ferrosilicon imports from Russia and Venezuela increased by more than 30 percent.

It's important to note that while the Russian and Venezuelan imports are predominantly regular grade 75 percent ferrosilicon, that does not mean that our sales of other grades of ferrosilicon are somehow protected from the harmful effects of the imports. We have lost sales of other grades of ferrosilicon to the dumped imports and have been forced to reduce our prices for other grades.

Moreover, our sales of our grades of ferrosilicon are affected by the low-priced Russian and Venezuelan imports through their impact on the published ferrosilicon prices. A number of our contracts have pricing formulas that directly tie the contract price to published ferrosilicon prices. Even when our prices are not directly tied, the pricing for the remainder of our sales is determined by reference to the published prices.

Thus, one way or another the prices for all of our ferrosilicon sales are forced down when the aggressive low pricing of Russian and Venezuelan

ferrosilicon drives down the published prices. You can see this phenomena in the prices reported for sales of our low aluminum grade 75 percent ferrosilicon in our questionnaire. The prices follow the same trend as the prices for regular grade 75 percent ferrosilicon. They increase through 2011 and then plummet in 2012 when the subject imports surged into the U.S. market.

As you know, we've also suffered substantial lost sales as the result of the unfairly low prices of dumped imports. The impact of the dumped imports can also be seen in our declining financial performance. The volume of our U.S. ferrosilicon shipments has declined very significantly and continues to decline. The same is true of our sales revenues.

At the same time, we're experiencing increasing costs, particularly with respect to raw materials. We have been forced to take capacity offline and to reduce our workforce. In addition, the market impact of the dumped imports has forced us to cancel or postpone many capital investments since 2011, totaling more than $5 million. These investments would have provided significant improvements to our facilities, including a new state-of-the-art casting machine and substantial upgrades to

our crushing and sizing equipment.

In sum, the dumped ferrosilicon imports from Russia and Venezuela have inflicted very serious injury on our ferrosilicon operations. We appreciate the opportunity to appear before you today. Thank you.

MR. JOINER: Good morning. My name is Gary Joiner. I am the plant manager at CC Metals and Alloys plant in Calvert City, Kentucky. I have worked for CCMA for approximately 16 years. Before becoming the plant manager I worked in the Safety and Human Resources Department. I also have 12 years of experience in the mining industry.

As Mr. Perkins indicated, ferrosilicon is a ferroalloy composed of iron and silicon, along with very small proportions of minor elements such as aluminum, calcium, carbon, manganese, phosphorous and sulfur. Commercially ferrosilicon is differentiated by grade and by size. Ferrosilicon grades are defined principally by the percentage of silicon they contain and are further defined by the percentages of minor elements contained in the product by weight.

Ferrosilicon is produced and sold in the United States as either 50 percent ferrosilicon or 75 percent ferrosilicon. Both are available in regular

grades and specialty grades. Most ferrosilicon consumed in the United States is regular grade ferrosilicon. Ferrosilicon is sold primarily in sized lump form. Ferrosilicon sizes express a maximum and minimum dimensions of the lumps found in a given shipment. The dimensions reflect the diameters of the openings and their standardized shifts used to size ferrosilicon. Sizes vary from eight inches by four inches to one-quarter inch by down.

Ferrosilicon is produced by smeltering ferrous scrap and silicon bearing quartzite in a submerged arc electric furnace. In the smelting process, the ferrous scrap is combined with lump quartzite, carbon-containing reductants such as coal or petroleum coke and a bulking agent such as wood chips. The raw materials are weighed, combined in the required proportions in a charge and then fed into the furnace.

Once the raw materials have been charged into the furnace, high current/low voltage electricity is delivered from a transformer system to the furnace through carbon electrodes. The production process is very energy intensive, requiring about 8,000 to 9,000 kilowatt hours to produce one short ton of 75 percent ferrosilicon. To operate efficiently and reduce per

unit fixed cost, the submerged arc furnace must run continuously 24 hours a day.

In the furnace, the charge is heated to approximately 3,300 degrees Fahrenheit. At this temperature, the quartzite is reduced by the carbon in the reduntics to form carbon monoxide gas and to release silica. The iron in the ferrous scrap then alloys with the silicon. The gas escapes, leaving molten ferrosilicon.

The ferrosilicon is removed or tapped from the furnace on either a continuous or intermittent basis. After tapping, the alloy is poured into large, flat iron molds or onto beds of ferrosilicon fines. The resulting ingot or billet is subsequently crushed to a desired size, specification and then packaged, if necessary, and shipped to the customer. All grades of ferrosilicon are produced using essentially the same process, but certain additional steps are required to produce higher purity grade ferrosilicon. Higher purity grades are produced using higher quality raw materials containing fewer impurities.

While in the molten state, higher purity ferrosilicon undergoes further processing to remove the impurities. This process is known as ladle metallurgy. Ladle metallurgy is often performed by

injecting oxygen into the molten metal, but we use a different proprietary process and specialized equipment at the Calvert City plant.

As Mr. Nuss said, the production of ferrosilicon is capital intensive; that it requires a large amount of specialized equipment. By far, the largest pieces of equipment in our plant are the electric arc furnaces. We have one 15 megawatt furnace and two 36 megawatt furnaces at the Calvert City plant. The 36 megawatt furnaces are among the largest in the western hemisphere.

The very large and increasing volume of dumped imports from Russia and Venezuela has had a real negative impact on our operations. From 2010 to 2012, we were able to maintain our level of ferrosilicon production. However, during that time we were forced to reduce our workforce in an attempt to remain cost competitive with dumped imports. Despite this and other cost-saving measures, our U.S. shipments declined as we lost business to the dumped imports, resulting in a large buildup of inventories.

This year, the continued deterioration in the market has required us to curtail production. In June, we idled our smaller furnace for what was intended to be a five-day maintenance period.

However, due to the market conditions we determined to keep the furnace idled for the remainder of June and then for July and now through August as well.

For the first month of the shutdown we were able to maintain our level employment through June, but we were forced to lay off 20 workers as of July 1 when we decided to extend the shutdown. These layoffs are a real concern because our plant is an important source of jobs and economic activity for the community. We employ currently about 180 people at the plant.

Calvert City is located in Marshall County in western Kentucky. Marshall County is a part of the Lower Mississippi Delta Region, which is one of the poorest regions in the country. Unemployment in Marshall County is above the national average, and per capita income is more than $8,000 below the national average.

As a result, Marshall County is officially classified as distressed by the federal government and is eligible for financial assistance through the federal government's Economic Development Agency for the Delta Region. Under these conditions, any further loss of jobs at CCMA's plant due to unfair competition from dumped imports would be devastating to the

surrounding community. Thank you.

MS. LUTZ: Good morning. I'm Jennifer Lutz, senior economist at Economic Consulting Services, LLC. There are a number of conditions of competition that characterize the U.S. ferrosilicon market. Ferrosilicon is a commodity product consumed primarily by the steel industry with some consumption in iron foundries.

As a commodity product, ferrosilicon from different sources is highly interchangeable, and purchasers are easily able to shift among suppliers. Ferrosilicon demand is a drive demand based on production of steel and iron. Therefore, U.S. demand for ferrosilicon rises and falls with the level of U.S. steel and iron production.

Ferrosilicon is sold primarily on the basis of price, with price being the most important factor in making purchasing decisions. Although ferrosilicon is sold primarily on the basis of price, demand for ferrosilicon is price inelastic. Ferrosilicon accounts for a very small portion of the cost of steel and iron manufacturing, and there are virtually no substitutes. Therefore, a fall in the price of ferrosilicon does not cause an increase in the demand for it. Price declines such as those caused by the

subject imports merely cause a decline in revenues for ferrosilicon producers.

The U.S. market for ferrosilicon is highly competitive with two domestic producers and many foreign producers supplying the market. Information about market pricing is readily available, and spot price changes rapidly affect prices throughout the market. Contracts often base pricing on spot prices reported in publications such as *Ryan's Notes*.

The record shows that the volume of subject imports is significant and increased during the POI. While the subject import volumes declined from 2010 to 2011, they increased sharply in 2012. Subject imports increased in volume by 6 percent from 2010 to 2012. From 2011 to 2012, however, the volume of subject imports from Russia and Venezuela increased by 31.5 percent with imports from Russia increasing 31.8 percent and imports from Venezuela increasing 30.5 percent.

Subject imports accounted for 54.5 percent of total imports in 2011, 64.4 percent in 2012 and 66.3 percent in the first quarter of 2013. Subject imports are also significant compared to U.S. production and consumption. The increase in the volume of subject imports entering the U.S. market was

accompanied by low and declining prices.

According to U.S. import statistics, the average unit value of subject imports fell from $1.01 per pound of contained silicon in 2011 to only 85 cents per pound in 2012, a decline of 15.8 percent. The AUV of subject imports fell further, to only 84 cents a pound, in the first quarter of 2013.

The AUV of subject imports was well below that of nonsubject imports. In 2011, the AUV of subject imports was 28 cents per pound below the AUV of nonsubject imports. By 2012, the gap was 32 cents per pound, and in the first quarter of 2013 the subject import AUV was 52 cents per pound below the AUV of nonsubject imports. The questionnaire data also show underselling by the subject imports.

The increase in subject imports was not triggered by an increase in demand. From 2011 to 2012, U.S. steel production did increase modestly by 2.7 percent. The increase in the volume of subject imports, however, exceeded increases in demand, and subject imports gained significant market share from 2011 to 2012 and continued to gain market share in the first quarter of 2013 as U.S. steel production and thus ferrosilicon demand declined.

The record shows clearly that the subject

imports are causing material injury to the domestic industry. While the domestic industry has worked to keep production levels as high as possible in order to spread high fixed costs over the largest volume of production possible, U.S. shipment volumes have declined and domestic industry inventories have increased significantly through March 2013.

And as you have heard, Globe has ceased production on three furnaces in May and June of this year, and CCMA was also forced to shut down one of its furnaces just recently. With respect to employment indicia, the number of workers fell from 2010 to 2012 and again in 2013. Hours worked followed the same pattern. Wages paid fell from 2010 to 2012, and as a result of recent furnace closures Globe laid off 45 workers and CCMA laid off 20 workers.

The domestic industry has lost a significant share of the market segment most severely affected by the subject imports, sales of regular grade 75 to the industry. The pricing data show the domestic industry's shipments of this product have fallen significantly from 2010 to 2012 and that prices have fallen sharply for this product.

The decline in prices reflected in the pricing data mirrors the decline in subject import

AUVs. The low-priced subject imports have taken market share in this sector, pushing the domestic industry to focus more and more on specialty products, such as low aluminum and high purity grades.

This, however, has not protected the domestic industry from injury for two key reasons. First, as shown in the pricing data for Product 2, the subject producers are supplying the more specialty grades as well. Second, even without direct competition from the subject imports, prices of specialty ferrosilicon products track prices for regular grade 75.

For example, a bid for sales of regular grade 75 might specify a price at the *Ryan's Notes* median price for the prior month, while a bid for a low aluminum product would specify a price of the *Ryan's Notes* median price for the prior month plus a certain additional amount per pound. The declines recorded by the domestic industry with respect to pricing Product 2 are consistent with the reported price declines for Product 1.

The domestic industry has not abandoned the commodity grade segment of the market as implied by Respondents. Rather, it is being chased out by the subject imports. The lost sales and lost revenues

documented by the U.S. producers demonstrate that the domestic industry bid on and lost significant volumes of sales of regular grade ferrosilicon, as well as low aluminum ferrosilicon. Now, you haven't gotten responses from all of the purchasers, but we did provide evidence that the domestic industry bid on large volumes of regular grade 75.

While the domestic industry has experienced declines in volume indicia over the POI, the price suppressing and depressing effects of the subject imports have been particularly devastating. The product specific pricing data shows significant price declines from the first quarter of 2011 through the end of the POI. The data also show evidence of subject import underselling. Furthermore, although it is early in the investigation, the Commission has received confirmation of sales and revenues lost by the domestic industry to the subject imports.

The effects of price competition with the subject imports are evident in the industry's financial performance. From 2010 to 2011, despite a decline in sales volume, the domestic industry maintained profitability as measured at the operating income level at relatively unchanged levels.

From 2010 to 2012, however, as subject

import prices fell and subject imports gained market share, domestic profitability plummeted. Costs of goods sold as a percent of sales increased from 2011 to 2012 and again in 2013, providing evidence of a cost/price squeeze. In the first quarter of 2013, as subject imports gained additional market share, domestic profitability fell even more.

While the domestic industry shows clear signs of current material injury, the industry is further threatened by subject imports. Subject import volumes increased significantly over the POI as did subject import market share, particularly at the end of the POI. Subject producers reported increased capacity over the POI and have unused capacity that could be directed at the U.S. market.

The industries in the subject countries are export oriented. Groupo Villar Mir, of which the parent company of Venezuela's ferrosilicon producer FerroAtlantica is a division, notes in its annual report that the U.S. is a key export market for FerroVen's production. Furthermore, despite FerroVen's claims during the currently ongoing sunset reviews on Silicomanganese From Venezuela regarding difficulties exporting, GVM notes that FerroVen in 2012 strengthened its position in several export

markets, noting gains in the U.S. market in particular.

GVM also notes that "despite the socioeconomic situation in Venezuela, the production, administrative and sales activities at FerroVen have been uninterrupted during recent years, which has made it possible to provide supplies to the domestic and foreign markets and generate significant profits in 2012 and 2011 as in previous years."

Ferrosilicon from Russia is subject to an antidumping duty order in the EU. Foreign producer and importer inventories have increased over the period. Subject imports have entered the U.S. market at low and declining prices, underselling the domestic industry. The potential for product shifting exists. Both U.S. producers have furnaces that have ceased production of ferrosilicon. It is unclear when these furnaces might be restarted without relief from the subject imports. Thank you.

MR. KRAMER: That concludes our presentation.

MS. HAINES: Thank you. Thank you for traveling all the way to D.C. to present your testimony. We greatly appreciate it. I think we'll start with staff questions with Amy Sherman.

MS. SHERMAN: First of all, thank you all for being here today. My first question is regarding standard grade versus specialty grade ferrosilicon.

In the opening remarks, the Respondents stated that you predominantly focus on specialty grade ferrosilicon. Can you comment further on that, whether you're producing more standard grade or specialty grade?

MR. PERKINS: Yes, ma'am. We at this point do produce more specialty grades. However, we've been pushed into that because of the low-priced, dumped imports of the standard grade product. We've been pushed more and more into the specialty grades.

Yes, ma'am. I mean, we do produce standard grades, yes. We produce significant volumes of it, but we have been pushed into the specialty grades more and more by the imports.

MR. NUSS: Yes, ma'am. I'm Barry Nuss with CCMA. CCMA continues to produce significant quantities of regular grade 75 percent ferrosilicon.

I'd also like to point out that though we target to produce high grades for customer demands, you don't always achieve the chemistry in the high grade, and the resultant product is a regular grade. So as you try to produce high grade you produce

quantities of regular grade as well, and they have to be sold.

MR. SCHAEFERMEIER: Just one last addition to that. As Ms. Lutz pointed out, we submitted detailed lost sales/lost revenue allegations, and you can see from that the activity in the regular grade 75 percent ferrosilicon market that the U.S. industry has.

MS. SHERMAN: Thanks.

MR. KRAMER: Obviously the volume of product you produce has to correspond to the volume of product you're able to sell, and the lost sales data show the domestic industry has submitted bids to supply large volumes of regular grade and in many instances has been unable to make those sales.

MS. SHERMAN: Okay. Thank you. I'm hoping you'll help me understand a little bit of the difference between in the regular grade the 50 percent and the 75 percent silicon content. Can that be used interchangeably?

MR. PERKINS: Yes, ma'am, it can. Both alloys, they both contain silicon. They're both used to add silicon to the molten metal. They can be used. It's more advantageous cost-wise to use 75 versus 50.

MS. SHERMAN: So why would anybody ever

purchase 50 percent over 75 percent?

MR. PERKINS: Fifty percent ferrosilicon is 50 percent iron, 50 percent silicon. Iron is much more dense than silicon, so there are some applications where you have maybe a large head of slag and you need something to penetrate that so you would try to use something that's more dense.

MS. SHERMAN: Okay.

MS. LUTZ: Just to put this in perspective -- this is Jennifer Lutz -- when we were talking about this yesterday I think the estimate was that the 50 percent ferrosilicon accounts for what, 10 percent of demand. It's a small part of the market.

MS. SHERMAN: Thank you. The petition states that Globe could produce ferrosilicon at some of its other plants by converting furnaces currently being used to produce silicon metal.

Can you comment on how easy the conversion process is, how much time and money is involved, and also if CCMA could comment if they have this capability as well?

MR. PERKINS: I'm not an operations person. I'm not sure I would be the best person to answer that. We could certainly answer it in a posthearing brief.

MS. SHERMAN: Thank you.

MR. JOINER: For CCMA, we are not currently set up to produce silicon metal, so all we are able to produce is ferrosilicon.

MS. SHERMAN: Thank you. Okay. This is for Globe. I read in the press about a fire your facility experienced in Bridgeport, Alabama, in November 2011. Can you comment on how this affected your production, how long production was shut down and did it reduce capacity during that time period?

MR. PERKINS: It was a substantial fire. We lost production for several months. It was a pretty big impact certainly on that particular plant and on the company in general. Yes, ma'am.

MS. SHERMAN: How long was production shut down for?

MR. PERKINS: I'm not sure, but I think it was two to three months.

MR. KRAMER: We can confirm the time if you'd like us to.

MS. SHERMAN: Okay. Thank you. And my final question. In the petition you named CCMA, LLC as an importer of ferrosilicon from Russia. So I just want to know if CC Metals and Alloys with the same acronym, are they related in any way to this importer

that you know of?

MR. NUSS: The Optima Group acquired CC Metals and Alloys in March of 2011. They were previously affiliated with CCMA, LLC. There has been no affiliation since March of '11.

MS. SHERMAN: Okay. Thank you.

MS. HAINES: Thanks. Charles, we'll go to you next.

MR. ST. CHARLES: Hi. Thank you very much for coming -- respondents give introductory comments. I have an idea of where the contrast on your positions may lie, so I don't have extensive questions at this time except one of the differences between your two positions seems to be the effective contracts, and your position being that the prices can change and always do change, and there's no contract that fixes the prices for the term of the contract, and their position is that these contracts are limiting the extent to which the pricing of the subject imports will effect the prices of the domestics. While you're still here, would you like to respond to their claim?

MR. KRAMER: The purchasers award contracts on the basis of price.

MR. ST. CHARLES: I'm sorry?

MR. KRAMER: Purchasers award contracts on

the basis of price so that it's not the case that the existence of a contract has no effect on the private lost the sale. They need to bid at lower prices to get the contract in the first place, and in doing that, for example, if it has a price adjustment provision tied to published prices, they have to bid at a discount from the published price, so the very severe injury can be and is inflicted through the process when they first obtained the contract.

MR. ST. CHARLES: Because they include objective price adjustment.

MR. KRAMER: No, because the price terms undercut the price terms of competing offers, so that if they are adjusting in relation to a published price, you'd have a situation, for example, where the domestic industry offers to sell product at the published benchmark, and the import supplier offers to sell at the published benchmark less three percent, and yes, it's true they're adjusting to the market price, but they've got this large volume of sales that's being sold below what the published price was at the time they made the bid, so there's nothing about the use of contracts that shields the domestic industry.

MS. LUTZ: I'd just like to add the

relevance of the price adjustments means that the domestic industry doesn't even need to be competing directly with the imports for their prices to effect the domestic industry prices, but with contracts, if they're competing directly with the subject imports, which they do, then they are affected because they either need to lower their bid price to get the business, or they lose the sale, so it's frankly more direct injury than injury through changes in the pricing formula.

MR. ST. CHARLES: I see, and I understand, and inherent in that, it seems one of your major positions is that even when there isn't competition, and it seems that there is some segmentation here where the regular grades are dominated by the imports, and the specialty grades are dominated by the domestics, even in that case, you have an indirect effect when there's not direct as you call a competition because of the effect on the spot prices and the market prices at any moment.

MR. KRAMER: That is a correct statement, but it's important to recognize the degree of concentration has changed over the period as a result of loss of volume and market share in the regular-grade segment to the dumped imports.

MR. ST. CHARLES: Sure, and you're repeated position is that you continue to bid on the regular grades who are generally unsuccessful.

MR. KRAMER: That is correct.

MR. ST. CHARLES: Thank you. I have no more questions.

MS. HAINES: Thank you. Michele?

MS. BREAUX: Good morning. My first questions deal with raw materials. You mention in your testimony as well as on page 10 of the petition that production of ferrosilicon is an energy-intensive process. What effect do energy costs have on overall cost of goods sold?

MR. NUSS: This is Barry Nuss with CCMA. Energy is a very significant component of our costs. As Gary mentioned, we use eight to nine megawatts per short ton of material produced, and a megawatt costs at times in excess of $50, so it's a very important component of our costs, and generally, over time, costs of energy have been increasing, particular because of U.S. environmental regulations.

MS. BREAUX: Okay. My next question would be how do your companies purchase your electrical sources, and do you use long- or short-term contracts or spot sales to secure these resources?

MR. JOINER: Of course I'm Gary Joiner, the plant manager. The energy is provided by Tennessee Valley Authority, TVA. We really don't have a choice. in the state of Kentucky, you're basically are served by whoever is in your area, and so we are by TVA. To answer your question on the contract, it's somewhat difficult to explain. I think without going into some proprietary information, there's I want to think four or five separate contracts, power contracts, with TVA, so it's somewhat difficult, and we can go into it more for you if we need to, but yes, it is a difficult contract with TVA as far as how they break it out.

MS. BREAUX: Okay. Thank you.

MR. PERKINS: I'm in marketing and sales. That is certainly not my forte, but we can get you some answers in a post-hearing brief.

MS. BREAUX: All right. And my last question is if you would please discuss the expected trends in raw material costs over the next year or two?

MR. JOINER: I would be glad to. I have huge concerns for raw material, especially coal. I think everybody is aware of the issues with coal. We consume a lot of coal. Also, our other raw material is quartzite gravel, and that is of course mined from

the ground or from the earth, and even though it's not as regulated as coal, I still have concerns because of the environmental issues with the gravel or the core site.

Also, the gravel is related to construction, and as everyone is aware, construction has been extremely low. Therefore, gravel suppliers have struggled, and it has driven up the cost, and as you can imagine, we do have concerns with raw materials, yes.

MR. KRAMER: Again, we'd be happy to respond post hearing.

MS. BREAUX: Okay. So the next questions I have deal with the high impurity in regards to low aluminum-grade 75-percent ferrosilicon. Does the industry have a standard on what is the maximum allowable amount of aluminum for high purity, low-aluminum grade 75-percent ferrosilicon?

MR. KRAMER: And referring to it as high purity, aren't you referring to the fact that it's a grade for which there's a specified lower aluminum threshold then for regular grade, correct?

MS. BREAUX: Yes.

MR. PERKINS: I can understand how this can be very confusing. There are several, I guess, I

don't want to call them misconceptions, but, you know, there is an ASTM grade, yes. Do customers reference that in their request for quote? Usually not. Usually, they give you their specifications, so each mill may have their little flavor of the day. It's a little bit different from just the regular ASTN. When you say low aluminum, usually you're talking about something less than .5. There are other grades. There is a point 10, but really .5 is considered low aluminum.

MR. JOINER: If I may just add to what Mr. Perkins has commented on? We as well are seeing each customer has sort of got their little niche on how they want their alloys produced or something, so, you know, it just varies from customer to customer as far as the aluminum content. 75 regular is low aluminum? What are we talking about? Low aluminum is typically .5 and .1 as Mr. Perkins mentioned there.

MS. BREAUX: So would .1 and below be considered high purity, low aluminum?

MR. JOINER: Yes, that's correct.

MR. PERKINS: I wouldn't call that high purity. The true high purity, you look at something other than aluminum.

MS. BREAUX: Okay.

MR. PERKINS: You may be looking at calcium, and you may be looking at titanium and carbon and a whole laundry list of different elements, but I don't, know, .10, maybe that's low, low aluminum, you know?

MS. BREAUX: Okay. I was just wondering about that, and so do you notice significant price differences between regular low aluminum grade 75-percent ferrosilicon and high purity low aluminum-grade 75 percent ferrosilicon?

MR. PERKINS: I would like to think so, but there's usually not a dramatic difference in the pricing.

MS. BREAUX: I'm sorry.

MR. JOINER: I would echo that same response. I was just going to say I agree with him.

MS. BREAUX: Okay. All right. Well, thank you very much. My next questions have to deal with packaging, and this one's definitely going to be for your briefs. Do you mind estimating for me the percentage of sales you charge separately for packaging and the percent of sales that you charge a higher per-pound basis, and my next would be is the method of shipping, i.e. super stacks of pallet boxes or any either decided by the producer or the customer?

MR. PERKINS: Strictly a customer

specification.

MS. BREAUX: Okay.

MR. SCHAEFERMEIER: Could you just clarify the prior question?

MS. BREAUX: Sure.

MR. SCHAEFERMEIER: Are you asking for instances in which there is a separate charge identified for the packaging?

MS. BREAUX: Basically what percentage of your sales are by what type of packaging.

MR. SCHAEFERMEIER: Okay. That's the first question.

MR. KRAMER: I had understood the question to concern the percentage where there's a separate charge for packaging as compared to that where it's reflected in the higher price of the product?

MS. BREAUX: So from what I've understood from the petition that there are instances where you charge separately for packaging, and then there's also instances where you charge a higher per pound price, so I'm asking you to separate that by percentage of your sales.

MR. KRAMER: Thank you.

MS. BREAUX: All right. So my next question is as far as packaging costs go, are those a part of

the negotiations with your customers, and how do those negotiations generally go?

MR. PERKINS: Certainly if it's part of their specification, it becomes part of the negotiation, yes, ma'am.

MS. BREAUX: All right. And my last question and packaging, do transportation costs or arrangements differ by packaging types?

MR. PERKINS: Yes, ma'am, possibly depending. It's more lanes or routes for the truckers. If you can get a good back haul rate or if you could get a busy cart, or you may have a better chance of getting a van versus a dump-type truck.

MR. KRAMER: What's sent by truck and what's sent by other modes.

MR. PERKINS: Were you talking about --

MR. KRAMER: -- by truck?

MR. PERKINS: Pretty much.

MR. KRAMER: I think one thing that's important to understand is to what degree the total volume is sold. It's sold either in bulk form, or it's super sacks. My understanding is those are predominant forms.

MR. PERKINS: When you're talking about standard grade ferrosilicon, the higher percentage of

it's going to be sold in bulk form and delivered in dump trucks.

MS. BREAUX: Okay. And my next question is that you reference that there are a limited amount of substitutes of ferrosilicon. Do you mind telling me what they are and what uses they're used for?

MR. PERKINS: There could be a substitute, but it's not very economical. I mean, if you're adding silicon to the mix, you can use silicon metal, but it's a much higher-priced point, but it's not really done, no.

MS. BREAUX: All right. Thank you. All right. My next question, in the petition on page 12, it was mentioned that customer split up orders amongst companies. How often do customers split bids amongst companies, and is there a reason for the splitting?

MR. PERKINS: Yes, ma'am, there are instances where they're split. I think it's more to maybe just maintain a larger supply base would be my guess.

MS. BREAUX: Okay. And next, what do you look at for indicators for demand for ferrosilicon in the U.S. Does it track the overall economy and/or the steel industry?

MR. PERKINS: Generally, I would say just

the overall economy. I mean, we look at steel production certainly, auto production and that type of thing.

MS. BREAUX: And my last question for you would be what factors do your customers consider when making purchasing decisions?

MR. PERKINS: Predominantly price.

MS. BREAUX: All right. And would there be any factors or characteristics that your purchasers would be willing to pay more for?

MR. PERKINS: I guess if you look at the purity level of the product, there are some different grades and that type of thing.

MR. JOINER: If I could just add? Our experience at CC Metals in the last couple of years is price is the bottom line anymore. In my opinion, the customers have adopted their processes to be able to use these general grades, regular grade, in my opinion, and so at the end of the day, in my opinion, it's the price.

MS. BREAUX: Thank you.

MS. HAINES: Mr. Houck?

MR. HOUCK: Thank you for your testimony. I wanted to just go a little further. I think Ms. Sherman asked about the additional capacity, but in

your petition, you do raise the point that Globe has capacity of both alloy and Niagara Falls that could be converted to production of Ferrosilicon. What do you want us to make of that statement?

MR. KRAMER: Really, it was intended simply to be full disclosure with respect to the capacity that's available or potentially available, simply to fully inform the Commission. It wasn't intended to suggest anything regarding lack of any conversion.

MR. HOUCK: Well, you're not suggesting that whatever that capacity is considered excess capacity in the U.S. industry or available capacity or whatever in analyzing the --

MR. KRAMER: I think it needs to be -- it's existence needs to be taken into account. It's not currently being used to produce Ferrosilicon. I don't think it should be treated as currently idle capacity. It's capacity that could be available.

MR. HOUCK: Mr. Kramer, I didn't hear you say, and I'd like to give you an opportunity to say what you think the domestic-like product definition should be?

MR. KRAMER: As the Commission has found on several prior occasions, there's a single-like product.

MR. HOUCK: Okay.

MR. KRAMER: It just involves grade of existing Ferrosilicon.

MR. HOUCK: Okay. I have a couple technical questions. Mr. Joiner mentioned in his testimony the kilowatt capacity of the furnaces there, and as you know, Mr. Kramer, we've recently gone through a situation where we got into discussions of kilowatts and KVA and so-forth., so I would ask you if you intend to bring up or whatever, maybe it would be helpful to us if you mentioned both kilowatts of the furnace and the KVA rating of the transformer, and I pass this along for the Respondents also if there's any comparisons to be made, do we have a uniform unit of measure to go by?

MR. JOINER: I can share that with you now, sir, if you would like, or I can put it in our brief, either one.

MR. HOUCK: Put it in, yes, that's fine.

MR. JOINER: Okay. Very good.

MR. HOUCK: Finally, I wanted to give Mr. Nuss an opportunity. I heard him say 8,000 to 9,000 megawatts per ton of Ferrosilicon, and I think you meant megawatt hours?

MR. NUSS: Eight to nine megawatts or 8,000

to 9,000 kilowatts.

MR. HOUCK: Kilowatt hours?

MR. NUSS: Yes. It's hours, yes. It's not nine megawatts. It's kilowatt hours, right?

MR. HOUCK: Yes.

MR. NUSS: Yes?

MR. HOUCK: Kilowatt hours, 1,000 t kilowatt hours.

MR. HOUCK: Thank you. That's all I have, thank you.

MR. NUSS: Thank you.

MS. HAINES: Thank you. I have a few questions. This is my first time working with this product. Is there a shelf life to this product?

MR. PERKINS: No, ma'am.

MS. HAINES: No? Okay. In your testimony, you mentioned that sometimes the specialty grade, when you're trying to produce that, it's not the spec or the grade's not achieved, and you then sell it as 75. I wasn't sure how you sell it at that point if it's --

MR. PERKINS: For instance, if you were targeting a low aluminum grade, a .5 aluminum, and you were refining, and you thought you had the product made, and you cast it, and then you sample it, and then you find out it's not .6, it's .6, then you have

to sell that as a standard grade.

MR. KRAMER: I'd like to clarify one point with respect to that. The domestic industry's not saying that it only produces regular grade as an off spec type, period.

MS. HAINES: No. I understand, but I just was curious.

MR. KRAMER: The point of that comment is that to be a Ferrosilicon producer, you couldn't simply produce high purity grades. You'd have to sell at regular grade. That's not to say they don't intentionally produce and sell regular grade.

MS. HAINES: Right. But if it doesn't meet the spec, there is a market for you to sell that into?

MR. KRAMER: It's a market that consumes a great majority of all Ferrosilicon.

MS. HAINES: Okay. I think in Ms. Lutz's testimony, you said about 10 percent of the market is the 50 percent or the 50 grade?

MS. LUTZ: I think that's what we came up with yesterday.

MS. HAINES: So what percent of the market is specialty?

MR. KRAMER: Two-thirds to more than two-third. We don't have the exact number. It's a large

portion. Regular? I'm sorry.

MS. HAINES: No, I'm sorry. It was either the --

MR. KRAMER: The reverse.

MS. HAINES: Yes. Okay. So it would be two-thirds is the 75.

MR. KRAMER: Two-thirds to more. We're not sure of the --

MS. HAINES: Okay. And does that hold steady sort of that ration of the market? Does that 10 who whole steady that two-thirds of it is the 75?

MR. PERKINS: Yes, ma'am, I would say that's pretty -- you're talking about standard versus the higher purity? Yes, ma'am, I would say it's relatively more.

MS. HAINES: Yes, but the interchangeability between the 50 and the 75, that generally is not done or is that sometimes done in the market in usage because it wouldn't meet specs, so that's not --

MR. JOINER: Yes. My experience, 50 percent Ferrosilicon, when you produce it, you consumer more iron or scrap, and typically the scrap market is expensive, and so it's one reason customers shy away from consuming 50 percent Ferrosilicon. We've had customers in the past that have changed their

processes to get away from the 50 percent Ferrosilicon, but if they are looking for the iron content, you'll see some customers use the 50 percent Ferrosilicon, and as Mr. Perkins mentioned earlier, through a process, was requiring to break through that slag or whatever. You might see them use a 50 percent, but you can change over from 75 to 50 percent to change the furnace from one to the other. It's just a matter of removing the iron, which we call scrap or adding the scrap to it in the gravel for the silicon.

MS. HAINES: Okay.

MR. KRAMER: I just want to be sure that we're clear with respect to one point, which is a basic criterion that differentiates grades is the silicon content, and there are two grades differentiated on that basis, 50 and 75.

MS. HAINES: Right.

MR. KRAMER: And then within each of those types of Ferrosilicon, there are a series of grades.

MS. HAINES: Okay.

MR. KRAMER: Base, regular grade and then various higher-purity grades.

MS. HAINES: Okay. Does the industry ever blend the domestic product with the imported product?

Would they do that like if it was off the shelf? I mean --

MR. PERKINS: I'm not sure either. I have heard that the customer has in the past, but I don't have any proof of that.

MS. HAINES: Yes.

MR. PERKINS: But you're exactly right. It can be done, yes.

MS. HAINES: In the opening statement, the Respondents had said the increase in imports was sort of due to the increase demand. Can you just tell me a little bit what you think the demand's going to be like in the next couple of years? What are you forecasting for your industry?

MR. PERKINS: I'm not sure. I mean, I guess you're looking at economics going forward. I'm not sure. Stagnant? We don't see any large upswing to put it that way.

MS. HAINES: Okay. Let me see, and then they also mentioned in their opening statement about China being sort of the dominant player in the world market and affecting priced worldwide. Do you want to comment on that?

MR. KRAMER: Prices in the United States market, they're determined by competition coming the

suppliers including China, and we think that the evidence shows that aggressive pricing by these particular sources has been what's been determining price trends and not what's going on in terms of furnace shut downs in China or increased production in China.

MR. ST. CHARLES: I'm sorry. I'm having trouble hearing you. Could you repeat what you just said?

MR. KRAMER: I said that prices in the United States market are determined by competition among various suppliers serving U.S. customers, and among those suppliers, these particular import sources have been aggressive and we believe have been driving a price declined that has occurred, and that's not the prices are not a function of Chinese government policies or whether there are shutdowns in China or some other aspect. That Chinese product is in the U.S. market as any other source that affects.

MS. LUTZ: I'd also note that we track imports from all sources, and for whatever reason in 2012, Chinese imports seemed to withdraw from the market. We don't know why.

MS. HAINES: Okay. Well, I think that's all of my questions, so we thank you very much. This was

extremely helpful, and I think we will take -- let's take a 15-minute break before the other side comes forth. Thank you very much.

MR. KRAMER: Thank you.

(Recess.)

MS. MENDOZA: Thank you very much. My name is Julie Mendoza, from Morris, Manning & Martin, and I'm here representing the Venezuelan producer, FerroVen, and its parent company, FerroAtlantica.

So here we are again. As most of you know, in 1999, the Commission revoked the order on ferrosilicon out of Nishio, and in 2009, the Court of Appeals for the Federal Circuit affirmed that decision in a one-paragraph opinion the day after the oral argument.

So here we are once again, and let's look at what we see on the record of this investigation that supports the case. Our position certainly is not much. The U.S. industry certainly isn't injured, and there isn't even any correlation between import volumes, import prices, and the condition of the U.S. industry, let alone causation.

What we see are basically fluctuations in the performance of the U.S. industry, and that's exactly the way to characterize it. Let's remember

that it's a commodity product, and by definition a commodity product is cyclical. So, yes, the industry is cycling through a modest decline in prices and demand. But that is just part of their business. Commodity prices have been going through these same kinds of ups and downs in cycles since trends in commodity prices were first reported.

And you don't have to take my word that the condition of the domestic industry is pretty good and pretty solid. If you look at the public statements that Globe has made in their investor calls, they characterize the market in exactly the same way, and we're going to hear more about that in a moment. But let me just say that I searched without luck to find any of the comments they made in their questionnaire response about all of the ill effects they had suffered from subject imports. I tried to compare that to all of those conference calls, and I couldn't find any reference to those same problems in the conference calls.

So either they're not fully disclosing the issues that they have to their investors, or they have been over-reaching in their response to the Commission's questions. Once the Commission understands one important condition of competition in

this industry, then the performance of the industry over the period is easily understood. Competition in the U.S. ferrosilicon market is very attenuated. Everyone agrees on that.

U.S. producers who frankly have very limited capacity and can only supply a part of the market have focused on the high end, specialty grade products, which they themselves admit are the higher valued products.

Now, I don't think they were forced into a higher valued, more profitable segment of the market. In fact, if you compare their production to what they said today, the market share is for specialty products one-third of the market, I think you'll see exactly why they have focused on that specialty end of the market. They just don't have capacity to produce enough to supply the entire market, the entire commodity market.

In contrast, subject imports do not compete in that specialty segment of the market at all. In fact, subject imports are exclusively in the standard grade segment of the market, while FerroVen is also supplying some low aluminum product. So neither country competes at all in that market.

Due to a variety of events in the specialty

end of the market and the pricing in the silicon metal market, which we will discuss in a moment, U.S. producers turned their attention to the standard grade segment of the market in late 2011 and 2012 to gain market share. In a market they had only opportunistically participated in previously, producers had no choice but to cut prices.

Look at the domestic producers' quantities of sales in 2012 compared to 2011 in product one. Look at what happened to price levels and price comparisons in 2012 and 2013 between subject imports and U.S. producers, and you will see exactly what I mean.

As to the lack of even a coincidence of trends, the increases in market share by subject imports -- and again, this is U.S. shipments because this is what counts -- between 2010 and 2011 is the only period we see any real increase. To the extent that there were temporary declines in profitability -- and that was the period when they were the most profitable, between 2010 and 2011.

So then to the extent there were temporary declines in profitability in 2012, this can't be due to subject import volumes. The declines were due -- the declines in performance were due to the

opportunistic behavior of U.S. producers and spot pricing by non-subject imports, as we will explain in a minute.

I would just like to point out that there are a number of anomalies in the data that has been reported, the financial data that has been reported to the Commission, and many of these issues are well documented in the public press. So we would encourage the Commission to look carefully into them, including an $800,000 charge for stock -- an SGNA charge for the Globe head for stock -- measuring at stock option and several other issues that affected their profits, including Bridgeport facility, which we understand the costs of that may have continued well into 2013.

Finally, subject imports did not correlate with any price effects either during the POI. The Commission's pricing data shows mixed overselling and underselling, and the underselling did not occur -- that did occur was primarily in the 2010 and 2011 period, when the industry was doing well.

Even then, the margins of underselling were very small. And in the 2012 to 2013 period, when the industry claims to have been injured, there is a very limited underselling in product one and two, and even where there is, the level is so minimal, it's

striking.

To the extent that subject imports are an issue for U.S. -- to the extent that subject imports are an issue for the U.S. industry, which we dispute, their effects are indistinguishable from those of China. Based on ITC data, imports from China were a significant presence in the U.S. market during the period of investigation, and AUV data also show that they were priced competitively with subject imports.

Given that ferrosilicon is a commodity product, the presence of the significant volumes of price-competitive, non-subject merchandise must be carefully weighed by the Commission to assure that it does not attribute any material injury from China to these subject imports.

Finally, even though we believe there is no basis in the record to find that cumulated subject imports pose any threat to the U.S. industry, there is absolutely no basis for concluding that imports from Venezuela pose any threat at all.

As our witnesses will explain, imports from Venezuela over the last ten years have declined by half, and they're not likely to increase. FerroVen faces major challenges given the instability, electricity shortages, and logistical problems

associated with exporting from Venezuela.

Let me be clear. We are not saying that they prevent Venezuela from exporting to the United States. How could we? But these problems directly affect FerroVen's reliability and competitiveness in the U.S. market. And even if there were more demand for ferrosilicon from Venezuela, the total capacity of FerroVen isn't significant.

The capacity that FerroVen does have is primarily sold in the Venezuelan home market, third country markets like Colombia, Mexico, and it's marketed by its Spanish parent, FerroAtlantica in Europe.

Thank you very much, and we'll turn our testimony over to Mr. Salinas.

MR. SALINAS: So thank you. So good morning. My name is Antonio Salinas, and I am the export manager for FerroAtlantica. I have been with FerroAtlantica for more than six years now. With me today is Antonio Francisco, who is the president of FerroVen, and he is also available to answer any of your questions.

FerroVen is the only producer of ferrosilicon in Venezuela. FerroVen operates three furnaces in Puerto Ordaz, Venezuela that are dedicated

to the production of ferrosilicon. FerroVen accounts for only a fraction of the worldwide capacity and production of ferrosilicon, which is predominantly located in China. FerroVen is a subsidiary of FerroAtlantica Group SA, which is a producer of silicon metal, manganese, and ferrosilicon alloys, which is based in Spain.

As a subsidiary of FerroAtlantica, FerroVen does not directly control the markets to which it sells, but rather sells based on the sales plans that is prepared by FerroAtlantica. These sales plans are normally provided in approximately October and November of the prior year, and set the sales plans for the following year.

The first priority of FerroVen is to sell in Venezuela. FerroVen's biggest home market customer are Sidor and CSN, government-owned steel companies in Venezuela, which are located near our plant. FerroVen also sells to --. We supply 100 percent of the Venezuelan demand of ferrosilicon.

Over the past 12 months, the government of Venezuela has made significant new investments in Sidor, and as a result, Sidor's production has improved in 2013 compared to the recent years. In May of this year, Sidor's production was 50 percent higher

than in 2012, and the outlook for the remainder of the year is positive.

With this improvement in domestic demand for ferrosilicon, we anticipate increasing our domestic shipments in 2013. There are other steel investments planned in Venezuela, and a new steel producer is expected to begin production in 2014.

Traditionally, our second priority market is Europe, and FerroAtlantica has prepared to send FerroVen's available alternatives to Europe to supplement our production in Europe, in Spain, France, and also South Africa. The sales by FerroAtlantica to Europe are primarily to our established customers in Germany.

Specifically, FerroAtlantica has long-term contracts with Thyssen to supply them in Germany. The alternatives to Thyssen are supplied from our facility in Spain, France, and for FerroVen in Venezuela.

FerroAtlantica also has relationship with other major steel European producers, including, for instance, Outokumpu and Acerinox. We maintain low inventories in Europe, in our European plants, so the supply from FerroVen is necessary to supplement our available supply to these established European customers.

We expect this to continue because the available supply of ferrosilicon in western Europe is not sufficient to meet total demand. Based on CIU data, in 2012 the total ferrosilicon demand in western Europe, including the U.K., was 500,000 tons of contained silicon. The total production in Europe is only 430,000 tons of contained silicon.

Only approximately 75,000 tons can be supplied from FerroAtlantica's facilities in Spain and France. The European Union currently has duties on Chinese and Russian imports of ferrosilicon, and the duty rates have been in the range of 15 to 31 percent. In order to meet demand from our established European customers, FerroAtlantica thus imports tonnages from FerroVen.

It is also important to note that where steel production and therefore demand for ferrosilicon in Europe has declined in the recent years, that the European steel market is still very large, and it is in fact twice as big as the U.S. steel market.

Based on IISI data, steel production in Europe in 2012 was 168 million tons, compared to 88 million tons in the United States. Consequently, there is still major demand for ferrosilicon in Europeans markets.

Additionally, the worst of the slump in steel demand appears to be behind us. As reported by Eurofer, real steel consumption grew approximately 5 percent in 2012. Although -- have continued in the first half 2013, Eurofer projects that the steel demand will stabilize in the final part of 2013. And additionally, there has been encouraging signs that the European economy is slowly recovering from its slump, led by the reval [phonetic] German industrial production.

These signs of recovery combined with the fact that there is a shortfall in the European production of ferrosilicon to meet demand mean that we will need to continue to import ferrosilicon from our FerroVen subsidiary to Europe to meet this demand. In recent years, FerroVen markets have grown to include Mexico, Peru, and Colombia, which are close to Venezuela, and participate with Venezuela in the Andean Pact. That rates [phonetic] Venezuela, Colombia, Peru, and Mexico are currently set up several levels.

We have seen demand picking up in Mexico and Colombia as new steel investment projects have begun recently. Moreover, we have established -- customer in Colombia who supplies throughout South America and

can take advantage of these open markets throughout South America.

Venezuela also joined Mercosur at the beginning of this year, and enjoys duty-free treatment on most exports to Brazil, Argentina, and Uruguay.

I would also like to briefly address the issues of FerroVen's capacity and the difference between the name -- capacity listed on our web site and our real practical capacity. Due to government policies with respect to the electricity use, FerroVen has experienced frequent periodic shutdowns over the past five years due to electricity shortages. The government in Venezuela regulates and limits electric use -- electricity use, sorry -- and during times of shortages we are sometimes forced to shut down furnaces.

This is necessary -- limits our actual production. The capacity provided in FerroVen's questionnaire represents actual practical capacity that can be realized in a given year. As I testified recently in the silicomanganese sunset review, FerroVen faces many obstacles to exporting. While we have the raw materials in Venezuela, and therefore we do not need to import them, we still face many challenges with exporting.

For example, the government has imposed extensive exchange controls for buying or selling U.S. dollars, they recently implemented a requirement that export licenses be specifically approved by the Ministry of Public Power of Industries.

Despite these obstacles, we continue to sell into the U.S. because it's nice, profitable. We would be happy to answer any questions you have. Thank you very much.

MR. HOPKINS: Good morning. My name is Ed Hopkins, and I'm the general manager in charge of FerroAtlantica's North American operations. I've been working with FerroAtlantica for more than 14 years. I appreciate the opportunity to be here today to address the antidumping petition on ferrosilicon from Venezuela.

I'd like to begin by telling you a little bit about the U.S. market as well as our place in the market, as someone who sells ferrosilicon from FerroVen. I believe it will become evident from this description why imports of ferrosilicon from Venezuela are not harming the domestic ferrosilicon industry.

A large majority of FerroVen's production is of the regular grade, 75 percent ferrosilicon. But it also produces some low aluminum ferrosilicon with

aluminum levels under .5 percent. FerroVen does not, however, produce the higher quality grades of ferrosilicon with low titanium that many seamless and specialty steel producers require, nor does FerroVen sell foundry-grade ferrosilicon.

The specialty and foundry-grade ferrosilicon demand in the U.S. market is met almost exclusively by Globe and CCMA, who focus primarily on this sector of the market. Imports from Venezuela and Russia do not compete at all in this sector of the market. As my colleague, Mr. Salinas, has discussed in his testimony, FerroVen's parent company, FerroAtlantica Group, which is the producer of silicon metal, manganese and ferrosilicon alloys, that is based out of Spain establishes an annual sales plan.

That sales plan, as he mentioned, is normally provided in October-November of the prior year, and that sets the plan for the following year. The volume of FerroVen merchandise that is even available to be exported to the United States is very limited. We are less than 10 percent of the U.S. market.

As a result of our long-term relationship with our customers, we are essentially sold out of our ferrosilicon allocation by the end of the first

quarter of each year. We then deliver under formula contracts throughout the course of the year. We are thus unable to meet new orders that may come in after that time, and typically we're unable to bid on new contracts or business for a large segment of the year. So I'm forced to submit many no-bid responses in the request for quote for the U.S. industry.

Most of my tons are placed in long-term formula contracts, so I sell almost nothing in the spot market. Most is regular grade as well. In terms of my contracts, I only have a few specialty contracts that specify .5 aluminum and fewer customers that specify a .1 max material.

In addition to having limited supply that we can import from FerroVen, another challenge we face is customer perceptions. Specifically, many customers consider that it's risky to enter into contracts for the purchase of ferrosilicon that is produced in Venezuela. Electricity shortages and economic instability in Venezuela impede our ability to gain new customers.

Given these challenges, much of our business is done with long-term existing customers who have a comfort level with importing from FerroVen and doing business with FerroAtlantica in general. I've had to

concentrate on this established customer base because of my limited supply. Frankly, I don't need to chase sales or cut prices because I don't have the tons.

We do not anticipate increasing the quantity of ferrosilicon we import from FerroVen in the future for the reasons discussed regarding the limits on supply and concerns U.S. customers have with the situation in Venezuela. Additionally, we expect demand in the Venezuelan home market, as well as Europe, Columbia, and Mexico, to improve, and we will continue to export to those markets.

I would now like to turn to the U.S. ferrosilicon market. As the Commission staff may be aware from prior ferrosilicon investigations, an important feature of the U.S. market is that there is not nearly enough domestic capacity to supply the market demand. It's widely known from public sources that Globe and CCMA do not have the capacity to meet even half of the U.S. ferrosilicon demand.

Rationally, the producers have chosen to focus their limited supply on the higher grade, higher margin, specialty materials. As a result, large quantities of imports are an essential feature of the market, and especially in the market for regular grade and 75 percent ferrosilicon, and some low aluminum

ferrosilicon.

Imports from Venezuela have been a constant part of that import supply for regular grade, and to some extent low aluminum, since 1999. As FerroVen's customers in other markets have grown over the last five years, our position in the U.S. market has declined significantly. In the period of 2005 to 2007, FerroVen exported an average of 40,000 tons per year to the U.S.

With the financial crisis of 2009 and 2010, and the growth of other export markets, our imports to the U.S. from FerroVen dropped dramatically. Our imports are about half of that level today.

Because Globe and CCMA do not have the capacity to supply the entire market, as I said, they made the rational business decision to focus selling their available capacity into the specialty and foundry-grade segments of the market. And that's where the prices and the returns are higher.

Globe's primary business is and always been silicon metal and magnesium ferrosilicon because they are generally higher margin products. However, when the silicon metal price premium over ferrosilicon began to narrow in late 2011, Globe shifted some of its capacity in the regular-grade ferrosilicon market.

Globe's Beverly, Ohio plant converted one furnace that produced silicon metal to ferrosilicon.

At the same time the silicon metal market was declining, the specialty stainless steel market, which requires the low aluminum and low titanium that's produced by the domestic producers, is in the midst of a slow recovery. And these are the two markets that are the long-time principal focus of the domestic producers, while Venezuela and Russia do not supply them.

As a result of this reduction in demand in these markets, the domestic producers began to try to sell more regular grade, thereby increasing supply and driving down prices of regular-grade ferrosilicon. The U.S. producers cut prices to secure market share.

Globe acted aggressively to sell this regular-grade material, undercutting our prices, for example. Globe had to face customer skepticism that they would really honor their commitments to continue to sell regular-grade ferrosilicon, and certainly no one believed they were in the market for the long-term.

The opportunistic approach to the market was very detrimental to pricing. We were negatively affected since our formula contract prices declined as

a result. CCMA primarily produces ultra-high purity and foundry-grade ferrosilicon that's used in the production of stainless and specialty steel products and the iron casting industry. Very small amounts of regular grade are produced when CCMA is shifting production between high purity and foundry grades. It's almost a byproduct for CCMA, and we almost never see them in the market.

Customers know that if the market turns and prices increase for high purity and foundry grades, Globe will shift back and then be unable to supply the regular grades of ferrosilicon due to capacity constraints. Globe will always prefer its sales of silicon metal, both because of its dominant position in that market, and the fact that it normally sells at a premium margin over ferrosilicon.

Additionally, given this opportunistic approach, U.S. producers were unwilling to commit to long-term contracts. Globe has recently been forced to compete by aggressively pricing their limited supply of regular grades of ferrosilicon just to place material. This was very disruptive to pricing.

However, Globe has not proved to be a reliable supplier. We have been approached by customers in the U.S. market in the last month begging

us to supply them with ferrosilicon because Globe failed to deliver the material the customer required. Ironically, we lost the bid on that contract to Globe. However, we had to tell the customer we didn't have the material.

Our sales of ferrosilicon are almost exclusively made on a formula contract basis, and sales on the spot market are made on very rare occasions and account for virtually none of our sales. I simply don't have the tons to be in that market.

Our longer-term contracts are generally set using publication prices. Our quarterly contracts are generally fixed prices. Our ends, notes, and plat's prices are primarily based on spot prices, as we heard earlier today from other people, and to a much more limited extent quarterly contract prices. Thus, the spot market is the primary driver of reference prices.

The primary sellers in the spot market are traders of non-subject ferrosilicon, including Chinese, Norwegian, Icelandic, Canadian, and to some extent Globe and CCMA, who also sell in the spot market. Of course, China has the largest capacity in the world for ferrosilicon, and thus demand and supply conditions in the Chinese market affect pricing. That information is widely available through publications

and Chinese traders, who periodically enter and exit the U.S. market.

It has been widely reported in the press that Chinese imports are lower-priced because they are being smuggled into Vietnam and then exported from Vietnam to the U.S. It's entered as Chinese material into the U.S., and the smuggling is to avoid paying the 25 percent export tax on ferrosilicon imposed by China.

Regardless of the accuracy of these reports, the presence of Chinese material has always negatively impacted prices in the U.S. market due to their spot market sales. We are also seeing a large amount of Chinese material in 2013. China has been a much larger supplier to the U.S. market than Venezuela over the entire period, so we were very puzzled to find them excluded from the case.

Given the way the contract pricing works, our contract prices for FerroVen's ferrosilicon do not directly impact prices in the market. We are price takers and must base our contract prices on published reference prices. It is thus surprising to hear the Petitioners claiming it is low-priced imports from Venezuela and Russia that are bringing down the U.S. ferrosilicon market.

As someone who is very familiar with the U.S. ferrosilicon market, it was very surprising that this case was even filed because imports from Venezuela hardly compete with Globe and CCMA, who are primarily focused on the specialty market, which is the most desirable and has the highest margins. They have few challengers because there are few countries that can make the products they do.

To the extent that pricing has declined, these declines are primarily due to Globe and CCMA's attempts to place their excess tonnage in the regular-grade market. As they look to increase their penetration into this part of the market, they bought market share through pricing.

FerroAtlantica is a long-term supplier to the U.S. market, and the quantities we sell are relatively small and predictable. I have no need to compete on price because I don't have additional tonnage to sell. I thus don't see any basis for this case to go forward. Thank you, and I'd be happy to answer any questions you have.

MR. MINTZER: Good morning again. On behalf of Chemk Industrial Group and RFA., Inc., my name is Sydney Mintzer, from the law firm of Mayer Brown. And before I hand off the presentation to Joe Pontoli of

RFA to discuss some particular aspects of the industry, I wanted to pull back the lens a little bit because we think the story is fairly simple once you have a big picture approach to it. And as I continue, I'm going to be referring to slides I think you now have in a PowerPoint in front of you.

So the second slide addresses volume issues. From a volume perspective, shipments of Russian product and subject product generally has been very stable throughout the period. Russian shipment quantities haven't changed materially at all. In fact, they declined a bit from 2011 to 2012.

Significantly, 2012 is precisely the period of time that Petitioner claims subject imports were causing material injury. There has been no flood of subject imports into the U.S. Any increase in market share you might see, which Petitioners allege occur, were actually from 2010 to 2011, a period of time when Petitioner says subject imports were declining and prices were on the rise.

Now, one point of clarification. Petitioners focus on Census data and consumption imports when they look at imports. I would suggest although shipments are clearly the most important area to look at for market shares and such, it's easy to

explain Census data. You have to look at general imports because RFA uses a bonded warehouse. And once you look at general import data, the trends are very similar for Russian imports as they are in our questionnaire responses.

And indeed, when you consider market share data, it's important to understand how Globe Specialty Metals operates because its business model is entirely different than subject country producers or importers. Globe is primarily known in the market as a silicon metal producer, but silicon metal and ferrosilicon can be produced using the same furnaces.

Many silicon metal producers don't produce ferrosilicon, and many ferrosilicon producers don't produce silicon. But Globe prides itself on its ability to switch seamlessly, and in fact did so during the POI.

In February 2011, the press had reported that Globe had converted one of its ferrosilicon furnaces in Beverly, Ohio into a silicon metal furnace in order to capture higher silicon returns, and Globe's CEO at that time stated, and I'm quoting, and it's on the slide, "Our product mix is adjusted as soon as margin improvements and changes in the market are identified," end quote.

We'd argue it's very important to distill how much changes in market share and domestic shipments are due to import competition, and how much is actually due to implementation of Globe's business model, which attempts to capture silicon metal's higher returns.

Slide three refers to attenuated competition. And you asked some very good questions earlier regarding contracts and how contract pricing will work. What is important to clarify is there are different kinds of contracts. There are long-term contracts, which we've defined as anything 12 months or greater, and then there are short-term contracts, which are typically quarterly. And then of course there are spot prices, which are not under contract at all.

The product-shifting issue actually bears the larger question and brings into focus attenuated competition. Because U.S. producers are primarily focused on specialty-grade ferrosilicon, that product is primarily sold in small lots and under short-term contracts.

Russian imports are all regular grade, a commodity product, and sold primarily through long-term formula-based pricing. Thus market conditions

lessen competition between subject imports and the domestic like product. And Mr. Pontoli will discuss these differences in a few minutes.

But Petitioner's ability to switch from silicon to ferrosilicon is an important contributor to product differentiation. As stated earlier, Globe prides itself on its ability to obtain marginal profits by switching. The company is very open about it, and again has stated -- and I am quoting, and it's on the slide: "Our marketing strategy is to maximize profitability by varying the balance of our product mix among the various silicon-based alloys and silicon metal."

That's from their 2012 financial, which reported second half of '11 through the first half of '12. Globe has also stated repeatedly during the period, and in particular in 2012, that, quote, "We are presently running all of our furnaces at full capacity, subject to planned maintenance outages." That was stated in 2012 after the release of their June financials, and stated again after release of third quarter 2012 financials, which was stated in October of 2012.

So building that market perception is really important because it shows the financial markets that

Globe can maximize profits between silicon and silicon-based alloys. But it also tells the ferrosilicon market that Globe is not a capable supplier of long-term supply of commodity-grade ferrosilicon.

CCMA also helps to perpetuate this market perception of the U.S. industry by publicizing its focus on specialty grade. In October 2012, its executives were stating that, quote, "CCMA's current production is approximately 80,000 metric ton per year. Overall, non-specialty ferro alloys account for less than 20 percent of our total production." That was in October of 2012.

So ultimately that ability to shift back and forth is an important factor that explains why competition is attenuated.

I now want to move on to price, and the next several slides will address price. It's a little difficult to address price and underselling patterns because a lot of data is under APO. That said, I think the data is going to clearly show that subject imports sell at market prices within a very narrow band that fluctuates around *Ryan's Notes* prices.

Subject imports don't influence market prices. And frankly, in the long run neither do U.S.

producers. U.S. patterns show that ferrosilicon suppliers are largely price takers due to China's overwhelming position in the world ferrosilicon market.

China significantly influences the world price because it controls 72 percent of global production. While regular grade ferrosilicon is clearly a commodity subject to world prices, it still operates in an environment where one country controls 72 percent of global production.

When China alters its supply and demand, it alters supply and demand around the world. And as in any country, even with commodity product, there can be short-term gyrations in a local market like the United States. In this market, those local gyrations occur because of non-subject imports.

So the first thing I'd like to -- I'll draw your attention to slide five. That shows the general price trend based on 75 percent ferrosilicon as reported by *Ryan's Notes*, and it's just the entire period from January 10 through April 13.

The next slide, slide six, shows Chinese prices, both on a cents per physical ton basis, as well as the cents per contained silicon basis. Now, the small difference between the normalized Chinese

price and the U.S. price simply reflects the difference between FOB U.S. warehouse prices and FOB Chinese port prices.

You can see there is a clear, clear correlation between the pricing. And what I'll begin to discuss next is why there is in fact substantial evidence that Chinese prices materially influence the U.S. price.

Slide seven reports pricing only for 2010. Prices roses significantly in 2010 coming out of the recession. Ferrosilicon demand is tied in large part to steel demand, as everyone agrees. So a dramatic increase in steel demand during the first quarter can account for price movements of ferrosilicon during that time.

However, subsequent moves up in price were clearly due to an announcement by China that it was capping 2010 product at 2009 levels. Once reported in the press, this created a concern over undersupply, pushing prices up significantly. And you can see that occurring once those reports -- prices rose from almost 95 up to 112 or so.

Slide eight looks at 2011. It continues to show the effect of Chinese ferrosilicon on U.S. prices. In May, there were reports of Chinese

ferrosilicon being smuggled through Vietnam in order to avoid export taxes imposed by China on ferrosilicon. When the press later reported that merchandise was entering the U.S. spot market, U.S. prices declined.

This price decline was further impacted by significant quantities of ferrosilicon from Iceland entering the U.S. spot market, which continued to put pressure on prices.

The next slide shows 2012 through 2013, and you can see during this period prices largely stayed within a narrow band. Reports of smuggled Chinese ferrosilicon entering the U.S. spot market had an impact, but only temporarily. What is fascinating from my perspective, for this exercise, is that you can see the U.S. industry's reaction to this significant price decline, which actually started well back in 2011.

Remember, the U.S. industry claims injury occurred in 2012. Yet on three occasions during the second half of 2012, the U.S. industry is repeatedly announcing that its furnaces are running at full capacity, and that demand is strong. And in October, CCMA is touting current market conditions, presenting it with new opportunities for growth.

These pronouncements are significant. Globe's statements in particular on conference calls and in financial statements relate directly to the furnaces that product ferrosilicon. The company's financial statements made clear that Globe Metallurgical, Inc., GMI, is the entity that produces ferrosilicon. That entity represents 90 percent of the parent company's net sales, and sales in the United States represent 89 percent of the parent's net sales. So they're clear, when they talk about their furnaces at full capacity, they're talking about their U.S. furnaces, which are silicon and ferrosilicon.

With respect to material injury, the record demonstrates fairly clearly, we believe, that there is no reasonable indication that the U.S. industry has been materially injured by Russian imports, or any subject import. Russian imports have been stable, and Russian imports do not influence U.S. price.

The U.S. industry touted its financial performance during the year it claims to have suffered injury, 2012. Therefore, there is no basis to conclude that Russian imports or subject imports generally are a cause of material injury to the U.S. industry. Indeed, we see no injury at all.

Now, the last thing I want to touch on is

threat. Contrary to Petitioner's claims, the Russian industry does not suffer from underutilization. On the contrary, the data records show that Russian producers operate at very high utilization rates, and there are no remaining quantities to be shipped to the United States.

There is also no risk of product shifting. Russian producers also produce ferro chrome and silicomanganese, and our questionnaire responses clearly demonstrate what it would take to transition from ferrosilicon to those other products. The bottom line is that these furnaces are not suitable for ferrosilicon production.

Moreover, regarding silicomanganese, Chemk is the only producer in Russia and has an enormous domestic demand for their product. They simply have no interest in entering the U.S. market.

So there is simply no basis to conclude that Russia poses any sort of threat to the U.S. industry. With that, I'm going to transition to Joe Pontoli from RFA, who is going to talk about some specific items regarding the U.S. industry.

MR. PONTOLI: Good morning. My name is Joe Pontoli, and I am the marketing and sales director for Russian Ferro-Alloys, Incorporated. I've been at the

company since 2008, and I have been in the ferro-alloy industry since 1989. Thank you for the opportunity to provide testimony today.

Let me first introduce you to RFA, Inc. We are the largest supplier of regular-grade ferrosilicon in the U.S. market, and exclusively source ferrosilicon from the Chemk Industrial Group, which has two plants in Russia. During the period between 2010 and 2012, RFA, Inc. was, to our knowledge, the loan importer of Russian ferrosilicon into the United States.

I and my colleagues at RFA are baffled by Russian's inclusion in this antidumping duty investigation. RFA has a strong reputation in the industry as a reliable supplier of bulk ferrosilicon. Indeed, we sell at an entirely pace, and shipment quantities during each of the last three years have been very steady and consistent.

We have negotiated an average allocation of 7,000 short tons of contained silicon per month, which we have not exceeded in the prior three years and have no plans to exceed that amount in the future. Moreover, RFA would be unable to secure more quantity even if it wanted to.

Chemk is operating at almost full capacity.

Further, we do not negotiate transaction-specific prices in the vast majority of our sales. We rely on formula-based pricing that is set at the beginning of a contract term and does not expire until the contract is over, typically well beyond one year. Therefore, contrary to the Petitioner's claim, RFA has no incentive to drive down spot prices.

In this testimony, I'd like to focus on three aspects of the U.S. ferrosilicon market: product differentiation, supplier differentiation, and the way prices are set. The U.S. ferrosilicon market consists of two segments: commodity-grade ferrosilicon and specialty-grade ferrosilicon.

Commodity-grade ferrosilicon refers to regular-grade ferrosilicon, while specialty-grade ferrosilicon captures a variety of products subject to a more stringent product specification related to minor elements. Regular-grade, 75 ferrosilicon is the industry standard commodity grade.

Commodity-grade ferrosilicon and specialty-grade ferrosilicon have different end uses. Commodity grades are generally used by the U.S. steel mills and iron foundries as alloying agent in the production of steel and cast iron. We don't really know much about the specialty grades, but we generally understand that

specialty grades have unique applications for the production of specialty steels, as coating for molds and as innoculants by automotive foundries.

Commodity-grade ferrosilicon is not a substitute for specialty-grade ferrosilicon. Not only would the use of 75 percent ferrosilicon regular cause the end product to fail to meet the target specifications, the elevated residual levels of impurities in the form of aluminum and titanium would also lead to production errors.

U.S. producers of ferrosilicon serve the specialty market, while Russian imports serve the commodity market. RFA couldn't import specialty grades even if it wanted to. Chemk does not produce specialty grades, and to our knowledge, no other producer in Russia does either.

RFA sells over 90 percent of its regular-grade ferrosilicon based on long-term contracts of 12 months or longer. Indeed, customers demand that we supply on long-term contracts to ensure stable supply of bulk regular-grade quantities.

Our prices are based on formulas. These formulas are fixed at the beginning of a contract term and are not renegotiated. A typical formula is based on *Ryan's Notes* and is adjusted on customer

requirements. Further, we offer requirement guarantees linked to our customer's mill's specific capacity utilization, which means we offer to supply ferrosilicon in any amount that is required at that site.

U.S. producers simply cannot do that. Their primary focus is on the specialty market, which is dominated by fixed price, quarterly contracts and spot pricing. They only produce commodity-grade ferrosilicon when premiums for specialty grades decline. They are opportunistic in the regular-grade market.

This explains why for most of the POI we did not compete much against them. Only more recently, in 2013, did we see U.S. producers enter the market because premiums narrowed. This is particularly evident in Globe's behavior in the U.S. market. As we discussed earlier, Globe produces silicon metal and ferrosilicon on the same machinery. Its focus on maintaining flexibility in the silicon and ferrosilicon market guarantees that it cannot compete effectively in the commodity market.

Customers who source based on long-term contracts require reliable, consistent supply of commodity-grade ferrosilicon in large quantities

throughout the contract period. However, silicon metal is sold at a significant premium to ferrosilicon due to a much higher percentage of contained silicon.

When that silicon premium narrows, as it has during 2013, Globe has tried to compete in the regular grade market. However, at least with customers that demand long-term contracts, Globe will continue to be at a disadvantage as long as its presence is opportunistic. In fact, we are aware of only one instance when a -- we are aware of only one instance when a domestic producer sought to sell regular grade ferrosilicon subject to a formula-based, long-term requirements contract. We understand that negotiation occurred during the fourth quarter of 2012, which secured the business for 2013 and '14.

In that case, we lost business we had maintained for over four years. Interestingly, when the customers' demand rose as requirements contracts often do, the domestic producer failed to deliver on its requirements. The customer had to enter into the open market for additional quantity, and RFA was asked to supplement.

This is just one example of how a U.S. industry struggles to serve regular-grade market. In another case we know of, a customer that recently

issued a large quantity request for quotes where the domestic industry failed to respond at all.

An example illustrates how little RFA generally competes against U.S. producers. In November 2011, as we talked about earlier, Globe's Bridgeport, Alabama ferrosilicon plant suffered a debilitating fire. It was shut down for two months. That plant had a rated capacity of 42,000 short tons per year.

Depending upon production levels, the U.S. market lost 5,000 to 7,000 short tons over that period. As the largest supplier of regular grade 75 percent ferrosilicon in the U.S. market, you'd think our phones would be ringing off the hook with requests to fill the gaps in supply, yet we did not receive a single phone call. And Lord knows no other Russian ferrosilicon entered into the U.S. to fill that need either.

Surely if Russian product were injuring the U.S. industry in the manner that the Petitioner describes, we should have been stealing market share. We didn't because we couldn't. We don't supply specialty grade ferrosilicon.

The last topic I would like to cover is how benchmark prices are set in the U.S. market. *Ryan's*

Notes is widely considered the source of benchmark ferrosilicon pricing in the United States. It establishes the spot price for ferrosilicon sold on the spot market. *Ryan's Notes* prices are set twice a week on Tuesdays and Fridays after surveying consumers, traders, and producers. At the end of every month, monthly averages based on the low, midpoint, and high of the twice-weekly proprietary prices are published. *Ryan's Notes* only quotes fixed prices, which are prices not attached to a pricing formula, and excludes inter-merchant deals, which are sales between two resellers.

Long-term contracts are typically priced on formulas to protect the parties from risk associated with a volatile market. *Ryan's Notes* does not include formula-based contract prices in reporting of ferrosilicon prices. As a result, *Ryan's Notes* prices are a function of single transaction spot prices and fixed price short-term contracts. Very little Russian product is reported by *Ryan's Notes* because very little Russian product is sold on the spot market through fixed price contracts.

In any event, companies selling at formula-based prices benefit from higher spot prices, not lower spot prices. RFA has no incentive to push down

spot prices when doing so only causes it to lose revenue on the sales we've already won.

In conclusion, the record clearly shows that Russian shipments of ferrosilicon to U.S. customers have remained stable over the course of this period of investigation, and that Russian ferrosilicon has little impact on the U.S. spot price.

Russian product is also sold subject to long-term contracts with formula-based prices, which distinguishes it from U.S. producers. In light of these facts, I see no basis for concluding that Russian ferrosilicon has materially injured the U.S. industry.

Thank you very much for the opportunity to provide testimony today. I'd be happy to answer any questions you have.

MS. MENDOZA: That concludes our presentation.

MS. HAINES: Thank you very much. Thank you for very helpful testimony and for traveling all the way to Washington to give us the testimony. Thank you.

We'll start with staff questions. Amy Sherman?

MS. SHERMAN: Thank you all for your

testimony. This morning we've heard a lot about how there is no imports of specialty-grade ferrosilicon from Russia and Venezuela. But could you comment on if your firms have any capability to produce this specialty grade ferrosilicon?

MS. MENDOZA: Yes, we can comment on that. We do not.

MR. ANTIPOV: Neither can we.

MS. SHERMAN: Would it be difficult to look into that market segment if you wanted --

MALE VOICE: We don't have the technology to produce it.

MS. SHERMAN: You don't have the technology?

MALE VOICE: The knowledge or technology to produce it, or equipment.

MS. SHERMAN: Okay.

MR. HOPKINS: When we discuss this, I mean, we can produce .1 material, but we can't produce low titanium and material that's required by the specialty steel industry. That's why we don't compete in those markets.

MS. SHERMAN: Okay. So it would require a significant capital investment to --

MR. HOPKINS: Yeah, and a complete change of raw materials.

MS. SHERMAN: Okay.

MR. ANTIPOV: Not only that, the know-how have to be somehow acquired. We don't have production managers or anybody else that is familiar with that product.

MS. MENDOZA: I would just add, too, that the other feature of this is that if you're like Globe and you produce silicon metal, it's quite easy because of the raw material to switch to the specialty grades. And in fact, that's a reason we believe that that's where they're focused.

So for them to say, you know, we could commodity, we could make specialty, the fact of the matter is the specialty is the high end of the market, and that's a natural market for them because they're also silicon metal producers, and therefore have the grade of raw materials that facilitate that.

MS. SHERMAN: Okay. That actually leads to my next question, that the U.S. producers indicated that they can convert furnaces for other products to produce ferrosilicon. The Russian producers mentioned two products that they would be able to -- that they can produce on the same machinery. Is this also true for the Venezuelan producer?

MS. MENDOZA: That we could produce --

MS. SHERMAN: You can produce --

MS. MENDOZA: We don't produce --

MS. SHERMAN: You can convert furnaces to produce --

MS. MENDOZA: We don't produce any silicon metal in Venezuela.

MS. SHERMAN: Okay.

MR. MINTZER: Just to clarify, I believe -- I think we identified ferrosilicon in one other product that is produced on the same machinery.

MS. SHERMAN: Okay.

MR. MINTZER: Not two other products.

MS. SHERMAN: Russian producers also produce ferro chrome and silicomanganese?

MR. MINTZER: But not on the same --

MS. SHERMAN: Okay, right. But you can shift to that product.

MR. MINTZER: No.

MS. SHERMAN: Not on the same machinery, okay.

MS. MENDOZA: I think the only switching anybody is talking about is from silicon metal to ferrosilicon.

MR. SALINAS: No. Also silica chrome. We produce a product called silica chrome, which is a raw

material for production of low-carbon ferro chrome, and you could use those furnaces for production of ferrosilicon, but that's it.

MS. SHERMAN: Have you ever done that?

MR. SALINAS: Yes, we have.

MS. SHERMAN: Does it happen that often?

MR. SALINAS: No. It happens due to some of the maintenance, switching of the furnaces. But no, it doesn't happen on a regular basis.

MS. SHERMAN: Okay.

MS. MENDOZA: And we do no switching at all.

MS. SHERMAN: Okay. Thank you. Are there any differences in the manufacturing process of ferrosilicon in Russia, Venezuela, or any other countries, or is it pretty much standard across the globe?

MS. MENDOZA: Well, the raw materials are clearly different, I mean, in terms of what the U.S. industry produces as opposed to what is produced in Venezuela. I mean, I do want to elaborate in terms of the raw materials for specialty.

MR. HOPKINS: Yeah. I mean, for specialty grade materials, you have to have very low residual quartz, very low residual -- very high-grade coals. If you're a commodity grade producer, you know, you

change everything you do. That would be pretty tough to do.

MS. SHERMAN: But as far as the commodity grades, 75 percent ferrosilicon produced in the United States versus produced in Russia and Venezuela, the production process would be pretty much the same, similar?

MR. SALINAS: Similar, but not exactly the same, depending on the type of -- like, for example, they have much larger megawatt furnaces than we use, so it's not exactly the same, but similar.

MS. SHERMAN: Okay. Thank you. Actually, my last question is concerning the official import data, just to get this on the record, that the petition was six HTS numbers under which subject ferrosilicon is imported, and there is an out-of-scope product, magnesium ferrosilicon contained in one of the six HTS numbers. And Petitioners are suggesting that official import data not include this number, just have those five numbers. Do you agree with those proposed methodology?

MS. MENDOZA: I don't think we have any major objections to that, no.

MS. SHERMAN: Okay.

MR. MINTZER: Yeah, we don't have any

objection.

MS. SHERMAN: Okay. Thank you.

MS. HAINES: Okay. Charles.

MR. ST. CHARLES: Thank you very much for your testimony. It's very helpful. Again I understand what your positions are and where the differences lie between the two.

You mentioned that we should be looking at -- speaking of import data, that we should be looking at general imports rather than for consumption. And did I hear you correctly?

MR. MINTZER: The only issue on -- much has been made of sort of increasing 2012 imports. That's merely a difference in a timing issue because RFA uses a bonded warehouse. So you had deliveries to a port at the end of 2011 that showed up as consumption entries in 2012, but they were here in 2011.

So when you look at -- that's picked up -- the Census data, as you know on your -- on the ITC web site, you can look at consumption imports. You can also look at general imports.

MR. ST. CHARLES: Sure.

MR. MINTZER: And when you look at the general imports, it explains -- you see that, and the difference. And it explains why we talk about stable

flow of imports very clearly.

MR. ST. CHARLES: Sure, sure. Okay.

MS. MENDOZA: May I just add one thing to that? I think one of the key factors here too is that when you look at patterns, you really have to look at the U.S. shipment data by imports and compare that to the U.S. shipment data by the domestic industry because what you've got here are some inventorying of material in the United States. So it's not really correct to say -- and you notice that they focus very heavily on this issue of import trends on the import data rather than on the shipment and market share data, and there is a very good reason for that, if you compare the two.

MR. ST. CHARLES: And of course the Commission always does compare the two, and we'll be looking at that. Thank you. I just wanted to be clear on what your point was, what your position was. Thank you for the discussion of *Ryan's Notes* and the effect of long-term contracts. That was the element that I was missing earlier in my questions to the domestic producers. Thank you.

And I have no further questions. Thanks.

MS. HAINES: Ms. Breaux.

MS. BREAUX: Good afternoon. My questions

are going to start out with the high purity. And I don't think this applies to everyone, but it does apply to some of you. So in regards to the low aluminum grade, 75 percent ferrosilicon, does the industry or the U.S. industry have a standard on what is the maximum allowable amount of aluminum in high-purity, low-aluminum grade, 75 percent ferrosilicon?

MS. MENDOZA: Our definition of a specialty product, and therefore products that should by definition be excluded in product two, relate to products that are less than .5 percent ferrosilicon. But the point is -- I think the point is that the U.S. industry makes a number of specialty products, not just low aluminum and very low aluminum, but low titanium and low carbon products, which we do not compete in at all.

So, you know, there is standard grade, which we would consider to be anything that's reported in product one or product two because product two only excludes the specialty products.

MS. BREAUX: Do you know of -- are there any significant price differences in the market between these two products, these specialty grades or high-purity grades?

MR. HOPKINS: Yes. There are significant

price differentials between regular grade material and high purity materials. So anything that has got a .1 aluminum or it has got a low titanium or exceptionally low calcium, whatever the customer is requesting, there is a significant premium there, yeah.

MR. MINTZER: And I just wanted to clarify because we don't sell anything close to low aluminum, so we can't comment on any of it.

MS. BREAUX: Thank you. All right. My next question deals with packaging. Do you import ferrosilicon already packaged, or do you package it yourself?

MR. SALINAS: I can answer that. We import it in bulk and package it in the United States.

MR. HOPKINS: In the case of Venezuela, we import some material already packaged, but the majority, the vast majority, is in bulk.

MS. BREAUX: All right. Thank you. And as I asked the domestic producers, do you mind for me estimating the percentage of your sales that you charge separately for packaging and the percentage that you charge a higher per pound price?

MS. MENDOZA: We'll be happy to do that in our brief.

MS. BREAUX: All right. And my next

question deals with bids. It was mentioned that customers split bids. Do you find this with companies, and do you know why that they do that?

MR. PONTOLI: I've seen that when the customers split bids that they want to get material coming in from different sources. Sometimes people have different locations, different warehouse locations, and they have an advantage freight-wise.

MR. HOPKINS: Yeah. We've certainly seen that. As the steel industry in the U.S. has consolidated, a lot of them now have multiple mill sites, you know, all over the country. So where we might be competitive in one place, we might not be competitive in another place. So that's due to freight differentials, or it's a product mix.

You know, if they are using standard and high purity grades, then, you know, they're going to split those out depending on who can supply. So we certainly see products split.

In other cases, if it's a single mill, sometimes they just want a second or a third source for their material for reliability concerns.

MS. BREAUX: And what do you look for for overall indicators from the -- in the U.S.? And does it track the overall economy and/or the steel

industry?

MR. SALINAS: Obviously the steel industry, the most important driver of the demand for ferrosilicon, but also whatever is driving the steel industry also is going to drive the ferrosilicon industry. So it's kind of linked. So, yes, the overall economic sense is very important for ferrosilicon, and all commodities for that matter.

MR. MINTZER: We would agree.

MS. BREAUX: All right. And my last question, what factors do your customers consider when making purchasing decisions?

MR. PONTOLI: Some of the factors that they consider would be consistency of the product, reliability, someone to fill the pipeline so that they -- like we have material coming out of four different warehouse locations. So if they have multiple sites, we can deliver to those sites accordingly.

So we're looking for also the consistency of supply, definitely.

MR. HOPKINS: Yeah. I mean, I think that's definitely the case, what Joey said. I mean, for us, we know for customers it's important that -- you know, as I mentioned in my testimony, some people have issues with sourcing material out of Venezuela.

Sometimes people aren't convinced that the supply will be reliable, and so sometimes that affects our ability to sell in certain accounts that way. So that's certainly a factor.

But again, quality of the product, the pricing is important, obviously, and reliability.

MR. SALINAS: Yeah. I'd like to add that pricing obviously is important in consideration for sure. Joey just mentioned other factors. Then pricing, which is obvious.

MS. HAINES: Thank you. Mr. Houck, do you have any questions?

MR. HOUCK: Thank you. You heard the testimony this morning of Mr. Joiner, in which he described the product and the method of manufacture of ferrosilicon. And I'm wondering if there is anything that he said in that description that you'd like to exchange that might be effective to the point of whether the method of manufacture is different at either of your two countries that what was described this morning.

MR. SALINAS: We will definitely review this and have our technical people review this because we're not --

MR. HOUCK: I can't hear you.

MR. SALINAS: We're not really that technically advanced, but we'll definitely have this reviewed and have our technical people comment on that if we have any concerns with that description.

MR. FRANCISCO: (Through interpreter) So technically, in the production of ferrosilicon in Venezuela, there is no big differences between the different countries that we are speaking about. As it is placed in the production in electric arc furnace -- and basically the raw materials are always the same. The big difference will be in the use of the raw materials that will be different qualities, depending on the product that you're going to produce, but also the controls in the smelting and also differences in the environmental issues and controls.

MS. MENDOZA: I think on a global sort of macro level, that's right. But, I mean, I think we're making the point that there is a difference between what CCMA makes and what we make. I mean, we're making -- we're definitely arguing that the product that they're producing, the specialty grade product, is where they're focused. And to the extent they have some commodity-grade product available, it's really more a function of them shifting between foundry-grade products and other high-grade products so that's

almost -- as Ed testified, it's almost a byproduct that they sell.

So I think in terms of the distinctions between what CCMA makes and what we make, we think there is a very big difference in the production process.

MR. MINTZER: I would just add that as we indicated earlier, we can't even produce the specialty grade product. So if you're looking at commodity versus specialty, there is a significant difference.

MR. HOUCK: Okay. I wanted just to clarify in my mind, you're speaking for Chemk?

MR. MINTZER: That's right --

MR. HOUCK: And Chemk includes Kuznetsk? Is that correct? So we're talking about basically the largest silicon producer, ferrosilicon producer in the world, yeah?

MR. SALINAS: Maybe not in the world. I think -- might be bigger. But, yeah, one of the top, but focusing primarily on the commodity grade.

MR. HOUCK: But nothing in the specialty grades.

MR. SALINAS: Never produced.

MR. HOUCK: Now Russia has a fairly substantial foundry industry and produces stainless

steel. What is the source of the specialty grade ferrosilicon that's consumed in Russia?

MR. SALINAS: The main consumption in Russia of specialty grade ferrosilicon goes to special -- the main consumption is specialty steels. Russia doesn't produce a lot of specialty steel.

MR. HOUCK: That's what?

MR. SALINAS: Specialty steels, like electric steels and stuff like that. So in the portion that is demanded by Russian, it's imported from Norway.

MR. HOUCK: Imported from?

MR. SALINAS: Norway.

MR. HOUCK: Norway. And the other producers in Russia, do you have any knowledge of their production or what they do?

MR. SALINAS: I have a 99 percent -- 99.9 percent knowledge that they do not produce specialty grades.

MR. HOUCK: Okay. Thank you. I have no further questions.

MS. SHERMAN: I have one additional question. Can you help me understand what is going on with the Chinese imports that you talked about? Particularly this morning during the questioning the

Petitioner -- I think Ms. Lutz indicated that Chinese imports withdrew from the market at one point. Did I understand that correctly? Can you comment on what is going on there? Does that have to do with the imports going through Vietnam?

MR. SALINAS: Yeah. I'll try to explain this because I do have knowledge a little bit about the world market of ferrosilicon. Chinese is definitely the main driver of the world pricing of ferrosilicon, and as they go from market to market, the prices obviously change in those markets. The recent development of the exports from China by Vietnam put pressure not only in the United States but also in Asian markets, if you looked at prices and European markets, and basically global markets.

And to say why the Chinese exited or decreased the imports into the United States during the period, simply because some of the Chinese material is sold purely through trade versus spot market, and a lot of the traders just saw better opportunities in other markets for this product, and we can't -- you can't really -- some did not want to take a risk.

Also, due to the fact that the domestic -- they probably knew the producers are going to be

switching to standard grade. So they didn't really want to opportunistically bring raw material of Chinese smuggled material, but some did and participated in the spot market. And then prices in the spot market moved rather quick. So it probably didn't make it -- wasn't long enough for them to bring more tonnage.

MR. MINTZER: I would add one thing. So there has been this secular increase in demand for more like stable supply, more contract-based supply, and the Chinese market or the Chinese suppliers don't supply on contract. Everything is done -- they sell through traders into the U.S. spot.

So our sense is that U.S. consumers of ferrosilicon have over time become more hesitant to rely on that. So to the extent there has been a decline, some of it is explained that way.

MR. HOPKINS: Yeah. And the other thing I also want to bring out is that those disappearing Chinese imports are still more than 10,000 tons above our total imports.

MS. MENDOZA: Oh, and if I could also offer one clarification, I think we are saying that they're being declared here as Chinese imports. It's just that they're being exported from China by -- you know,

they're not being exported from China because they don't want to pay the 25 tax, so there is some kind of smuggling going through Vietnam. That's the allegation.

But, I mean --

MS. SHERMAN: We don't see any imports from --

MS. MENDOZA: Exactly, exactly. So that's our point. It's coming in as Chinese imports because they're properly declaring it here. It's just that the reason it's coming here is because of this back channel through Vietnam. I mean, obviously the 25 percent export tax has had an effect on Chinese imports into this market.

I guess what we're saying, though, is in addition to the fact that they're bigger than us is that, you know, if you look at the pricing of those products, it's very similar to the pricing of our products, and therefore really indistinguishable in terms of its effects.

MS. SHERMAN: Thank you.

MS. HAINES: I don't have any questions. It was very, very helpful testimony. Thank you. So I guess we'll have the closing -- we can take about a five-minute break before the closing statements.

Thank you.

(Whereupon, a brief recess was taken.)

MS. HAINES: Okay. Mr. Kramer, I think we're ready to hear your closing statement.

MR. KRAMER: Bill Kramer of DLA Piper, counsel for Petitioners. We'll of course in a comprehensive way address the presentations of the other side in our post-hearing submission or post-conference submission. I want to start by addressing a few of the points that were made in the testimony you've just heard.

There was a statement by a witness for FerroVen that they have no need to compete on the basis of price. And that's simply not true. Price is the basis on which sales are made. You cannot make sales without offering a lower price.

There is a lot of discussion of statements and Globe investor calls and reports. These statements relate to Globe's overall operations or its production of silicon-based alloys, which includes magnesium ferrosilicon. Contrary to the statement that was made, they're not specific to ferrosilicon.

There was a lot of confusion created regarding what creates the ferrosilicon Venezuela produces. Initially, there was an answer that they do

not produce specialty grades. And then there was a clarify statement, they do not produce low titanium. And they've acknowledged that they produce low aluminum ferrosilicon. You know, our understanding is that they produce regular grade and other specialty grades, low aluminum, low carbon, low calcium.

What they don't produce is a so-called high purity product, which is very, very low impurity contents for a whole range of elements, including titanium. So that's a certain specialized type of specialty grade ferrosilicon. They do produce and do sell in the United States specialty grades. It's just they don't make that one type.

There was a lot of discussion about the supposed focus of the United States industry, the abandonment of the regular grade segment of the market, the opportunism of the domestic producers. You know, all of that -- all of those claims are contradicted by the detailed evidence we've provided of the offers being made by the domestic industry to supply large quantities of regular grade ferrosilicon to major customers, and then losing those sales based on lower-priced offers of subject product.

There was a lot of discussion of perceptions of particular market participants, the perception of

Globe, the perception of the Venezuelans, and so on. Customers do not purchase ferrosilicon based on their perception of the supplier. It's a commodity product purchased overwhelmingly on the basis of price.

Ferrosilicon is a commodity product. Suppliers compete on the basis of price. The subject imports have increased in volume on an absolute basis, as well as relative to U.S. production and consumption. They've entered the United States market at low and declining prices. Prices have declined tremendously. The subject import AUVs have been well below the AUVs of non-subject imports, and the gap has been widening.

U.S. market prices have fallen very significantly from 2011 to the first quarter of 2013. While the subject imports have increased their presence in the U.S. market, the domestic industry has declined, losing volume and market share. Employment indicia have declined, which is particularly devastating given the communities in which the plants are located, which suffer from very high rates of unemployment.

The domestic industry has not abandoned the regular grade market. It is being driven out by subject imports. The domestic industry intentionally

produces regular-grade material. It is committed to supplying that market, and regularly bids to supply regular-grade product to major customers.

The detailed evidence provided to support the lost sales and lost revenues allegations demonstrate the continued bidding to obtain that business. And as we've explained, sales of higher purity grades of ferrosilicon are not protected from the price effects of subject imports. Prices for these products track the prices for regular grade.

The domestic industry's financial performance has deteriorated very significantly. Subject imports undersell the domestic producers. The Commission has confirmed lost sales and lost revenues. The industry in the subject countries have significant capacity, significant unused capacity, and they're export oriented.

The purported impediments, the obstacles to shipments from Venezuela have not prevented Venezuela from shipping increasing volumes of ferrosilicon to the United States. And their own parent company's report identifies the United States as one of FerroVen's most important markets.

There are port arrivals of more than 10,000 metric tons of ferrosilicon from Venezuela in mid-June

and July 1st. The volume is roughly equivalent to what has been reported in terms of entries for consumption during the first six months. So they have significant additional volumes shipped, despite these purported obstacles.

Subject import inventories have increased over the period of investigation. The potential for product shifting exists. Both U.S. producers have shut down furnaces and had to lay off workers. We think there is very clear evidence of injury by reason of the large volume of low-priced imports from these countries. Thank you.

MS. HAINES: Thank you.

MS. MENDOZA: Julie Mendoza on behalf of Respondents. I'd just like to address a few points that were raised that we didn't get to in our presentation.

Number one is raw material prices, what is happening to raw material prices. They're declining. I think if you listen to the testimony of the domestic industry, you'll hear that in fact they agree with that. Coal stock prices are definitely down due to many fewer power plants who are coal-burning furnaces. We've had a cooler-than-normal summer, so in general coal prices are declining.

The other important thing on that is that Globe apparently just negotiated a new contract on its Beverly facility to reduce its electricity costs at that mill. So that's also an important factor.

We would also like to just comment briefly on the structure of the specialty grade segment of the market. It's important to understand that there are two producers in that market. There are virtually, as we know, no imports of that product into the U.S. market. So therefore, basically customers are negotiating with two very powerful customers, very powerful suppliers, who are the only source of supply that they can buy from, both of whom have a limited capacity.

So we agree that while pricing -- reference prices are incorporated in these contracts, certainly those two producers are well aware of the fact that volatile prices in that commodity segment of the market are very likely. And we'd suggest that it's really critical to look at the spread that they're getting over that commodity price because that's really where their profit is going to be determined.

And I would suggest to you that with only two competitors in the market, it should be possible for them to get that right.

They also mentioned that they were forced into the specialty high end of the market. I can't imagine that they're really serious about that claim, given the fact that they do have a limited capacity. So why wouldn't they want to focus on the high end of the market? And in fact, as Ed Hopkins said to me when we got up from the table, he said, you think if we could produce that high specialty -- high quality specialty product, we certainly would. But our problem is that since we bought that facility we don't have the quartz. We don't have the high-grade quartz to use, and we don't have low-titanium coal.

Now, Mr. Kramer suggested that we were referring to just one type low-titanium product. But what we would suggest is that in fact accounts for the great majority of their sales in the specialty market. So it's not just one product. It really is the key product in the specialty market.

A quick comment just on non-subject AUVs. I mean, the problem with AUVs is the same problem the Commission always faces, which is that there is a product mix issue. And there definitely is in this case with respect to certain countries who supply very different types of products. And we've heard about the differential pricing within ferrosilicon today by

both us and, you know, the domestic industry.

So we all know that there are a lot of price differences going on, depending on the specific grade of the material that you're importing. So I would suggest to you that AUVs are of very limited value.

And as to Mr. Kramer's point that we are shipping increasingly large quantities to the U.S. market from Venezuela, I would suggest to you that that is in fact false. And one of the reasons that we will put on the record, and you have it, the import data since 2005 is that you can see that during that early period Venezuela's exports were in the range of 40,000 tons a year.

They're at 20,000 tons a year now. So the fact of the matter is we're not increasing shipments. We've actually, you know, reduced our shipments by half of what they've traditionally been.

Thank you very much. That concludes our rebuttal.

MS. HAINES: Thank you. On behalf of the Commission and the staff, I'd like to thank you, all of the witnesses who came today, as well as counsel, for helping us gain a better understanding of the product and the conditions of competition in the ferrosilicon industry.

Before concluding, let me mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of post-conference briefs is Wednesday, August 14th. If briefs contain business proprietary information, a public version is due on Thursday, August 15th.

The Commission has tentatively scheduled its vote on this investigation for Friday, August 30th, and it will report its determinations to the Secretary of the Department of Commerce on Tuesday, September 3rd. And the commissioners' opinions will be issued to the Department of Commerce on Tuesday, September 10th.

So again, we thank you all very much for coming. We know this was a long trip for a lot of people. The conference is adjourned. Thanks.

(Whereupon, at 12:40 p.m., the preliminary conference in the above-entitled matter was adjourned.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Ferrosilicon from Russia and Venezuela

INVESTIGATION NOS.: 731-TA-1224 and 1225 (Preliminary)

HEARING DATE: August 9, 2013

LOCATION: Washington, D.C.

NATURE OF HEARING:Preliminary Conference

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: August 9, 2013

SIGNED: LaShonne Robinson
Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Rebecca McCrary
Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Chris Mazzochi
Signature of Court Reporter