

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
FERROVANADIUM FROM KOREA

) Investigation No.:
) 731-TA-1315 (PRELIMINARY)

Pages: 1 - 101
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THE UNITED STATES

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation No.:
FERROVANADIUM FROM KOREA) 731-TA-1315 (PRELIMINARY)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC

The meeting commenced pursuant to notice at 9:30
a.m., before the Investigative Staff of the United States
International Trade Commission, Michael Anderson, Director of
Investigations, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Staff:

4 Bill Bishop, Supervisory Hearings and Information
5 Officer

6 Sharon Bellamy, Program Support Specialist

7

8 Michael Anderson, Director of Investigations

9 Douglas Corkran, Supervisory Investigator

10 Keysha Martinez, Investigator

11 Gerald Houck, International Trade Analyst

12 Michele Breaux, Economist

13 Charles Yost, Accountant/Auditor

14 Mary Jane Alves, Attorney/Advisor

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1 Opening Remarks:

2 Petitioners (John B. Totaro, Jr., Neville Peterson, LLP)

3 Respondent (J. Scotrt Maberry, Sheppard Mullin Richter &

4 Hampton LLP)

5

6 In Support of the Imposition of Antidumping Duty Orders:

7 Neville Peterson, LLP

8 Washington, DC

9 on behalf of

10 Vanadium Producers and Reclaimers Association ("VPRA")

11 AMG Vanadium, LLC

12 Bear Metallurgical

13 Gulf Chemical & Metallurgical Corporation

14 Evraz Stractor, Inc.

15 Jane Neal, Senior Vice President, AMG Vanadium, LLC

16 Mark Anderson, Vice President of Global Marketing and

17 Sales, AMG Vanadium, LLC

18 David F. Carey, General Manager, Bear Metallurgical

19 Eric Kopta, Sales Manager, Bear Metallurgical

20 Gerardo Valdes, Director of Metal Sales and Catalyst

21 Recycling Service, Gulf Chemical & Metallurgical Corporation

22 Jennifer Lutz, Senior Economist, Economic Consulting

23 Services, LLC

24 John B. Totaro, Jr. - Of Counsel

25

1 In Opposition to the Imposition of Antidumping Duty Orders:

2 Sheppard Mullin Richter & Hampton LLP

3 Washington, DC

4 on behalf of

5 Korvan

6 J. Scott Maberry - Of Counsel

7

8 Closing Remarks:

9 Petitioners (John B. Totaro, Jr., Neville Peterson, LLP)

10 Respondent (J. Scott Maberry, Sheppard Mullin Richter &

11 Hampton LLP)

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10	Jane Neal, Senior Vice President, AMG Vanadium, LLC	17
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12	Mark Anderson, Vice President of Global Marketing and Sales,	
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Closing Remarks:

Petitioners (John B. Totaro, Jr.,
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9:34 a.m.

MR. BISHOP: Will the room please come to order?

MR. MICHAEL ANDERSON: Good morning and welcome to the U.S. International Trade Commission's Conference in connection with preliminary phase Antidumping Duty Investigation No. 731-TA-1315 concerning ferrovanadium from Korea.

My name is Michael Anderson and I am the Director of the office of Investigations and I will preside at this conference. Among those present from the Commission Staff on my far right are Supervisor Investigator Doug Corkran and our Investigator Keysha Martinez and to my left our Attorney and Advisor Mary Jane Alves and our Economist Michelle Breaux and our Accountant Chip Yost. Last, our Industry Analyst, Gerald Houck.

I understand the parties are aware of the time allocations and I would remind speakers not to refer to your remarks any business proprietary information and if you will speak directly into the microphone and state your name before each response for the benefit of the court reporter. All witnesses have been sworn in before presenting their testimony. If there are any questions regarding time allocations they should be addressed to our secretary.

Are there any questions from the Panel? Mr.

1 Secretary, are there any preliminary matters?

2 MR. BISHOP: Yes, Mr. Chairman. With your
3 permission we will add Eric Kopta, Sales Manager of Bear
4 Metallurgical to the Petitioner's Panel. Also, we have had
5 a late request to testify on behalf of Korvan from J. Scott
6 Maberry of Sheppard Mullin.

7 MR. MICHAEL ANDERSON: Okay, thank you Mr.
8 Secretary. I will note for the record that Counsel for
9 Korvan Mr. Maberry did not file a timely request. However
10 they have requested an opportunity to present testimony
11 today and we will allow them to make an opening statement.
12 We will also be allowing them to have a reduced time for the
13 presentation which is 30 minutes. Staff will also be asking
14 questions of Counsel for Korvan and we will allow them to
15 make a closing statement.

16 Are there any other matters, Mr. Secretary?

17 MR. BISHOP: I would note that all members of the
18 Petitioners Panel have been sworn in. I will swear Mr.
19 Maberry in before he presents his opening remarks.

20 MR. MICHAEL ANDERSON: Okay. Thank you, very
21 well. With that, let us proceed with opening remarks from
22 our Panel.

23 MR. BISHOP: Opening remarks on behalf of
24 Petitioners will be given by John B. Totaro, Jr., Neville
25 Peterson.

1 OPENING REMARKS OF JOHN B. TOTARO, Jr.

2 MR. TOTARO: Good morning Mr. Anderson and
3 Commission Staff. My name is John Totaro with the Law Firm
4 of Neville Peterson. I am pleased to be here today on
5 behalf of the Vanadium Producers and Reclaimers Association
6 and VPRA Members AMG Vanadium, Bear Metallurgical, Gulf
7 Chemical and Metallurgical and Evraz Stractor.

8 As we outlined in the petition and as we will
9 discuss further today the information on the record in this
10 proceeding including facts regarding the volume, price
11 effects and impact of Subject Imports on the Domestic
12 Industry clearly demonstrates a reasonable indication that
13 the Ferrovandium Industry in the United States is
14 materially injured by reason of imports of the subject
15 merchandise.

16 The record also confirms that the fundamental
17 conditions of competition in the U.S. Market for
18 ferrovanadium are unchanged from previous proceedings in
19 which the Commission has examined this product. Because
20 ferrovanadium is a commodity product it is sold primarily on
21 the basis of price and there is a higher degree of
22 substitutability among ferrovanadium from all sources.
23 Demand for ferrovanadium is driven by the U.S. Steel
24 industry which consumes this material at a higher rate per
25 ton relative to other countries.

1 The supply of ferrovanadium in the United States
2 is a combination of domestic production and imported
3 material. Particularly in 2015, Subject Imports gained
4 market share using below-market pricing. These gains were
5 facilitated by 1) the substitutability and
6 interchangeability of ferrovanadium from all countries; 2)
7 the fact that Korean ferrovanadium makes up a large
8 proportion of the material traded on the spot market and 3)
9 because the Domestic Industry's contract prices are directly
10 affected by changes in spot market prices.

11 The result has been depressed prices, diminished
12 returns on reduced sales volumes and unsustainable declines
13 in profitability for the domestic firms. U.S. Producers'
14 financial conditions in the early part of the Period of
15 Investigation fluctuated but largely reflected the fact that
16 imported ferrovanadium appeared to be trading at fair
17 prices. And, during this time, VPRA Members took the
18 opportunity to invest in improvements in their facilities.

19 However in 2015 as the volume of Subject Imports
20 grew significantly their prices on the spot market became
21 increasingly aggressive which caused repeated downward
22 adjustments in U.S. published prices. This resulted in
23 depression of Domestic Producers and total lease contract
24 process and caused severe declines in their profitability.
25 Without relief from dumped imports of ferrovanadium from

1 Korea, Petitioners are confident that high volumes of
2 low-priced Subject Imports will continue and the revenue
3 impacts like those that they experienced in 2015 will be
4 impossible to sustain.

5 I urge you to keep these factors in mind as you
6 hear the Domestic Industry's testimony today and as you
7 consider the record before you. Thank you.

8 MR. BISHOP: Opening remarks on behalf of
9 Respondent will be given by J. Scott Maberry, Sheppard
10 Mullin.

11 OPENING REMARKS OF J. SCOTT MABERRY

12 MR. MABERRY: Thank you Mr. Secretary. Thank you
13 Staff for giving me the opportunity to speak today on behalf
14 of Respondent Korvan. I do acknowledge that our request to
15 attend and to appear came late today and that's because my
16 client, quite frankly, first had to figure out what is a
17 dumping case and second had to figure out what is a dumping
18 lawyer and then had to figure out whether they wanted me to
19 appear at the hearing today. So all of that got worked out
20 late last night U.S. time early this morning, Korea time so
21 that's why I'm here today.

22 I understand these events tend to be a little bit
23 choreographed and I might be starting out on a left foot so
24 thanks to you all for the opportunity to appear today.
25 Korvan is a processor and exporter of ferrovanadium. You'll

1 see our numbers in our questionnaire response. The input
2 for our product is a vanadium pentoxide from China. The
3 prices of that product are calculated in the contracts for
4 those purchases by essentially a worldwide index that you'll
5 have seen references to Ryan's Notes.

6 It's going to be important in this case to keep
7 an eye on those prices in Ryan's Notes because the prices
8 for the purchase of the input product and the prices for the
9 sale of the output ferrovanadium are typically by reference
10 to those notes to those prices. You're going to hear a
11 story in fact by virtue of the process of preparing the
12 Petition and working with the Staff pre-Petition, a story of
13 a great empire, the U.S. ferrovanadium industry, kind of
14 under siege from all sides, having vanquished the larger
15 competitors in the cases on China and South Africa now kind
16 of focusing on a small band of dumpers from Korea and that's
17 an interesting story.

18 Like a lot of stories, that story has a couple
19 sides to it and I would suggest that although it's a great
20 story of a great empire, this particular emperor has no
21 clothes. As you will see in the investigation and I'll talk
22 about a little bit more in my direct, the prices for
23 ferrovanadium started to plunge after all the things that
24 drive prices for ferrovanadium started to plunge also. They
25 didn't start to plunge because the small band of Korean

1 exporters somehow control the market as you'll see a lot of
2 in the Petition and have heard a lot of in the Petitioners'
3 statements.

4 Ferrovanadium prices follow demand. Demand is
5 primarily controlled by the steel industry. The primary use
6 of ferrovanadium as you all know is in the making of steel
7 alloys and long before you started to see the drop in the
8 ferrovanadium. You'll see simple math on the petition
9 numbers shows that 2013 and 2014 the price was fluctuating
10 as it does in a spot market but holding around 12 dollars
11 let's say. Don't hold me to these numbers because I'm just
12 kind of extrapolating from numbers that the Petitioners are
13 giving.

14 Then at sometime around 2015 the drop started and
15 it came down around 8 or 9 dollars, might have seen some
16 references to 6 or 7 dollars, it's now I think back up to
17 around 10 dollars and that's per pound contained vanadium.
18 But before that happened, production of steel in the United
19 States started to fall so I urge you when you start thinking
20 about why are these prices falling and why is the Domestic
21 Industry facing the threat of injury?

22 Start to look at the timing and the relationship
23 between the drop in steel prices and the corresponding drop
24 in steel in vanadium demand and the corresponding drop in
25 the Ryan's Notes spot market prices for ferrovanadium and

1 you will see that the prices that the respondents were
2 charging don't drive these things. The prices that the
3 steel industry is willing to pay do drive it.

4 There's one other factor to kind of look at that
5 I'd like you to pay careful attention to as we're looking at
6 the data and that is before all of that happened, long about
7 June of 2014 oil went from about 120 dollars a barrel down
8 to about 40 dollars a barrel.

9 MR. MICHAEL ANDERSON: Sorry Mr. Maberry if I
10 could just interject. We do have a time limit on opening
11 statements. I don't know if you see the light indicator.

12 MR. MABERRY: Last thought, that happened before
13 all of that and there is very good evidence out there that
14 steel production follows oil prices and that ferrovanadium
15 sales follow steel production so the injury that you're
16 going to hear about is not due to the Korean Imports it's
17 due to other factors that everyone is reacting to. Thank
18 you.

19 MR. MICHAEL ANDERSON: Mr. Totaro. Welcome to
20 your Panel here and please proceed with your presentation.

21 MR. TOTARO: Okay. Thanks, Mr. Anderson. I
22 would like to introduce our Panel. We have assembled an
23 experienced group of industry witnesses representing three
24 of the four VPRA Member Companies including the two firms
25 which represent one hundred percent of U.S. Production of

1 ferrovanadium. I am certain you will find their comments
2 instructive.

3 First from AMG Vanadium we have Jane Neal, Senior
4 Vice President and Mark Anderson Vice President for Global
5 Marketing and Sales; from Bear Metallurgical we have David
6 Carey General Manager and also not presenting direct
7 testimony but available to answer questions, Eric Kopta also
8 from Bear the Sales Manager of the company; from Gulf
9 Chemical and Metallurgical we have Gerardo Valdes, Director
10 of Metal Sales and Catalyst Recycling Service. Finally, I'd
11 like to introduce Jennifer Lutz, Senior Economist from the
12 firm Economic Consulting Services who will present
13 additional testimony at the conclusion of our Industry
14 Panel.

15 Before I ask out witnesses to begin, I would like
16 to mention a few issues that we discussed in the Petition.
17 We included affidavits in the Petition that documented the
18 effect of Korean spot sales on published ferrovanadium
19 prices and we explained the direct connection between those
20 published prices and the revenues of Domestic Producers and
21 tollees. This information demonstrates the causal nexus,
22 not simply a temporal connection between the Subject Imports
23 and the injurious economic impact experienced by these
24 domestic parties.

25 While ferrovanadium prices did decline globally

1 during the past year and while prices in the United States
2 likely would have been lower in 2015 than in 2014 even if
3 imports from Korea would have been absent from the market,
4 the price declines in the U.S. Market would not have been as
5 steep as they were but for the high volumes of aggressively
6 priced Subject Imports on the spot market in 2015.

7 The facts on the record show that Subject Imports
8 increased in volume and expanded their market share in 2015
9 despite the fact that apparent domestic consumption was
10 shrinking. These facts suggest that Subject Imports will
11 continue to be imported at injurious volumes and sold at
12 injurious prices regardless of whether a dramatic increase
13 in consumption is imminent. For example, from an expansion
14 of steel industry demand.

15 Unlike imports from Korea, the volume of
16 non-Subject Imports decreased in absolute terms by
17 approximately 30 percent during the period of investigation.
18 Also in contrast to imports from Korea, non-Subject Imports
19 declined as a share of apparent domestic consumption during
20 the POI. Moreover, Petitioners believe that the imports
21 from Korea made up a much more significant proportion of the
22 spot market than ferrovanadium from any other source. For
23 these reasons, the declines in the Domestic Industry's
24 shipments, revenue and financial performance cannot be
25 attributed to non-Subject Imports.

1 referred to as the "grade" of the ferrovanadium product but
2 the percentage is simply a physical description not an
3 indicator of its quality. Ferrovanadium is a commodity
4 product that is sold primarily on the basis of price. As
5 the Commission has repeatedly found, in most applications
6 ferrovanadium from all sources is interchangeable. The U.S.
7 ferrovanadium market is highly competitive. Most purchasers
8 obtain bids from multiple suppliers and these purchasers
9 will change suppliers if a competing supplier offers a lower
10 price.

11 In addition, because ferrovanadium is priced on a
12 contained vanadium basis, ferrovanadium with different
13 percentages of vanadium content are treated as equivalent in
14 price negotiations. For most steel industry customers
15 ferrovanadium is equally acceptable regardless of vanadium
16 content. From a functional or metallurgical perspective the
17 difference in the amount of iron and other metals in one
18 grade or another is not consequential to the steel makers
19 because they add ferrovanadium to their melts in very small
20 quantities.

21 Some prefer a lower percentage of vanadium
22 because it melts into the steel bath more easily. Others
23 prefer higher percentage of vanadium because it contains a
24 lower proportion of non-vanadium elements but the majority
25 of the steel industry customers will choose to buy one

1 product over the other based primarily on price.

2 While most ferrovanadium sold in the U.S. Market
3 is sold on an annual contract basis rather than on a spot
4 basis, monthly spot prices published by CRU Ryan's Notes or
5 Metal Bulletin are generally used as a benchmark in contract
6 price negotiations. Contract prices are typically based on
7 discount formulas tied to the published spot prices that are
8 in effect over the months of the term of the contract. This
9 fact makes Domestic Producers highly vulnerable to the
10 effects of declines in the U.S. spot price for
11 ferrovanadium.

12 Regardless of whether sales on the spot market
13 are priced below AMG's prices, if a spot sale is priced low
14 enough to drive the current published prices below their
15 existing level that would reduce the subsequent month's
16 published price and that price decline would flow through to
17 reduce our contract sales prices for all of our contract
18 customers. For example, the average CRU Ryan's notes
19 ferrovanadium price for the month of September 2015 was 8.35
20 cents per pound contained vanadium. This published price
21 fell four times during the month of October 2015 and as a
22 result the monthly average price for October was 7.59 cents
23 per pound of contained vanadium.

24 Hypothetically, if AMG had obligations to ship
25 500 thousand pounds of V per month under contracts tied to

1 the U.S. to the CRU Ryan's notes with a discount of 10
2 percent off the published price, the decline in the monthly
3 average published price of 76 cents per pound V from
4 September to October would have reduced AMG's revenue on
5 shipments in November by almost 350,000 dollars. This
6 one-month price decline alone would have been detrimental to
7 our financial results but the declines began much earlier
8 and continued for months afterward.

9 Published U.S. spot prices shifted further and
10 further downward through 2015 and as a result the declines
11 in AMG's revenue began in January and continued and
12 compounded throughout the year so that the monthly average
13 published price for December of 2015 was less than half the
14 monthly average price for December 2014. As the information
15 we presented in the Petition demonstrated, spot sales of
16 Korean ferrovanadium were the direct cause of several of
17 those declines and we believe that these were not isolated
18 events but instead were part of a pattern of aggressive
19 pricing of these imports into the U.S. spot market.

20 In addition, while a low volume spot sale can
21 cause a reduction in the published price and the resulting
22 effects on contract revenues, I want to stress that the
23 volume of imports from Korea during the period being
24 examined was not small. The volume of Korean ferrovanadium
25 available on the U.S. spot market was much higher in 2015

1 than in 2014 and the price at which that material was
2 offered grew increasingly aggressive during the course of
3 last year.

4 As my colleague Mark Anderson will discuss in
5 more detail, the economic impact of these developments on
6 our business was extremely harmful. Due to the
7 substitutable nature of this product the high and growing
8 volumes of low-priced Korean ferrovanadium that entered the
9 United States during recent years, particularly in 2015, had
10 significant damaging effects on AMG and other domestic
11 suppliers by rapidly driving down price through the U.S.
12 Market.

13 AMG saw its shipment volumes decrease and the
14 impact of Korean imports on published spot prices resulted
15 in dramatically lower revenues, production cutbacks, reduced
16 capacity utilization and job losses. These declines in
17 sales and revenues have had a direct adverse impact on our
18 profitability as well as reducing our ability to raise
19 capital and maintain necessary capital investments.

20 For these reasons, we believe there is a solid
21 base for the Commission to proceed to final phase
22 investigation so that material injury to the U.S.
23 Ferrovanadium industry by imports from Korea can be
24 remedied. Thank you and I look forward to answering any
25 questions you may have.

1 MR. TOTARO: Our second industry witness is Mark
2 Anderson from AMG Vanadium.

3 STATEMENT OF MARK ANDERSON

4 MR. MARK ANDERSON: Good morning. My name is Mark
5 Anderson. I am the Vice President of Global Marketing and
6 Sales at AMG Vanadium, LLC.

7 I have worked with AMG for more than eight years.
8 My responsibilities with AMG include overseeing the
9 marketing and sales of metals and alloys, including
10 ferrovanadium. And my work involves direct contact with our
11 company's ferrovanadium customers.

12 During the period that the Commission is
13 analyzing in this investigation, AMG made substantial,
14 several substantial capital investments to improve and
15 expand our production facilities. Based on the market
16 conditions at the time these projects were planned, we
17 reasonably expected that these investments would facilitate
18 increased production and market share gains for our company.

19 These projects included a furnace shell expansion
20 that was completed in October of 2014 which increased the
21 size of this furnace and thus increased our ferrovanadium
22 production capacity significantly.

23 However, as discussed in the petition, our
24 ability to sustain major investments is extremely difficult
25 in the face of the huge losses in revenue that our company

1 experienced due to imports from Korea in 2015.

2 AMG's production processes have always been
3 highly capital intensive, and include high fixed costs. And
4 these costs were even greater after our capacity expansion.
5 To be able to recover these costs, we need to be able to run
6 the plant at as high a capacity utilization rate as possible
7 so that we can spread costs evenly over a sufficiently large
8 volume of ferrovanadium sales.

9 In 2015, this became more and more difficult. As
10 Jane explained, over the course of last year imports from
11 Korea were a major force in driving published ferrovanadium
12 prices farther and farther down. And our contract sales
13 revenue, which represents nearly all of our annual sales,
14 was dragged down as well.

15 We also lost some shipment volume because orders
16 from contract customers decreased. But despite these
17 worsening conditions, AMG tried to maintain an adequate
18 level of shipments throughout the year. This is because
19 permitting our shipment volume to slip farther would result
20 in declines in our production volume, and this would put us
21 at risk of not being able to recover our fixed costs.

22 Neither option was desirable: either continuing
23 to ship at high volumes despite the terrible market prices
24 that we were tied to, or reducing production and incurring
25 the cost consequences. But AMG has done its best to balance

1 these two during the past year or more.

2 Unfortunately, despite our best efforts, the
3 declines in published prices led by spot sales of Korean
4 ferrovanadium have had a damaging impact on AMG's financial
5 condition. I want to stress that my point regarding a
6 dominant position of Korean ferrovanadium in the spot market
7 in 2015 is based on market intelligence, as well as my
8 company's direct experience.

9 For example, AMG makes occasional spot purchases
10 of ferrovanadium. During 2015, when AMG contacted traders
11 to purchase ferrovanadium, the product that the traders
12 offered for these spot purchases was usually Korean origin.

13 In the petition we include an analysis of AMG's
14 operating income data in 2014 and 2015 which showed in plain
15 terms just how hard our company was hit last year, as
16 low-priced spot sales of Korean imports pushed published p
17 ricing for ferrovanadium farther and farther down over the
18 course of 2015.

19 The fact that these published prices never
20 recovered to any significant extent once they began falling
21 in January resulted in a compounding effect on our operating
22 income.

23 Since AMG's contracts with steel companies are
24 tied to those prices, it is not clear how long AMG can
25 continue to operate under these kinds of conditions.

1 In addition to these direct impacts on our
2 revenue, the effects on published prices that were led by
3 Korean imports have forced AMG to cancel or postpone several
4 capital projects that would have increased the efficiency of
5 our ferrovanadium plant.

6 We describe seven separate projects in our
7 questionnaire response that were put on the shelf until our
8 returns on ferrovanadium sales can again support these kinds
9 of investments.

10 These reasons, as well, support an affirmative
11 determination and preliminary investigation. We hope that
12 the Commission will agree and that the material injury
13 suffered by the U.S. ferrovanadium industry as a result of
14 dumped imports from Korea can be remedied.

15 Thank you. I look forward to answering your
16 questions.

17 MR. MICHAEL ANDERSON: Thanks, Mark. Our third
18 industry witness will be David Carey from Bear
19 Metallurgical.

20 STATEMENT OF DAVID F. CAREY

21 MR. CAREY: Good morning. My name is David Carey.
22 I am the General Manager at Bear Metallurgical Company, a
23 tole processor of ferrovanadium and ferro molybdenum located
24 in Butler, Pennsylvania.

25 I have been with Bear for nine years, and I

1 report directly to Bear's CEO, Eric Caridroit, who is also
2 the CEO of our parent company, Gulf Chemical and
3 Metallurgical Corporation. Bear has been producing
4 ferrovanadium since 1991. Our ferrovanadium business
5 consists of toll processing vanadium pentoxide, or V205,
6 supplied by our tolling customers into ferrovanadium.

7 Bear's process for producing ferrovanadium uses
8 an alumina thermic process to convert V205 into
9 ferrovanadium. In Bear's process, a precisely calibrated
10 mixture of V205, aluminum, iron scrap, and other materials
11 is blended and charged into a furnace which is ignited.
12 This process provides its own energy, requires no gas,
13 electricity, or other energy to burn.

14 This reaction causes the V205 and iron to be
15 reduced into ferrovanadium. The resulting material is then
16 crushed, analyzed, sized, and packaged for delivery. All of
17 the materials used in Bear's ferrovanadium production
18 process are recycled, reused, or sold as coke products. No
19 material is landfilled or otherwise disposed of as waste.

20 As we reported to the Commission, Bear has made
21 significant investments in recent years to increase
22 capacity, add improved technology, upgrade and expand its
23 ferrovanadium production capabilities.

24 Gulf is Bear's largest tolee, and as Gerardo
25 Valdes will explain in more detail, Gulf products the V205

1 that it supplies to Bear at its facilities in Freeport,
2 Texas, through a recycling process using spent oil refinery
3 catalyst as its primary vanadium bearing raw material.
4 After Bear converts this material into ferrovanadium for
5 Gulf, Gulf is then responsible for selling the ferrovanadium
6 in the U.S. market.

7 In addition to toll processing for Gulf, during
8 the period examined in this investigation Bear also toll
9 produced ferrovanadium on behalf of a small group of other
10 tollees, including Stractor.

11 As we discussed in the petition, Bear has
12 experienced the harmful effects from high volumes of
13 low-priced imports from Korea. Although not in the same way
14 as AMG Vanadium or Gulf, as a toll producer these effects
15 flow to Bear through its tollee customers.

16 For example, Bear lost significant tolling volume
17 and revenue in 2015 compared to 2014. Bear developed
18 budgeted volumes for 2015 ferrovanadium production based on
19 discussions with its tollees in late 2014, and these
20 budgeted volumes were in line with 2014, if not higher.

21 However, as our tollee customers faced
22 ever-worsening conditions in the U.S. market during the
23 course of 2015, they reduced their volumes of tolling
24 business at Bear, and our actual conversion volume ended up
25 far below our budgeted volume for that year.

1 Bear believes that these negative impacts on its
2 tolling business are a direct result of the injurious
3 effects experienced by tollees during 2015, and unfairly
4 traded subject imports were a central cause of that injury.

5 Bear also experienced significant employment
6 impacts as a result of these declines in its tolling
7 business, which we addressed in detail in the petition and
8 in our questionnaire response.

9 These effects in 2015 came on the heels of the
10 employment reductions that Bear introduced in 2013 and 2014.
11 In these ways, Bear experienced material injury as a result
12 of dumped imports of ferrovanadium from Korea.

13 I believe the information you collect in this
14 proceeding will support that fact, and I ask that you
15 consider these factors and those we will address in our
16 brief as you analyze the record evidence and prepare your
17 report to the Commission.

18 I look forward to answering any questions you may
19 have. Thank you.

20 MR. TOTARO: Thank you, Dave. Our fourth industry
21 witness will be Gerardo Valdes of Gulf Chemical and
22 Metallurgical Corporation.

23 STATEMENT OF GERARDO VALDES

24 MR. VALDES: Good morning. My name is Gerardo
25 Valdes. I am currently the Director of Metal Sales and

1 Catalyst Recycling Service for Gulf Chemical and
2 Metallurgical Corporation. I have been employed by Gulf for
3 four years. In my current position, I oversee the toll
4 production of ferrovanadium performed by Bear on Gulf's
5 behalf.

6 I also oversee Gulf's sales and marketing of
7 ferrovanadium, and I have direct contact with all of our
8 customers.

9 Gulf has been upgrading its production facility
10 in Freeport, Texas, since 1973. This facility manufactures
11 vanadium oxides, primarily vanadiumoxide or V205, through a
12 recycling process performed on vanadium-bearing waste
13 materials, including spent oil refinery catalyst.

14 Gulf acquires spent catalyst, which are
15 classified as K-171 and 172, hazardous waste, from oil
16 refineries in the United States and from some foreign
17 sources. Gulf's production process recovers several
18 different valuable metals from this catalyst, including
19 vanadium molybdenum, nickel, and cobalt. The vanadium is
20 recovered in the form of V205, which is converted by Bear
21 into ferrovanadium. And the molybdenum that Gulf recovers
22 is sold to producers of fresh refinery hydro treating
23 catalysts.

24 Gulf sells the ferrovanadium converted by Bear to
25 steel producers, which use it as a micro alloying agent to

1 improve strength and toughness in certain types of steel.

2 Due to our unique position in the U.S. industry,
3 the damaging effects on Gulf resulting from the depression
4 of published U.S. ferrovanadium prices in 2015, which the
5 petition demonstrated was linked to spot sales of Korean
6 ferrovanadium, have affected Bear as well.

7 That is because over the course of 2015, as
8 imports of Korean ferrovanadium increased and spot prices
9 plummeted, Gulf suffered substantial declines in its
10 revenue. In the face of these conditions, Gulf was forced
11 to reduce its tolling volume at Bear to significantly below
12 our projected volumes for 2015. And we committed to an even
13 lower volume for 2016.

14 Bear depends on Gulf for a significant portion of
15 its ferrovanadium tolling business. So these business
16 decisions that Gulf was forced to make had a direct effect
17 on Bear's revenues, as well.

18 In addition, Gulf's ability to process
19 vanadium-bearing spent catalyst from oil refineries has been
20 placed in jeopardy, as low-priced imports from Korea have
21 driven down the value of the vanadium in the United States.

22 When Gulf receives a shipment of spent catalyst,
23 it conducts an assay to determine the quantities of various
24 metals containing those materials, particularly vanadium.
25 Gulf charges the refineries an amount for recycling their

1 catalyst, which is a hazardous waste that would otherwise be
2 sent to a landfill.

3 Gulf reduces its recycling fee by a credit to the
4 oil refinery supplier based on the current market value of
5 the metals contained in the catalyst. When vanadium prices
6 decline, this reduces the amount that Gulf credits to the
7 refinery. If the market price for vanadium remains low,
8 Gulf expects that some of its refinery suppliers will
9 reconsider shipping their spent catalyst to Gulf for
10 recycling.

11 The less expensive option for these suppliers is
12 to dispose of them in landfills, which would have a damaging
13 environmental impact, in addition to impacting Gulf's
14 operation. Moreover, as these raw material supplies' issues
15 impact Gulf's V205 production volumes, the negative impact
16 flows down to Bear's closely tied ferrovanadium toll
17 conversion operations.

18 These events would place Gulf's ferrovanadium
19 business in jeopardy, as well as its overall recycling base
20 operations in Freeport, Texas.

21 Also, the 50 million investment in environmental
22 improvements that Gulf made in recent years would be lost.
23 Moreover, the value of the metals Gulf now recovers,
24 vanadium, molybdenum, nickel, and cobalt, would be lost from
25 the market only to be replaced with primary mined metals

1 which come at aq much higher carbon footprint and
2 environmental impact.

3 For these reasons, Gulf and the other VPRA member
4 companies believe that an affirmative determination in this
5 preliminary phase investigation is appropriate. We hope
6 that the Commission will impose import relief in order to
7 reduce the harmful economic consequences of subject imports.

8 Thank you for this opportunity to appear before
9 you today. I look forward to answering your questions.

10 MR. TOTARO: Thank you, Gerardo. Our next witness
11 is Jennifer Lutz from Economic Consulting Services.

12 STATEMENT OF JENNIFER LUTZ

13 MS. LUTZ: Good morning. I am Jennifer Lutz,
14 Senior Economist at Economic Consulting Services.

15 There are a number of conditions of competition
16 that are distinctive to the U.S. ferrovanadium market.
17 These conditions of competition were cited by the Commission
18 as far back as its investigation on ferrovanadium in the
19 late 1990s, and continue to be relevant today.

20 Ferrovanadium is used almost exclusively in the
21 steel industry to make certain types of steel. Thus, demand
22 for ferrovanadium is determined by the volume of production
23 of those types of steel.

24 Because demand for ferrovanadium is a derived
25 demand, consumption follows the cyclical trends of the steel

1 industry. U.S. production of steel fell in 2015. As
2 ferrovanadium is added to steel in only extremely small
3 amounts, the demand for ferrovanadium is price inelastic.
4 That is, a decline in the price of ferrovanadium generally
5 does not cause the volume of ferrovanadium consumption to
6 increase.

7 There are few substitutes for ferrovanadium, but
8 substitution is highly limited. Ferrovanadium from all
9 sources is highly interchangeable. Although there are
10 different grades of ferrovanadium, as you heard from the
11 witnesses, the Commission has repeatedly found that
12 ferrovanadium from all sources is interchangeable and that
13 steel producers can generally use ferrovanadium of different
14 grades.

15 Given the high degree of interchangeability among
16 sources, ferrovanadium is sold primarily on the basis of
17 price. In previous investigations, the Commission has found
18 that price is an important factor in purchasing decisions,
19 with all responding purchasers citing price as a major
20 factor in choosing a supplier.

21 There is widespread knowledge of prevailing
22 ferrovanadium prices in the market. As you have heard
23 today, ferrovanadium prices are published in a number of
24 sources with the publication titled CRU Ryan's Notes being
25 the most widely used in the United States.

1 Furthermore, contracts normally contain pricing
2 formulas that use such published prices as benchmarks,
3 causing changes in the prevailing spot prices to affect
4 contract prices quickly.

5 Most purchasing in the U.S. market is done on a
6 contract basis, and even a relatively small volume of
7 low-price spot sales can have a significant impact on the
8 earnings of the industry.

9 Many domestic and import suppliers compete in the
10 U.S. ferrovanadium market. These include two U.S.
11 producers, one of which toll converts vanadium pentoxide
12 into ferrovanadium for other parties. Suppliers also
13 include multiple import sources.

14 Due to generally strong demand in the U.S. market
15 relative to other markets and the existing antidumping duty
16 orders on imports of ferrovanadium from China and South
17 Africa, ferrovanadium prices in the U.S. market tend to be
18 higher than prices in other markets, making it very
19 attractive.

20 The volumes of subject imports increased
21 significantly over the period of investigation from
22 approximately 784,000 pounds in 2013 to 1.7 million pounds
23 in 2015, an increase of 113 percent. This increase occurred
24 during a period when U.S. consumption of ferrovanadium
25 declined.

1 The subject imports increased from 10 percent of
2 total imports in 2013, to 25 percent in 2015, and more than
3 doubled their market share.

4 In contrast, nonsubject imports declined in
5 volume and market share.

6 How did subject imports increase their presence
7 in the U.S. market? By selling at very low prices. The
8 imports from Korea are sold largely on the spot market, and
9 are directly responsible for a number of the reported
10 changes to the published prices in 2015, which led directly
11 to lower revenues for the domestic industry.

12 As you have heard, contract prices in this market
13 are generally tied to published spot prices, mostly commonly
14 the Ryan's Notes' prices that are shown in the handout that
15 you should have received.

16 It is clear from this chart that prices fell
17 modestly during 2013 and 2014. However, in 2015 as subject
18 imports increased significantly in volume, prices plummeted,
19 falling by 50 percent. Petitioners believe that these
20 declines are linked directly to the subject imports, and
21 provided detailed evidence to support this belief in a
22 series of affidavits attached to the petition.

23 The low sales prices for the subject imports are
24 apparent in the pricing data, and the record shows mixed
25 underselling. Given that the subject imports were sold

1 largely on the spot market and contract prices are set at a
2 discount to the published spot prices, we didn't expect to
3 see underselling at all.

4 As you've heard today, the increasing volume of
5 subject imports sold at very low and declining spot prices
6 has injured the domestic industry. You have heard about the
7 effects on employment, operations, and profitability.

8 Profitability in particular was affected as spot
9 prices fell sharply during 2015. Although the details are
10 proprietary, more company-specific information is provided
11 in the petition at pages 34 to 37. Thank you, and I would
12 be pleased to respond to any questions.

13 MR. TOTARO: Thank you, Jennifer. Before we
14 conclude, I would just like to mention a few points
15 regarding threat of material injury. Although we believe
16 that the record is clear with respect to present material
17 injury, petitioners also believe that there is a reasonable
18 indication of threat of material injury by reason of subject
19 imports.

20 Several factors support this determination as
21 well. First, the doubling of the volume of subject imports
22 from 2013 to 2015 and the increase in their market share,
23 clearly represents a significant rate of increase in both
24 the volume and market penetration of subject imports. And
25 this indicates that increased subject imports are likely.

1 Second, the likelihood of increased subject
2 imports is also reflected in the existence of other large
3 export markets for Korean ferrovanadium from which shipment
4 volumes can be shifted. And while I cannot address this
5 information publicly, the questionnaire responses submitted
6 by the Korean ferrovanadium producers, including data on
7 capacity utilization and projections for 2016 and 2017,
8 support a determination that continued increased subject
9 imports are likely in the future.

10 Third, again without getting in proprietary
11 data, the inventory information reported by U.S. importers
12 of Korean ferrovanadium support an affirmative threat
13 determination.

14 Fourth, the subject industry has access to large
15 and varied sources of vanadium raw materials from China to a
16 large extent, but not exclusively, and this too would
17 facilitate increases in subject imports.

18 Fifth, subject import prices, spot sales
19 specifically, have had a significant depressing or
20 suppressing effect on domestic prices during 2015. These
21 documents that affect are likely to continue and thus,
22 demand for low priced Korean ferrovanadium in spot market
23 will likely remain strong.

24 Finally, as we discussed, domestic producers'
25 ability to source adequate raw materials becomes

1 increasingly complicated with vanadium prices are low. And
2 this, too, increases these producers' vulnerability to
3 increase subject imports. That concludes our direct
4 presentation. We look forward to your questions.

5 MR. MICHAEL ANDERSON: Thank you, Mr. Totaro,
6 and for all of you for being here today, coming to the ITC
7 in Washington to give us your testimony and your insights on
8 your industries. It's been very helpful. We would like to
9 turn to our staff now to ask a few questions, and we'll
10 start with our investigator, Keysha Martinez.

11 MS. MARTINEZ: Good morning. Thank you for
12 being here today. I might skip around a little bit, but as
13 a preliminary matter, do you believe we're missing anyone
14 major from our importer or producer data set?

15 MR. TOTARO: No, not that I know of. We can
16 confer later and go through the list, but Jennifer, do you
17 know --

18 MS. LUTZ: Well, I think we've covered all of
19 the Korean production that we're aware of, and the importer
20 questionnaire data provides pretty good coverage, I think,
21 but there's still some volume that is unaccounted for, but
22 it's well over half, and probably three-fourths of the
23 volume in 2015.

24 MS. MARTINEZ: Thank you. During your testimony
25 we heard a lot about your decisions to make facility

1 improvements and investments. Can you please elaborate on
2 the market trends at the beginning of the period that would
3 seem encouraging to you to go ahead and make those
4 investments?

5 MR. TOTARO: If you look back at steel capacity
6 utilization of 2013 and 2014, and also the ferrovanadium
7 market in the U.S. as a net import market, you do need
8 imports coming to the U.S. to cover the demand of all the
9 steel companies. So we felt that there was room for us to
10 make expansions. I noted that we made a furnace expansion
11 which pretty much doubled our capacity at our facility, and
12 we were able to move that material into the market in 2014
13 and also in 2015.

14 Now we plan to do more expansions in that regard
15 to improve handling of our feed systems. There was some I
16 think in the questionnaire, we described some other things
17 that were computer related that would improve efficiencies
18 and things like that. So we saw, based on past history,
19 that we'd be able to support this.

20 MS. MARTINEZ: Thank you. You mentioned that
21 global vanadium prices declined. Can you just elaborate a
22 bit on what this was driven by? Would you say this was by
23 the Koreans or the steel industry demand or --

24 MR. TOTARO: I think a number of our witnesses
25 could address that. There were multiple factors involved in

1 the global pricing trends. Does anyone want to jump in on
2 that? Mark, you want to start?

3 MR. MARK ANDERSON: And again, if you look at
4 the global ferrovanadium pricing, it did drop off. If you
5 look at the second half, especially the fourth quarter of
6 vanadium pricing in the U.S., like we said, it usually sells
7 to a slight premium to the global market because in that
8 import market you are seeing material come in. China and
9 South Africa cannot import to the U.S., so there has
10 normally been a slight premium in the U.S. to the rest of
11 the world.

12 However, late in the fourth quarter that
13 flopped, where pricing in the EU was actually higher than it
14 was in the United States. That's why we felt that there was
15 excess material coming here from Korea is being sold at dump
16 prices, because normally, since I've been in the industry in
17 the last eight plus years, we've never seen that flopped
18 where EU is at a higher price than it is in the U.S.

19 MR. TOTARO: Does that address your question?
20 Or gonna have other witnesses?

21 MS. MARTINEZ: No, that was very helpful. Thank
22 you. So I guess, you know, speaking of the global market,
23 according to the Global Trade Atlas statistics, Korean
24 exports of ferrovanadium to Europe, particularly the
25 Netherlands, increased market leads during the period as

1 well. Do you have any comment on that? On the European
2 market or -- how would you characterize the -- are there any
3 factors that you know of that may have contributed to this?

4 MR. TOTARO: We saw that, as well, that the high
5 volumes from Korea going into Europe, as well as the United
6 States. And you know, as steel industry demand, as far as
7 we can see from crude steel production, was declining in
8 Europe, as well as the United States. So this was maybe
9 just another example of a Korean material being sold into a
10 declining market. We see that as the existence of that
11 other market as a factor increasing the threat that U.S.
12 imports could rise in 2016.

13 But as far as other factors affecting demand in
14 Europe, I don't know if anyone else has any other comments
15 on that. Does that cover it? That's about as much as we
16 know from the outside.

17 MS. MARTINEZ: Okay. Thank you. If you produce
18 multiple products on shared equipment, how quickly can you
19 shift production from ferrovanadium to other products? And
20 how do you allocate the available capacity among the
21 different products?

22 MR. TOTARO: I think this is a question for
23 Bear, but you know, as much as we can answer in a public
24 forum we will, but any more detail, we can address in the
25 brief.

1 MR. CAREY: This is David Carey. Yeah, it is
2 possible for us to shift our production from the
3 ferrovanadium to the ferro molybdenum. We can address the
4 timing of that in the briefs. As far as capacity, we can
5 address the exact numbers in the briefs, as well. But I
6 would state that the ferrovanadium production for Bear is
7 our target production. It is more profitable for us, so we
8 --replacing that with the ferro molybdenum is not a direct
9 one pound for one pound replacement in revenue, and that can
10 be explained in the brief, as well, that you would need a
11 significantly larger amount of ferro molybdenum to replace a
12 loss of conversions in ferrovanadium.

13 MS. MARTINEZ: Okay. Thank you. That was very
14 helpful. I'm going to pass it on down for now. Thank you.

15 MR. ANDERSON: All right. Thank you. Turn over
16 to our attorney, Mary Jane Alves.

17 MS. ALVES: Good morning. Thank you. My name
18 is Mary Jane Alves, and I'm from the General Counsel's
19 Office. Thank you to all the witnesses for participating
20 this morning. You've already been extremely informative.
21 You've already answered some of my questions. So I'm going
22 to apologize as well. I may be jumping around a bit, but
23 it's due in part to the fact that you've already answered
24 some of my questions.

25 Let me start with a fairly straightforward first

1 question. I understand that in response to a Department of
2 Commerce question, that whether the Vanadium Producers and
3 Reclaimers Association is an interested party. You
4 responded that the members of the association are domestic
5 producer AMGV, domestic producer Bear, wholesaler Gulf, and
6 wholesaler Evraz Stratcor. Are there any other firms that
7 are members of the association? Or is the association
8 limited to those firms?

9 MR. TOTARO: Just those four.

10 MS. ALVES: Okay. Thank you. In the petition,
11 Volume 1 at Page 29, you argue that subject imports depress
12 prices for the domestic like product. Ms. Lutz, this
13 morning, you mentioned that the data also indicate mixed
14 overselling and underselling which you characterize as
15 unexpected. Either here, I realize it's a public forum, or
16 in your post conference brief, can you take a closer look at
17 the underselling and overselling data for us? And can you
18 also respond to the notion of whether or not you are also
19 arguing that subject imports are suppressing prices of the
20 domestic like product to a significant degree as well?

21 MS. LUTZ: We can address in the brief. I think
22 that the price depression is so obvious from, for example,
23 the Ryan's Notes chart that I'm not sure I consider price
24 suppression too much.

25 MS. ALVES: Under the statute, we need to look

1 at all of them, so I'm trying to make sure that we're
2 complete and I want to give you the opportunity to comment
3 on that issue, so if you could take a look at it. If you
4 have nothing further to add to that, that's fine. But I
5 just want to make sure that I've covered that base so --

6 MR. TOTARO: We'll run through that in the
7 brief. Through both considerations.

8 MS. ALVES: Great. Okay. That brings me to my
9 next question. I understand your argument with respect to
10 the effect of spot market prices on contract prices. My
11 question for you is, is there competition only in the spot
12 market from subject imports from Korea, or are you also
13 seeing competition in the annual contract market from
14 subject imports from Korea?

15 MR. MARK ANDERSON: This is Mark Anderson. As
16 far as I'm aware, it's Korean materials only in the spot
17 market. I'm not aware of Korean material participating in
18 the contract sign.

19 MR. TOTARO: Gerardo, you have anything to add?

20 MR. VALDES: This is Gerardo Valdes. I agree
21 with Mark's statement. I believe that for contract, it's
22 mostly U.S. producers and Korean material is mostly for spot
23 market.

24 MS. ALVES: Okay, do either of you, Mr. Valdes
25 or Mr. Anderson, have a sense why there isn't participation

1 in the contract market by imports from Korea?

2 MR. VALDES: I can only think that maybe our
3 customers feel more comfortable with U.S. producers and they
4 don't want to rely on that long lead time maybe. But it's
5 just part of my thinking process, but I don't want to
6 speculate here, so --

7 MS. ALVES: And in the prior proceedings
8 involving subject imports from China and South Africa, and I
9 realize there's no longer an order on imports from Russia,
10 was it your experience that there was competition in the
11 contract market by imports?

12 MS. LUTZ: This is Jennifer Lutz, and I can just
13 comment from working on the Sunset Review, that South Africa
14 was involved in both the contract and the spot market, and I
15 don't remember what the case was with respect to China.
16 Those orders are ten plus years old, so I don't know if
17 anybody --

18 MR. TOTARO: We can take a look back at the data
19 from back then and comment in the brief.

20 MS. ALVES: Okay.

21 MR. TOTARO: I think that was very early 2000's.

22 MS. ALVES: Correct. Okay. And the currently
23 are you experiencing any competition in the contract market
24 by imports from non-subject sources?

25 MR. MARK ANDERSON: This is Mark Anderson. We

1 do. We see competition on the contract side from the Czech
2 Republic, from Russia, so they do compete in the contract
3 side of this business, and Austria as well. Yes.

4 MS. ALVES: Okay. And those imports are also
5 competing in the spot market as well?

6 MR. MARK ANDERSON: Yes. You see some of those
7 in the spot market as well. Not Austria, you do not see in
8 the spot market, but Russia, Czech Republic, you do see in
9 the spot market.

10 MS. ALVES: Okay. Thank you. Mr. Totaro or any
11 of the witnesses, respondent's counsel this morning argued
12 that there was a decline in prices for oil, that then drove
13 a decline in steel making, that in turn drove a decline for
14 demand for ferrovanadium and in turn ferrovanadium prices.
15 His argument is that it was this development, as opposed to
16 the subject imports from Korea that was influencing the
17 prices of ferrovanadium in the U.S. market.

18 MR. TOTARO: Right. I guess I made two points
19 in the response to that. Number one, steel industry demand
20 is one factor that influences the ferrovanadium pricing, but
21 it's not the only factor. And you know, I've read as well
22 that the oil price/steel production connection does exist.
23 But there are other factors, such as scrap pricing, iron ore
24 pricing and several different other factors that go into the
25 ferrovanadium pricing. So there's that on one hand.

1 And on the other hand, if there was a decline in
2 prices, the decline in prices, the pace of that decline in
3 the United States, we saw and documented in the affidavits
4 as really set by the Korean prices. And as I said in my
5 opening, we believe the prices in 2015 would have been lower
6 than in 2014 due to these variety of other factors, but that
7 the decline would not have been as sharp, but for the
8 aggressiveness of the low prices set by the Korean, so it
9 was of the Korean product which, not riding the wave, but
10 setting the trend of further increases -- or decrease after
11 decrease in the published prices.

12 MS. LUTZ: Just to add a little context. I
13 don't have the exact numbers here, and we'll provide more
14 information in the brief, but I think we could all agree
15 that 2009 was not a stellar year for the global steel
16 industry. The beginning of 2009, Ryan's Notes prices were
17 at about \$12.75 a pound. The hit a low of \$8.55 a pound in
18 May and then started to increase again and by the end of the
19 year were almost \$11.00 a pound. So the price fall was not
20 nearly as sharp, did not fall as low, and recovered much
21 more quickly than we're seeing now.

22 MS. ALVES: Thank you. That's helpful. And if
23 you could keep this in mind, as you're drafting your post
24 conference brief, the Commission needs to insure that it's
25 not attributing any injury from other factors that may be

1 causing price declines to the subject imports. So, to the
2 extent that you can tease this out more fully in your post
3 conference brief, please go ahead and --

4 MR. TOTARO: Sure, we will definitely will.

5 MS. ALVES: Thank you. I also wanted to follow
6 up. You mentioned this morning, I think there was also a
7 reference in the petition as well, you are suggesting that
8 the U.S. market is attractive for a couple of reasons,
9 including ordinarily higher prices than other markets due to
10 part to the existence of the orders on imports from South
11 Africa and China.

12 But you also suggest that there's a higher use
13 of ferrovanadium by the U.S. steel-making industry? Do you
14 have any explanation for why that's the case relative to
15 other markets?

16 MS. NEAL: I'm Jane Neal, AMG. What we know is
17 that U.S. steel manufacturers produce more vanadium bearing
18 steels going into things like rebar, construction bar
19 materials, and while some of the other foreign steel makers
20 and countries are slowly increasing that steel intensity --
21 which is the terminology that is used -- the U.S. industry
22 has for a long, long time has been the leader in that
23 regard.

24 MS. ALVES: Okay. Any of the other witnesses?
25 Okay. Thank you. Those were all the questions I have at

1 this point. Thank you very much.

2 MR. MICHAEL ANDERSON: Okay. Thank you. And
3 now we'll turn to our economist, Ms. Breaux.

4 MS. BREAU: Good morning and welcome. My name
5 is Michele Breaux. I'm from the Department of Economics.
6 So my questions -- I'm going to start out with -- it's
7 mentioned in the petition, and earlier in testimony about
8 Ryan's Notes. Particularly I want to know about how Ryan's
9 Notes collects and reports on prices, so what I want to know
10 is, how do your companies report prices to Ryan's Notes, and
11 are these prices ever verified?

12 MR. MARK ANDERSON: This is Mark Anderson.
13 Ryan's Notes publishes pricing twice per week. And it's my
14 understanding that he calls around to all the different
15 participants within the industry. He calls myself on
16 Tuesdays and Thursdays. I'll let everybody else speak for
17 themselves. I think he calls all the traders that he can
18 reach in the U.S. and just asks, 'Have you done any
19 business? What are you thinking pricing is?' If you've
20 concluded a business, sometimes he'll ask for a copy of the
21 purchase order. I tend not to try to share those. I feel
22 that those are privileged to us, but we tell him that, 'Hey,
23 we conducted a truckload sale at like \$10 per pound V' and
24 he polls everybody else within the industry and then comes
25 up with his pricing for that day.

1 MR. TOTARO: Gerardo, you have anything to add?

2 MR. VALDES: I agree with Mark's statement.

3 Gerardo Valdes. I agree with Mark's statement. We don't
4 participate too much in the spot market, so when I talk to
5 CRU, it's mostly just to what I'm seeing in the market. But
6 we don't participate too much, so there's not much price
7 sharing, but they do have a methodology on how to set the
8 price. Maybe we could include in the brief.

9 MS. BREAUX: All right. Thank you very much.

10 And also mentioned earlier that contracts are set in
11 relation to Ryan's Notes, particularly through discount
12 formulas. So my question would be, is there a set bottom
13 price that is ever enforced? Or is it just -- do contracts
14 just fluctuate?

15 MR. MARK ANDERSON: This is Mark Anderson. We
16 can discuss that part in the brief.

17 MS. BREAUX: All right. My next question I have
18 is -- I understand from earlier testimony that ferrovanadium
19 makes up a small part of steel, but is there ever a
20 surcharge on the price of steel that accounts for the
21 fluctuation and prices of ferrovanadium? If you need to
22 answer that in the brief, that's fine as well.

23 MS. NEAL: To the best of our knowledge, and I
24 worked in the steel industry for about twenty years before I
25 joined AMG, and it's such a small component of the cost

1 structure for steel, that I can't imagine it would ever
2 generate such a mechanism.

3 MS. BREAUX: So are there any known differences
4 in the raw materials used by Korean producers of
5 ferrovanadium versus the U.S. producers of ferrovanadium?

6 MR. TOTARO: I'm not aware of any and as far as
7 we can tell from our research, the production methodology
8 used by the Korean producers is very similar to Bear's and
9 so we think the, as far as vanadium pentoxide being the key
10 input in conversion of V2O5 into ferrovanadium being the
11 production methodology. Anyone else have anything to add to
12 that?

13 MS. BREAUX: All right. It was also mentioned
14 that the U.S. producers of ferrovanadium is highly
15 interchangeable with Korean produced ferrovanadium. But
16 what I want to know, is that -- are there any advantages to
17 buying U.S. produced ferrovanadium versus Korean
18 ferrovanadium?

19 MR. TOTARO: Do you mean from a physical
20 metallurgical point of view?

21 MS. BREAUX: Either a physical point of view or
22 from just the eyes of your purchasers, like what do they
23 have -- reap any benefits from buying U.S. produced
24 ferrovanadium versus Korean ferrovanadium?

25 MR. CAREY: This is Dave Carey. Chemically and

1 metallurgically the material would be the same, so it would
2 be completely interchangeable. The advantage would be from
3 the supply chain side of it, the timing and the lead time of
4 delivery from Korea, and being able to package locally and
5 service local mills quicker, with a faster turnaround.

6 MS. BREAUX: Okay. Thank you. So my last
7 question deals with the different grades of ferrovanadium.
8 Are there any differences in prices that we will see between
9 the different grades of ferrovanadium? And what drives
10 those differences?

11 MR. TOTARO: Jane can elaborate on this, but the
12 short answer is no. That both products are sold on the
13 basis of the value of the contained vanadium. So it's a
14 price per pound V and I think you can see some of it into
15 that in the affidavits included in the petition. And we can
16 elaborate on that specific point in the brief, but I don't
17 know. Jane, you have anything to add to that?

18 MS. NEAL: No, you --

19 MS. BREAUX: All right. Thank you. That's all
20 I have.

21 MR. MICHAEL ANDERSON: Okay. Thank you. And
22 we'll turn the microphone over to Mr. Yost now.

23 MR. YOST: Thank you very much. I join with my
24 colleagues in expressing my appreciation for the testimony
25 you presented today and for the other written materials

1 you've provided us. I have one question for Mr. Valdes.
2 Have any of the petroleum refining companies ever cancelled
3 their recycling contracts? Because of low prices for the
4 recycles catalyst?

5 MR. VALDES: We recycle two types of catalyst,
6 one that is very heavy in vanadium and very little
7 molybdenum or no molybdenum and one type that is very high
8 in molybdenum and little vanadium to no vanadium. On the
9 vanadium side, we haven't experienced that because there are
10 more long-term contracts. On the molybdenum side that have
11 little vanadium, we have seen that -- suppliers going to
12 that route of either not recycling and going to a landfill
13 or doing something different with it. So we can only think
14 that it is the same thought process that they're doing
15 because to them it is the same hazardous waste. So we're
16 seeing that as a very good possibility of happening, as
17 well, with the vanadium catalyst.

18 MR. YOST: So those companies do a calculation
19 based on what they can get for the recycled catalyst versus
20 what it costs them to landfill?

21 MR. VALDES: That is correct. Or we would
22 provide a proposal and they would just see the bottom
23 number. This much for recycling, this much for landfill,
24 and --

25 MR. YOST: I see.

1 MR. VALDES: -- company to choose that route.

2 MR. YOST: Okay. And you said that you recover
3 vanadium, molybdenum, nickel and cobalt. How do you treat
4 these products? Are they co-products or byproducts of your
5 recycling process?

6 MR. VALDES: At the end of our process, they're
7 products.

8 MR. YOST: I'm sorry?

9 MR. VALDES: At the end of our process, they are
10 just products. They're not byproducts. They're just --

11 MR. YOST: They're co-products then?

12 MR. VALDES: Yes.

13 MR. YOST: Okay.

14 MR. TOTARO: Well, could you clarify? Did you
15 mean co-products of the recycling processes -- that's your
16 question?

17 MR. YOST: Yes, so of Gulf production process,
18 are they -- they stand in equal weights, so to speak? The
19 analogy I always have in mind of co-products are dairy
20 produces milk, but it also produces cream.

21 MR. TOTARO: I guess Gerardo maybe -- tell me if
22 I'm characterizing this correctly -- is your question that
23 in relation to Gulf's production of vanadium pentoxide, how
24 does he characterize the recycling operation?

25 MR. YOST: Correct.

1 MR. TOTARO: Are they two separate operations?
2 The recycling operation and the V205 operation?

3 MR. VALDES: Oh, it's the same process. At the
4 end of the recycling process we end up with V205.

5 MR. YOST: Okay. And the other products that you
6 mentioned, are they part of that process?

7 MR. VALDES: We have two different processes. We
8 have a hydrometallurgical process which produces the V205
9 and the molybdenum trioxide. They run together and at the
10 very last step we are able to separate them so they need to
11 always be running at the same time. We cannot only produce
12 V205 and non-molybdenum we have to produce both and then we
13 have a separate process ferro metallurgical process for the
14 nickel and coal.

15 MR. YOST: Okay. Okay. Thank you very much.
16 That concludes my questions.

17 MR. MICHAEL ANDERSON: Thank you, Mr. Yost. Now
18 we'll turn it over to Mr. Houck, our industry analyst.

19 MR. HOUCK: Gerry Houck, Office of Industries.
20 Thank you all for appearing today and for your testimony.
21 There is a published price for V205 also, is there not?

22 MR. TOTARO: Yes, there is.

23 MR. HOUCK: And perhaps your industry witnesses
24 could tell us whether their purchases or acquisitions of
25 V205 is similarly driven by the Ryan's Notes or other

1 published prices for that product?

2 MR. TOTARO: I'm going to let the witnesses
3 elaborate, but I'm not sure that any of these companies
4 purchased -- well, I'll let them address whether they're --
5 the relation between the two.

6 MS. NEAL: This is Jane Neal. You know, similar
7 to Gulf, our primary source of raw materials is spent
8 refinery catalysts. And those catalyst pricing can be tied
9 either to the 205 pricing or ferrovanadium pricing. With
10 other raw materials, again, it all depends on the contract
11 and how it's written. Sometimes we're able to get it based
12 on ferrovanadium pricing and sometimes based on V205
13 pricing. So it's really a subject of the negotiation.

14 MR. HOUCK: Okay. I just wanted to inquire --
15 make one inquiry about your discussion of the U.S. Steel
16 Industry's consumption of vanadium. And I understand that
17 high strength rebar does use vanadium and is used maybe more
18 often in China than it is in this country. And I'm
19 wondering if you see a future increase in demand due to
20 possible increased consumption of high-strength rebar in
21 construction materials?

22 (PAUSE)

23 MR. TOTARO: Would you mind clarifying your
24 question? Was your question more about whether the
25 intensity of vanadium usage in steel production in China --

1 MR. HOUCK: No. My question -- I was just using
2 China as an example. But my question was more related to
3 the market for vanadium in the U.S. steel industry and
4 whether you see that as increasing or not as a -- and in its
5 relation to the total amount of steel produced?

6 (PAUSE)

7 MR. TOTARO: Well, I don't know whether there's a
8 quick answer that we can give at the conference, but we'd be
9 glad to give the more nuanced answer that I think your
10 question deserves in the brief, if that's all right.

11 MR. HOUCK: Okay. Thank you very much.

12 Let me -- let me move on to some logistical
13 operational type issues. I understand that the various
14 customers require different forms of packaging of the
15 ferrovanadium and that at least the last time I was involved
16 in one of these investigations the two principal forms or
17 cans and super sacks perhaps you'd like to -- could you tell
18 us now what form of packaging is common or most common for
19 your customers?

20 MR. MARK ANDERSON: This is Mark Anderson. Yes,
21 we see a variety of different packaging requests. We see
22 more and more people moving towards super sacks, 4,000 pound
23 material super sacks is common now. A lot of people are
24 changing systems over to bulk handling so they're dealing
25 with super sacks. Besides that we do cans, as you

1 mentioned, anywhere from 10-pound V material in a can to 25
2 pounds in a can. And we also do bags the exact same way,
3 10-12-and-a-half-pound bags, 15-pound bags, 25-pound bags.
4 And some people set them on their floor close to the furnace
5 so they want them put in a steel drum to protect the paper
6 bags. So there's just all kinds of different varieties of
7 packaging that we do at our facility.

8 MR. HOUCK: And can you tell me in terms of
9 pricing of the product, there's got to be some kind of a
10 price delta or increment for all that specialize packaging
11 as compared to bulk or super sacks; is that correct?

12 MR. MARK ANDERSON: Mark Anderson. That is
13 correct. The Ryan's Notes price in the U.S. is based on
14 25-pound V bags, X works warehouse. So if we would put it
15 in a ten-pound can, that would be more expensive than a
16 25-pound bag. So he nets that off. He says, okay, for
17 example, if a 25-pounds V bag packaging is 10 cents and you
18 charge 20 cents for the can, he takes off 10 cents and comes
19 up with a standard -- price.

20 MR. HOUCK: So you're saying that Ryan's Notes
21 somehow adjusts the actual pricing number that he gets to a
22 standardized packaging number; is that kind of what I'm
23 hearing? In other words, if he gets a report of a sale of
24 say super sacks, and then he would somehow adjust that to
25 what it would be in --

1 (SIMULTANEOUS CONVERSATION)

2 MR. MARK ANDERSON: Super sacks is three cents
3 and a 25-pound V bag is 10. He would add -- and you sold it
4 for \$10 he would make it 10.07.

5 MR. TOTARO: And we could -- actually just to add
6 to that, in one of our supplemental submissions to the
7 Department of Commerce we included the Ryan's Notes
8 specifications which specifically explained that the
9 expectation that the prices are being paired on certain
10 terms, one of which is the 25-pound bag packaging basis.

11 MR. HOUCK: Yes, we're aware of that.

12 Can you tell me, do you have any knowledge of
13 what packaging form the material that's coming in from the
14 Korean producers is arriving in this country? Is it coming
15 in, in super sacks or bags, or --

16 MR. TOTARO: Well, the information we included in
17 the petition from ships' manifest data indicates -- and from
18 the Korean producers' websites indicates super sacks and
19 drums, but as I say, the number one Ryan's Notes makes their
20 adjustments and there may be repackaging that's occurring in
21 the United States.

22 MR. HOUCK: Right. So are you saying that the
23 Korean producers maintain inventory of warehouses in the
24 United States at which repackaging is occurring from
25 whatever the form that it's imported in?

1 MR. TOTARO: I think the answer would be the
2 training companies involved in those sales would be doing
3 the repackaging.

4 MR. HOUCK: Excuse me?

5 MR. TOTARO: I think your question was, do the
6 Korean producers maintain warehouses in the United States to
7 do the repackaging? And my answer was, no, I think that
8 it's the trading companies involved in those sales.

9 MR. HOUCK: Ah, yes, the trading companies are
10 contracting with warehouses in this country to repackage the
11 material for delivery to the customers, is that what I'm
12 hearing?

13 MR. MARK ANDERSON: This is Mark Anderson. That
14 is correct, yes.

15 MR. HOUCK: Good. Okay. Thank you, that's all
16 the questions I have.

17 MR. MICHAEL ANDERSON: Thank you, Mr. Houck. And
18 now we'll turn the time over to our supervisor investigator,
19 Mr. Corkran.

20 MR. CORKRAN: Thank you very much. And thank you
21 very much to the panel for your presentation today. It's
22 been very enlightening for me. I certainly appreciate it.
23 My colleagues have covered many of my questions, so the ones
24 I have will bounce around a little bit.

25 One question I had was I wanted to clarify a

1 point of testimony by Mr. Carey. Mr. Carey, you had
2 testified that Bear in its role as a toll processor had
3 increased its capacity but that also during this period you
4 had seen a decline in employment. Can you talk a little bit
5 about the relationship between the two where you are
6 increasing capacity and ultimately reduced employment?

7 MR. CAREY: This is Dave Carey. Are you
8 referring to the capital that we invested or investments to
9 increase capacity?

10 MR. CORKRAN: Yes. You opened your testimony
11 talking about your investment and the impact that had on
12 capacity.

13 MR. CAREY: Yeah, most of the investments that
14 Bear did during that period were related to replacing worn
15 equipment, industrial hygiene improvements and environmental
16 improvements. As Mark had mentioned earlier, in 2013 we
17 noticed that it was a more comfortable environment. We felt
18 more confident to make those types of investments, so we
19 were able to replace some furnaces, do other improvements
20 that had been delayed up to that point.

21 Unfortunately, things didn't turn out. We did
22 end up reducing our headcount over the period of review.

23 MR. CORKRAN: Okay. Thank you very much. I
24 appreciate that.

25 Looking at the prices for ferrovanadium the

1 decline in 2015 is indeed striking. Can you discuss similar
2 price trends fro vanadium pentoxide over this period?

3 (PAUSE)

4 MR. TOTARO: We definitely -- that's information
5 that the companies do track. So they don't have it
6 available today, but we can make a presentation in the brief
7 that will give you that information. Because it is another
8 price that the Ryan's Notes publication tracks. So in every
9 issue where there's a ferrovanadium price, there's a
10 vanadium pentoxide price too. So we can provide those -- a
11 graph just like we did for ferrovanadium for V205.

12 MR. CORKRAN: Thank you. I think that would be
13 really helpful. I was looking back at the last sunset
14 report that was done on ferrovanadium and for example one of
15 the price -- collection of price series that we showed was
16 price trends for ferrovanadium and vanadium pentoxide and
17 generally they maintained a fairly similar spread between
18 about mid-2010 and mid-2014. I'm just curious to see
19 whether that spread had remained much the same and to what
20 extent vanadium pentoxide prices and ferrovanadium prices
21 are related.

22 MR. TOTARO: Sure. We'd be glad to address all
23 those points in the brief.

24 MR. CORKRAN: Another question I had was looking
25 at these price trends, I believe -- and please correct me if

1 I'm mischaracterizing, but I believe the testimony this
2 morning was that the introduction of increasingly large
3 volumes of imports of ferrovanadium from Korea was
4 contributing to the declining price trend that was most
5 noticeable in 2015. Now, is that -- did I capture the
6 testimony correctly?

7 MR. TOTARO: Yes, that's correct.

8 MR. CORKRAN: One of my questions then would be,
9 Korea is not really new to this market. If you look back
10 into prior years again, and looking at the sunset report
11 that was most recently issued, Korea has been one of the
12 major suppliers in this market. Has there been something
13 that has changed about the way they participate in the
14 ferrovanadium market? Have the volumes been noticeably
15 greater than in earlier years such as 2011, '12, or going as
16 far back as 2008? It just seems that Korea is not a new
17 entrant to this market.

18 MR. TOTARO: That's true. Korea has been a
19 presence in the U.S. market for a number of years. And
20 since not long after the order went into effect on
21 ferrovanadium from China. And as the conveners observed,
22 that's not a coincidence. We believe that the flow of
23 vanadium to Korea for conversion to ferrovanadium began in
24 earnest around that time.

25 So, no, Korea is not a new entrant to the market.

1 In terms of what was happening differently in
2 2015 is, the Commission observed in the Sunset review which
3 covered part of the current POI that the prices that we
4 observed, we didn't observe the same kind of effects in 2013
5 and 2014. But there were different factors at play in 2015.
6 Maybe the witnesses could add something to that or Jennifer,
7 do you want to start that? But we can go more into it in
8 the brief, but what we saw in 2015 was this leadership in
9 the spot market and episode after episode of pushing the
10 market further down and increasing the volumes at the same
11 time that consumption was decreasing. Exactly why that
12 happened, we can put together some reasons or speculate in
13 the brief, but -- I don't know if anyone has anything to add
14 at this point.

15 MS. LUTZ: I think when we were discussing this
16 -- I mean, we discussed this in preparation for the hearing.
17 And certainly Korean volumes increased from 2013 to 2014 and
18 didn't seem to present a problem. Steel production
19 increased in 2014. Were they potentially underselling what
20 spot prices might have been otherwise? We don't know. They
21 didn't look into it because prices were high enough that it
22 wasn't as much of a concern. But when prices started
23 plummeting in 2015 and they started looking into who is
24 driving this, who is selling in the spot market, the answer
25 was always Korea. Yeah, I think you would have to ask them

1 why it changed.

2 MR. CORKRAN: Thank you. I appreciate that.

3 Is your contention that the price movements that
4 we see here, particularly in 2015, I think that's the focus
5 of the presentation, does that match up with say monthly or
6 quarterly import volumes from Korea? Were imports from
7 Korea increasing fairly steadily over 2015 or did they taper
8 off more toward the end of 2015?

9 MR. TOTARO: There was fairly steady volume of
10 imports from Korea but there were surges at different points
11 during the year, particularly in the very late 2015. I
12 believe it was November was an extremely high month. But
13 again, we can present the full trend of the volume line next
14 to the price line for the brief.

15 MR. CORKRAN: Thank you. You read my mind.
16 That's exactly the sort of information that I was looking
17 for.

18 Now, in terms of the threat, you indicated that
19 you believe that threat is a consideration for Commission.
20 How would you characterize prices though in 2016 as we stand
21 -- as we're looking at price levels in 2016, haven't we seen
22 a substantial recovery in terms of ferrovanadium pricing?

23 MR. TOTARO: Well, number one, yes, there has
24 been an increase. And relative to where the prices were in
25 December, yes, this is a substantial increase. But, I guess

1 I would say two things. Number one, as Jennifer mentioned
2 earlier, the prices have risen still to a point that is very
3 low compared to the beginning of 2015 and even compared to
4 the very difficult economic times in 2009. I guess a second
5 point would be that if anything, prices rising to the point
6 where they have now would create an even greater
7 incentive for further imports. I think that, you know, if
8 prices were to continue downward, if they could have, or if
9 it's staying at the \$5-6 range, I think that would present
10 much less of an incentive for an exporter to come to the the
11 U.S. market. But now they're rising at least a bit, I think
12 that that would be so we can increase the incentive to come
13 back to the United States.

14 MS. LUTZ: I would also add that, yes, prices did
15 start to improve in 2016, but you see the increase in
16 prices, the slope increasing after the filing of the case.
17 So some of this is -- we believe is a post-petition bump in
18 prices.

19 MR. CORKRAN: I always want to be careful when we
20 start to tie in the filing of the case with price trends. I
21 think we should probably all take a look at the price trends
22 up through the -- up through the filing of the case to make
23 -- I believe had prices turned around prior to the filing of
24 the case?

25 MS. LUTZ: Prices had started to increase,

1 certainly. But once the increases were much sharper after
2 the filing. I think a number of press reports have alluded
3 to at least some portion of this increase being caused by
4 the uncertainty created by the petition.

5 But, no, I wouldn't attribute all of the increase
6 to it, certainly.

7 MR. CORKRAN: Thank you very much. I appreciate
8 that.

9 The last question I have is I'm not entirely sure
10 that the data we have are 100 final, but based on the
11 testimony today and at least looking at preliminary import
12 numbers, one of the things that I wonder about is you look
13 at the price decline in 2015 and the overall changes in
14 volume and would it be fair to say that the magnitude of
15 changes in the capacity of the U.S. industry was of a larger
16 order of magnitude than any change in import volume that we
17 saw over between the period between 2013 and 2015? Is that
18 a fair characterization?

19 (PAUSE)

20 MS. NEAL: This is Jane Neal. I'm going to take
21 a start at this and then I may have Mark who does our
22 contract negotiations pick up on the thought.

23 I mean, we seem to making a very strong
24 correlation between the volumes and pricing. And I'm not
25 sure given that way that the market is organized that that's

1 really a fair comparison because we negotiate contract
2 prices once a year which really make up the bulk of
3 ferrovanadium market. And so, you know, when you look at
4 volumes and it's really the releases that the steel industry
5 make against those contracts, you know, as you're looking at
6 volume, those aren't driving the spot prices. It's the --
7 you know, it's the spot deals that are made outside of the
8 contracts which are inherently different. And so I'm a
9 little cautious about trying to make a -- you know, a direct
10 correlation between those two pieces of information.

11 MR. CORKRAN: Okay. I certainly appreciate that.

12 With that, I have no further questions, but I do
13 thank the panel very much for answering my questions.

14 MR. MICHAEL ANDERSON: Thank you, Mr. Corkran.
15 I'll just turn to my right to see if I have any additional
16 follow-up questions.

17 I just had two quick follow-up questions and I
18 appreciate your patience and my colleagues have done a very
19 able job on getting into some of the details that we needed
20 to find out today.

21 I would just encourage the panel and counsel to
22 follow up on Ms. Alves' question about comparing -- we heard
23 that you thought that decline in prices was steeper than it
24 should be given the slow in demand, and you compared it to
25 2009, but that was also the period, I think when a petition

1 was going on or close to -- there might have been other
2 factors going on in 2009. So for this period could you give
3 us a magnitude or some kind of information, what would the
4 different have been? You expected some decline in prices
5 given the slow down in steel demand, but you're saying that
6 the prices far exceeded what would be natural from a
7 downturn. So if you can compare it to another period where
8 you can give us a magnitude of what that difference is,
9 that's the first question.

10 And the last question is, it's you've made
11 argument today that the Koreans are the leaders in the
12 prices in the spot market. So if they're the price makers
13 in the spot market, and they're not, as I understand it
14 correctly, not participating in any meaningful way or at all
15 in the contract market, are they creating a new demand by
16 these lower prices in the spot market? Or are they
17 displacing your spot market sales and non-subject spot
18 market sales? If that's something you care to address now
19 or in your post-conference brief, that would be helpful.

20 MR. TOTARO: Well, we can definitely address that
21 in the brief. I don't know, does anyone have any -- like to
22 address that now or should we just get the more detailed
23 information in the brief?

24 MR. MARK ANDERSON: Mark Anderson. I think to me
25 it's been they've displaced us. I don't know, I can't talk

1 for the other producers, but I know we competed head to head
2 on a couple of spot purchases this year and we lost those to
3 Korean material.

4 MR. TOTARO: But, you know, as I say, we can add
5 to that in the brief.

6 MR. ANDERSON: Great. Thank you. That's very
7 helpful and I look forward to seeing your comments in the
8 brief.

9 And with that, I think that concludes our
10 question. And appreciate your patience and your indulgence.
11 And for your testimony it's been very helpful in
12 understanding the market and the product and very helpful
13 for the record. So thank you very much.

14 MR. MICHAEL ANDERSON: I think the--yes, the
15 Respondents panel will now have 30 minutes, and they need to
16 come forward. Mr. Maberry, if you're comfortable just
17 staying there, that might be easier for everybody. Are you
18 comfortable with--

19 MR. MABERRY: Very comfortable. Thank you, very
20 much.

21 MR. MICHAEL ANDERSON: Okay, thank you.

22 MR. MABERRY: I'm totally fine where I am, and I'm
23 totally fine where they are, as long as it's all right with
24 the panel.

25 MR. MICHAEL ANDERSON: I think that would be fine.

1 And whenever you're ready to proceed, please do so.

2 MR. MABERRY: Thanks again for having me, and
3 thanks again for accommodating me. I know it wasn't on the
4 original agenda. And as I said, there's a good story here,
5 and there's an empire that's under threat, and there's,
6 there's a little bit of a dilemma for me. I'm at a bit of a
7 disadvantage because we don't have all the same resources to
8 bring to bear here.

9 So, for example, if you're going to ask me
10 economic questions, I could guess at them but I won't be
11 able to answer them in as sophisticated a way as the
12 Petitioners panel.

13 So--and kind of along the lines of the way I'm
14 looking at this case at the moment, I don't have kind of
15 death star resources to fight the death star in this case,
16 so I'm going to have to find an exhaust port to shoot into.
17 But I think that exhaust port to shoot into has to do with
18 the cause of the price decline. And I think that's
19 something I'd like to kind of keep focus on her and
20 encourage the focus on for you.

21 And again, I don't have the resources at the
22 moment to do the regression analysis that would be required
23 to kind of quantify or even hint at the significance of the
24 correlations, but I know you have those resources and I
25 encourage you to think about them.

1 So the story that we're hearing includes several
2 elements that I think are very important. The first is the
3 demand crash. That crash in demand was preceded by a
4 dramatic crash in oil prices. And it was also coinciding
5 with a reduction in the demand--I mean, the reduction in, in
6 the output at least of steel.

7 And then you saw prices declining.
8 Interestingly, and I read this in the Petition, too, and we
9 heard testimony on it at least in two different spots today,
10 at the same time the U.S. industry was increasing its
11 investments, increasing its capacity, and now I understand
12 they were buying catalyst on long-term contracts.

13 So that to me is interesting. And if I were
14 sitting back as a lay person, as I really am in this case,
15 looking at those factors I'd say that's going to be very
16 injurious to the U.S. industry. And as you all rightly
17 pointed out, it's very important in this case not to
18 attribute any injury to the Korean imports that are really
19 attributable to things like crashing demand, increasing
20 capacity investment, decreasing prices, fixed input prices.
21 That adds up to injury.

22 So that's kind of the theme of what I'm
23 identifying in this case. I also want to address a couple
24 of points about the threat argument that was brought up at
25 the end of the direct remarks.

1 It is true, I noticed too, that the prices of
2 ferrovanadium are up. I also noticed that the price of oil
3 is up. And I'll bet we see an increase in consumers of the
4 product offering long-term contracts.

5 Now I don't have enough data in this case quite
6 yet at my disposal to determine or to tell you, but I think
7 what we'll find going through this case is that the ability
8 of the steel industry to offer long-term contracts is going
9 to be directly affected by its capacity, its demand, its own
10 factors.

11 And the desire of the consumer to buy on the spot
12 market is probably going to go way up when, when production
13 is down, demand is down, and those kind of things.

14 So that's kind of one point on threat. It's that
15 prices are up. It's probably related to demand going up,
16 just as prices going down is probably related to demand
17 going down.

18 I' also interested to hear that increasing prices
19 now compounds the threat of material injury to the U.S.
20 industry. If I heard that right, that was Mr. Totaro's
21 point at the end of his remarks, which to me is interesting.
22 I would be very interested to hear what's not a threat of
23 material injury, because I would think that if prices are
24 going to continue to slump and that's going to, you know,
25 continue to drive the U.S. producers out of the market, that

1 would be characterized as a threat of material injury, too.
2 So I'm not sure that increasing prices is a valid indicator
3 of threat of material injury.

4 Also, remember the references to 2009 trends--and
5 I want to kind of think about that a little bit. I think
6 the period that Ms. Lutz was talking about was May of
7 2008-09, maybe May of 2008. One thing to think about there,
8 why did--why did the prices of ferrovanadium in that period
9 not plummet as greatly as they did in the 2015 period?

10 Well, one thing to look at is oil prices during
11 that period. And oil prices at the end of '08, certainly
12 November 5th of '08, they were \$61.09 a barrel, I think. In
13 May of '09, they were \$51.75 a barrel. So there was a
14 decline, which may have caused a decline in demand, a demand
15 in steel production. But by June of '09, they were back up
16 to \$66,\$60 a barrel. And these spot markets are probably
17 very responsive to demand.

18 I suspect that the steel industry, though I'm not
19 an expert in that industry, is responding to what its demand
20 factors are. I think that probably again it is important to
21 figure out what elements of the price are attributable to
22 the subject matter imports, as we'd all agree.

23 All right. So kind of turning to my main points.
24 There are published prices of V205. You will see a decline
25 in those prices, too. You'll see a decline in global

1 ferrovanadium prices. There's a lot of testimony as to the
2 fact that there are multiple factors involved in that. But
3 you'll see that those declines are followed by the U.S.
4 buyers. And I think it's very important to check the timing
5 and the causation.

6 I also think that it may be important to test the
7 assertion that because the Korean imports were a greater
8 proportion of the U.S. spot market than any others, that
9 that somehow means that they were causing or driving the
10 changes on the spot market.

11 And it is also important I think to check the
12 world prices of ferrovanadium and the world prices of the
13 import V205. Because if those are going down, then I think
14 there's another factor for why the prices are going down.
15 If you've got declining demand for the end product, you've
16 got declining prices for the input product, you might have
17 reasons other than dumping for the decline in the price that
18 everyone is experiencing.

19 Now I think I heard the witness from AMG say that
20 their investment in new furnace capacity--I'm sorry if I'm
21 mischaracterizing this because I'm just going on what I
22 heard--doubled their capacity. And I think I heard them say
23 that that investment occurred in October 2014.

24 This was after the oil crash began. The oil
25 price in October 1st of 2016 (sic) was \$90.80. Coming down

1 from, from \$120.62 just several months before. And by the
2 end of October it was \$83.20, 10/31/16 (sic). So I think
3 you'll find that steel makers were decreasing production
4 during that period. The crash started in, earlier in that
5 year. Demand is decreasing. And here's where again I'm a
6 little hamstrung by the time that I had to be involved in
7 this case, but I think that--and I'll try to confirm this by
8 the time I'm writing my brief--but I think that our
9 customers by that time were ceasing to offer long-term
10 contracts, even to us, the Korean producers. And that our
11 customers were only buying from us on spot.

12 If that's not right, then at minimum there may
13 have been discounting involved in there because of that.
14 And I think I will try to clarify that a little bit in the
15 brief. But the main part of that story is that the U.S.
16 industry is going to very convincingly talk to the
17 Commission about the injury that they're suffering right
18 now, but doubling one's capacity in the period of declining
19 demand is a very substantial factor for injury--would be in
20 any industry.

21 Similarly, and again I apologize if I'm
22 mischaracterizing, but I think I understood the Bear
23 witnesses, witness, to be talking about replacing furnaces
24 during the last couple of years. That is Bear increasing
25 its capacity during the POI. I didn't get a sense of the

1 timing of that relative to the, let's say, June plunge in
2 oil prices, but I think it's important to look at that. And
3 even if not, I mean I'm not here to pass judgment on
4 investments. I don't know anything about them. But I would
5 say that while we're looking at injury factors, while we're
6 looking at why the U.S. industry is suffering, let's look at
7 their increases in capacity at the time, or around the time
8 that demand for their product is decreasing.

9 And even if the increasing capacity occurred
10 before the demand and is based on prices they were seeing
11 after the dumping orders on China and South Africa came into
12 effect, we're all stuck with the investments that we make.
13 And if the decline in prices is due to the decline in
14 demand, we can't attribute the injury that we're suffering
15 to the players that are playing in that same declining
16 demand market.

17 I would also point out that I think I understood
18 from Mr. Carey that Bear had some budgeting decisions to
19 make in December of 2014 in which they raised their budget
20 projections for 2015 and 2016, over 2014, and there again
21 that's 6, 8 months into the oil crash. And so at minimum I
22 think that means that whoever is making those budgeting
23 forecasts, they are looking back in 20/20 hindsight, I guess
24 I would say, there's research that says that declining oil
25 prices, declining steel production is going to lead to a

1 decline in demand for ferrovanadium.

2 I would say that whether or not those budget
3 forecasts were correct for what they were and when they
4 were, it is certainly going to be injurious to an industry
5 to do that, and to be increasing capacity if then the demand
6 is going to decrease. Because we're going to have a hard
7 time recovering on those investments, or getting return on
8 those investments, if our, if our demand is going to
9 decrease.

10 Similarly, I think I understood Mr. Valdes to say
11 that his company made investments in recent years.
12 Increased investment and decreased demand is going to cause
13 injury. That's going to be the case whether or not there's
14 imports. It's going to be the case, you know, whether or
15 not there's--where the imports are from.

16 He also mentioned that his ability to recycle
17 spent catalyst was endangered, which I think I understand
18 but I'm not sure that's an injury factor. I'm not sure that
19 that factor is something the Commission should be
20 considering in terms of injury to the U.S. industry. That's
21 maybe an environmental factor, but not necessarily an injury
22 factor.

23 I think the injury factor has to do with, with
24 the factors set forth in the statute. Moreover, when I
25 heard that I thought to myself, I'm going to be shocked if I

1 hear that the supply of spent catalyst is remaining steady.
2 I don't have any data on that, but it seems to me there's a
3 good possibility that the supply of spent catalyst is
4 probably going to decrease because, if I understand it right
5 from my understanding of the oil industry, catalyst is used
6 in the refining process. And the refining process is going
7 to be tied to oil demand. I'm not sure that's going to be
8 very strong.

9 I heard one thing in later testimony that may
10 help explain that. And that is, it seemed to me there were
11 long-term contracts in place for those. So it may be that
12 the purchase of spent catalyst, which is the input product
13 for, at least for Gulf on this product, they may be locked
14 into that. They may be locked into prices, which that's an
15 injury causation factor that is again independent of
16 imports.

17 And I want to turn to Ms. Lutz's testimony
18 because she made a few very important points, some of which
19 are equally indicative of alternative injury factors.
20 Importantly, she pointed out, rightly I think, that demand
21 relies on steel production, and that U.S. steel production
22 declined. And that essentially reduces the injury argument
23 to the decline was faster than we expected, or the decline
24 was faster than we wanted it to be.

25 And then that requires you, us all, to determine

1 whether that fulfills the injury factors of the statute. A
2 decline that's faster than we expected it to be. And most
3 importantly, that requires the Commission I think, if that's
4 true, that requires the Commission to tie the causation to
5 the Korean imports.

6 And that brings back I think the importance of
7 correlating the demand factors. And I think what you'll
8 find when you do that--that is, correlating the demand
9 factors with the price--and I think what you'll find when
10 you do that is that the, that the decrease and the speed of
11 the decrease all have to do with the demand, with what the
12 buyers were willing to pay, with the terms that the buyers
13 were willing to offer, and with how much they're buying on
14 the contracts, and how much they're buying on the spot
15 market. And those are I think the critical data for that
16 determination.

17 She also mentioned that there's a small volume of
18 spot sales in the United States, and that that's what
19 magnifies the Korean players' influence on the spot price
20 that's reported in Ryan's and in Metal Bulletin.

21 I'm not sure if that's a, if that's a causal
22 factor. And I'm not sure if Ryan's is reporting on more
23 than just U.S. prices, that that factor is going to be
24 determinative. So I think there's more data to be gathered.
25 I'm sorry I don't have this data, but there's more data to

1 be gathered on, on what geography of prices goes into, into
2 Ryan's pricing.

3 So I'll conclude by bringing us back to the story
4 that I think these data are going to tell, is a story of
5 real and live injury to the U.S. producers, but not by
6 reason of Korean imports; by reason of crashing demand,
7 increased capacity investment, decreasing prices, fixed
8 long-term input costs, and factors that are not by reason of
9 the Korean imports.

10 That concludes my statement. Thank you very much
11 for having me.

12 MR. MICHAEL ANDERSON: Thank you, Mr. Maberry, for
13 your comments. I think we'll jump into questions now from
14 staff, and we'll start with Keysha Martinez.

15 MS. MARTINEZ: Hi. Thank you for your testimony.
16 All of the questions I have are very technical, so I'm not
17 sure if you're able to provide any insight into the Korean
18 industry, or the whole market there. But if not, can you
19 please provide that in the post-conference briefs?

20 MR. MABERRY: I'll do my best, but as I said at
21 the outset, since I don't have an economist at this point,
22 and since I only have the conversations I've had with my
23 client, you know, in the last week or so, I apologize, but
24 I'll do my best in responding to that, but if you've got
25 specific questions I'll be happy to put them to the client

1 and see if we can come up with answers in the briefs.

2 MS. MARTINEZ: I only have a couple of questions
3 at this time. In your testimony you mentioned that the
4 Koreans are trying to compete in long-term contracts. If
5 you could, elaborate on that.

6 MR. MABERRY: So here again I have limited factual
7 information, but my initial understanding is that my client
8 at least has at least from time to time sought long-term
9 contracts with the buyers of its product. But at least in
10 recent months has been forced to go on to--go to spot sales.
11 So I don't have the details, but I'll try to seek those
12 details and give you a sense. But my overall sense of the
13 industry from that is that there may have been long-term
14 contracts with the Korean suppliers, but there may be fewer
15 of those now. I'll give you what data I can on my client's
16 participation in that regard in the brief.

17 MS. MARTINEZ: Thank you. And, yeah, just what I
18 mentioned earlier about preliminary data suggests that there
19 are some home market shipments in Korea. So any insight
20 into their market and what would drive them to export rather
21 than sell in the home market, and things like that. Any
22 details that you could provide would be helpful.

23 MR. MABERRY: I've made a note of it. I'll find
24 out, if I can.

25 MS. MARTINEZ: And you also spoke a lot about the

1 demand trends in oil, and how that feeds into steel down the
2 line. If you could also include in your post-conference
3 brief the data to strengthen that argument, that would also
4 be very helpful.

5 MR. MABERRY: I will, and that will probably be in
6 the nature of publicly available research and reporting.

7 MS. MARTINEZ: I don't have any more questions at
8 this time. Thank you.

9 MR. MICHAEL ANDERSON: Thank you, Ms. Martinez.
10 Now I'll turn to Ms. Alves.

11 MS. ALVES: Thank you. Good morning. Thank you
12 for your appearance this morning, Mr. Maberry. It's been
13 helpful. Again, it's Mary Jane Alves from the General
14 Counsel's Office.

15 Mr. Maberry, I wanted to focus on some legal
16 questions that are a predicate to the Commission's analysis.
17 First, do you have a sense of whether or not the Commission
18 should again be defining the domestic like product as
19 corresponding to the products that are described in the
20 scope, as it's done in prior proceedings?

21 MR. MABERRY: Good question. I don't have any
22 data that would gainsay that, that determination.

23 MS. ALVES: Okay. Also, with respect to the
24 domestic industry, in prior cases the Commission has defined
25 the domestic industry as producers of the domestic like

1 product. What is your position with respect to the domestic
2 industry definition?

3 MR. MABERRY: At this time I don't have any
4 problem with the definition of the domestic industry.

5 MS. ALVES: Okay. Alright. You've talked a lot
6 about ferrovanadium prices in the U.S. market relative to
7 global ferrovanadium prices, changes in the U.S. prices for
8 ferrovanadium. What is your sense of how large the U.S.
9 market for ferrovanadium is relative to the global market
10 for ferrovanadium?

11 MR. MABERRY: It would only be my sense. I don't
12 have a strong sense, but I do know that U.S. steel producers
13 are a very large portion of world steel producers. But I
14 don't have any numbers on it.

15 MS. ALVES: Okay. Could you take a look at that
16 for your post-conference brief?

17 MR. MABERRY: Sure.

18 MS. ALVES: To the extent that you're arguing that
19 global prices may be affecting U.S. prices for
20 ferrovanadium, I'd be curious to know what the relative
21 share is of the U.S. ferrovanadium versus the global
22 ferrovanadium market.

23 Also, there was some indication this morning that
24 producers in Korea may have the ability to shift their
25 exports from other markets to the United States. Is that in

1 fact the situation?

2 MR. MABERRY: I, I don't have data on that
3 question but I'll see if I can find it out.

4 MS. ALVES: Okay. Do the producers in Korea
5 utilize their production facilities to make other products,
6 as well?

7 MR. MABERRY: Yes. I know that my client make
8 other products, as well, but I don't know the products, and
9 I don't know the mix at this time. I'll do what I can to
10 fill that in for you.

11 MS. ALVES: Okay. To the extent that the same
12 production facilities are being used to make other
13 materials, if you could provide some additional information
14 about what those other products are, and what would
15 influence shifting back and forth between those products.
16 We've heard some testimony this morning about some of the
17 criteria that go into Bear's decision to produce products.
18 So if you could provide comparable information about your
19 client's production, as well.

20 MR. MABERRY: Will do.

21 MS. AVES: Is it your sense that imports from
22 Korea have increased in recent periods?

23 MR. MABERRY: Yes.

24 MS. ALVES: And has your client provided any
25 insight as to why there may have been a recent increase?

1 MR. MABERRY: I don't, I don't think I have the,
2 the range of reasons that, that would explain that but I
3 would be happy to address that, if I can.

4 MS. ALVES: Okay. Has there been any change in
5 pricing behavior by subject imports from Korea, particularly
6 in the recent periods beginning in 2015?

7 MR. MABERRY: I think generally during the period
8 of 2015 my client's, my client's prices to its customers
9 declined.

10 MS. ALVES: Okay. And is there any explanation
11 for why these prices declined? Why?

12 MR. MABERRY: My client's strong reaction is that
13 it is reacting to the demand. It is reacting to what the
14 customers are willing to pay.

15 MS. ALVES: Okay. Are there any differences in
16 terms of the products that are supplied by subject imports
17 from Korea compared to the products that are produced
18 domestically, the ferrovanadium products manufactured here?

19 MR. MABERRY: It appears in my own client's case--
20 I can't speak for the others, or the other--that the
21 majority of what we're selling into the United States is 80
22 percent contained ferrovanadium, and I think I heard some
23 testimony that some of the U.S. suppliers are supplying 50
24 or 55. I'm not sure I have any data to say that that's a
25 material difference.

1 MS. ALVES: Okay. And this morning Petitioners'
2 witnesses argued that, as the Commission has found in prior
3 cases, that pricing in this market is based primarily on the
4 contained ferrovanadium. Is it your experience, as well,
5 that that is the case?

6 MR. MABERRY: Yes.

7 MS. ALVES: Okay.

8 MR. MABERRY: Which suggests--and this is pure
9 speculation that I may or may not be able to substantiate,
10 not having an economist at hand--but, but it might be
11 cheaper for me to ship my 80 percent vanadium in general,
12 per ounce of contained vanadium, per pound contained
13 vanadium, than is the 55. But I can't--I can't prove that.

14 MS. ALVES: Okay. And do you have a sense of how
15 the imports from Korea are arriving at the U.S. border? Are
16 they in fact coming in in containers in sacks? Or--

17 MR. MABERRY: Don't know. I can check that for
18 you.

19 MS. ALVES: Okay. Okay, thank you. Those are all
20 the questions I have at this point.

21 MR. MICHAEL ANDERSON: Thank you, Ms. Alves. Now
22 we'll turn it over to our economist, Ms. Breaux.

23 MS. BREAUX: Good morning, and thank you for
24 coming here and testifying. My first question deals with
25 the link that you have between the oil prices plummeting and

1 then steel production plummeting as well. Are there any
2 other factors besides oil prices that go into steel
3 production, and the ebb and flow of that?

4 MR. MABERRY: Absolutely. I'm sure there are
5 multiple, multiple factors. All I can tell you about the
6 research that I've read is that a factor in steel production
7 is oil production that has to do with the demand for
8 pipeline, and for pipe and tube, and for OCTG. If there's
9 high oil prices, there's high, correspondingly high capital
10 investment, and a large portion of the capital investment
11 for an oil company or an oil field services company is
12 buying steel to build their pipes, and their rigs, and the
13 other things that go with them.

14 MS. BREAUX: Thank you. My next question deals
15 with raw materials. You mentioned--and this might be for
16 your brief later on because we're getting into the weeds of
17 business practices--but you mentioned that your clients in
18 Korea have a special relationship with purchasing Chinese
19 vanadium pentoxide. If you can provide any information on
20 how that works, particularly if they're buying it through
21 contracts, or on the spot market, and basically how they
22 procure their raw materials, that would be great.

23 MR. MABERRY: Sure. I will do. I would say I
24 wouldn't characterize it as special, at least in my
25 understanding. It's just a purchasing relationship. But I

1 understand the thrust of your question and I'll try to get
2 data for you, or facts for you as to whether we're buying
3 the V205 on long-term contracts or on the spot market.

4 MS. BREAUX: Okay. That concludes my questions.

5 MR. MICHAEL ANDERSON: Okay. Thank you. And, Mr.
6 Yost, the microphone is yours.

7 MR. YOST: Okay. Thank you very much.

8 Just to follow up on Ms. Breaux's question, is
9 Korvan a--they're buying the vanadium pentoxide. Are they
10 also acting as a toller? In other words, having the V205
11 supplied to them by let's say trading companies who then
12 take back the produced ferrovanadium?

13 MR. MABERRY: I believe it is, yes, a tolling
14 producer as well as purchasing V205.

15 MR. YOST: In your post-conference brief could you
16 lay out the approximate percentages of each type of--

17 MR. MABERRY: I'll do my best--

18 MR. YOST: --production in 2015?

19 (Pause.)

20 And what is the source of the vanadium pentoxide?

21 MR. MABERRY: We buy it from a Chinese supplier.

22 MR. YOST: From a Chinese supplier?

23 MR. MABERRY: Yes.

24 MR. YOST: Okay. None of it coming from the new
25 mines in Brazil?

1 MR. MABERRY: I'm not sure, but I don't think so.
2 And just thinking of my geography, I think it would be
3 easier to do it from China. But I'll double check for you,
4 but I don't think so.

5 MR. YOST: Okay. I appreciate it. And with that,
6 thank you very much. That concludes my questions.

7 MR. MABERRY: Thank you.

8 MR. MICHAEL ANDERSON: Thank you, Mr. Yost. Mr.
9 Houck?

10 MR. HOUCK: Gerald Houck from the Office of
11 Industries. I just have one follow up on what Mr. Yost was
12 questioning. With regard to the question of tolling versus
13 your client's own production, is it your testimony that the
14 material that's being imported by traders into the United
15 States is coming from your client's own production? Or is
16 it product that is being tolled by those traders through
17 your company?

18 MR. MABERRY: I'll try to respond to that in the
19 brief in connection with responding to Mr. Yost's question.
20 I'm not sure of the answer to that, at least in terms of the
21 mix. I can't--I'm not sure whether it's just one, or both.
22 But I'll be sure to address that in my brief.

23 MR. HOUCK: And try to give us some sense of the
24 proportion of that which is being brought in, as to whether
25 it's tolled production or your client's.

1 MR. MABERRY: Of course. Will do.

2 MR. HOUCK: Thank you. That's the only questions
3 I had.

4 MR. MICHAEL ANDERSON: Alright. Thank you, Mr.
5 Houck. And now Mr. Corkran, our Supervising Investigator.

6 MR. CORKRAN: Thank you very much for your
7 appearance today. One of the questions that I had is what
8 is going on with the exportation of ferrovanadium from
9 Korea? Today we focused a lot on U.S. import data that show
10 increasing imports into the United States, even though from
11 time to time Korea has been a fairly large supplier of the
12 U.S. market.

13 But when you look at Global Trade Atlas data for
14 exports from Korea to many different markets--and Ms.
15 Martinez alluded to this earlier with her reference to the
16 large volume of exports to the Netherlands--but the export
17 volume of ferrovanadium from Korea has increased quite
18 noticeably in 2015, and it's going to a wide variety of
19 markets, many of them European, many of them markets that
20 did not appear to have any noticeable volume prior to 2015.

21 So it is a long-winded way of asking: Has
22 something changed in the Korean industry?

23 MR. MABERRY: I don't know the answer to that
24 question. If my client has an answer to that question, I
25 will put it in the brief.

1 MR. CORKRAN: Okay. I think I would simply
2 reiterate my interest as well as my colleagues in the
3 question on tolling, in part because I am curious to know
4 who would be responsible for price decisions of the product
5 that is being exported to the United States, particularly if
6 we do have a large volume of tolling going on.

7 MR. MABERRY: Understood. Thank you.

8 MR. CORKRAN: Thank you for appearing, sir. I
9 have no further questions.

10 MR. MICHAEL ANDERSON: Okay, thank you, Mr.
11 Corkran. I will just visually scan to see if there are any
12 follow-up questions?

13 (No response.)

14 MR. MICHAEL ANDERSON: Okay. I had just a few
15 quick ones, and these are most likely for the
16 post-conference brief. So if you could just comment on the
17 Petitioners' argument about these products are highly
18 fungible, highly substitutable, particularly from your
19 client's view, and you're making a very strong argument
20 about the demand factors here that you say are driving the
21 prices. If you could comment on that.

22 And then the second question is: Earlier you said
23 the pricing of the Korean product is a reaction to demand.
24 So if you could provide some more evidence of that,
25 particularly given that the demand is down, and I don't

1 think this takes serious economic correlation but when
2 demand is down usually prices go down, and the volume of
3 sales usually don't go up. And so in the instance of Korean
4 imports increasing in an environment of declining demand, if
5 you could address that more specifically.

6 The third question is: Are there any third
7 country antidumping orders on Korean, of imports from Korea
8 of ferrovanadium?

9 MR. MABERRY: As to number three, I don't know but
10 I could check. As to two, I think that's the correlation
11 that, that, that would make sense to look at, and I'll do my
12 best to look at that, that correlation for you. I think
13 that's going to be kind of an exercise in data analysis, so
14 as I say we will do our best.

15 And as to one, I forgot what one was.

16 MR. MICHAEL ANDERSON: The substitutability.

17 MR. MABERRY: Oh. I don't have any evidence on
18 substitutability in the U.S. market.

19 MR. MICHAEL ANDERSON: Well we have a previous
20 record from previous investigations that show the highly
21 substitutable. Petitioners are making the argument that
22 that hasn't changed. And so to the extent--

23 MR. MABERRY: I'm not challenging that argument.

24 MR. MICHAEL ANDERSON: Okay. Alright, thank you.

25 And then, two last wrap-up questions. So if I

1 understood you correctly in your presentation a few minutes
2 ago you were saying that the spot market is attractive to
3 steel producers because there's some uncertainty in the
4 demand. For example, you said in 2015 demand kind of
5 faltered or declined. And so the spot market became more
6 attractive to them. If you could provide any evidence of
7 support for that in the post-conference brief, that would be
8 very helpful.

9 MR. MABERRY: I'll do my best.

10 MR. MICHAEL ANDERSON: And then finally, this may
11 be a little bit harder, but a lot of what you are arguing is
12 that there's a decline in oil or oil prices which affects
13 steel production, which then affects, say has a chain
14 reaction effecting ferrovanadium. My understanding is that
15 some of the steel products being made use ferrovanadium, but
16 not all of them.

17 So to the extent that you could try to pinpoint
18 or share what portion of steel products actually use
19 ferrovanadium. You've referenced OCTG as an example. How
20 much do they account for all steel demand in the U.S.? That
21 would be helpful if you could put a little more light on
22 that with a little more information.

23 MR. MABERRY: I have it as a question to try to
24 address. Thanks.

25 MR. MICHAEL ANDERSON: Okay. Thank you very much.

1 So again on behalf of staff, thank you for your
2 appearance today, and for taking our questions, and
3 particularly look forward to your responses in the
4 post-conference brief.

5 And with that, unless parties need a break, are
6 we prepared to move into closing arguments? If you need a
7 minute or two, I'm happy to provide that. Okay, thanks.
8 Literally, one minute.

9 (PAUSE)

10 MR. MICHAEL ANDERSON: Please proceed, Mr.
11 Totaro?

12 CLOSING REMARKS OF JOHN B. TOTARO, JR.

13 MR. TOTARO: Okay. Thank you. Thank you all for
14 your time today and I just wanted to make a few points
15 before I begin my closing statement in relation to some
16 points that Mr. Maberry mentioned.

17 Number one, Mr. Maberry suggested that the
18 Commission should test the assertion that the Korean price
19 in the spot market were the causes of declines in spot
20 market prices. And just to reemphasize that in our petition
21 we did identify three specific instances, documented those
22 instances where spot size of Korean prices did cause
23 reductions in published prices. And we believe those are
24 not isolated incidents and we'll provide as much information
25 as we can in the brief to flesh out that point.

1 Second is that I believe that the briefs will
2 show and we'll touch on this point as well that the
3 relationship that Mr. Maberry's brought forward is a clean
4 relationship between trends in the oil industry and the
5 trends in the steel industry as it relates to vanadium
6 consumption are not as clean, not as direct as it might seem
7 from Mr. Maberry's presentation and we'll -- as I say, we'll
8 do what we can to flesh out that point as well in the brief.

9 And finally, Mr. Maberry has made the point that
10 demand is falling and that demand is the key for -- for his
11 client's sales and just to emphasize a point that amply Mr.
12 Anderson made right towards the end is that it does seem to
13 be contrary to that logic that if demand for vanadium from
14 the steel industry was declining in 2015, it is surprising
15 to see that the volume of ferrovanadium from Korea, which
16 supposedly serves that demand, increased so dramatically in
17 that period.

18 Than I'll just begin my closing statement.

19 The United States is and will remain an
20 undeniably attractive market for the subject producers
21 because the U.S. market is such a large consumer of
22 ferrovanadium. While demand from U.S. steel makers was down
23 in 2015, this fact did not stop the flow of ferrovanadium
24 from Korea which was sold at high volumes and at dumped
25 prices in order to gain market share in a declining market.

1 We're confident that without import relief
2 imports from Korea will displace market share currently held
3 by domestically produced ferrovanadium and continue to
4 depress or suppress published prices in the U.S. market.
5 This consequence is likely because of the importance of
6 price and purchasing decisions and the high degree of
7 substitutability of ferrovanadium from all sources.

8 The U.S. industry has suffered material injury as
9 reflected in the negative trends in its profitability and
10 shipment volumes. The industry is extremely vulnerable to
11 the continued effects of subject imports due to their high
12 fixed costs and the sensitivity of their formula-based
13 contract sales to changes in published spot prices.

14 Based on the domestic producers and tollees
15 financial data on the record, it is clear that these firms'
16 continued operations are at risk unless import relief is
17 imposed to address the damaging effects of subject imports.

18 In summary, we submit that the information on the
19 record in terms of volume, price, and impact demonstrates a
20 reasonable indication that the domestic ferrovanadium
21 industry is injured and that there is a causal link between
22 that injury and the dumped imports of ferrovanadium from
23 Korea.

24 Thank you for your time today and thank you for
25 your attention in preparing the staff report.

1 MR. MICHAEL ANDERSON: Thank you, Mr. Totaro.

2 And Mr. Maberry, your turn.

3 CLOSING REMARKS OF J. SCOTT MABERRY

4 MR. MABERRY: So, Mr. Totaro said several things
5 that I agree with wholeheartedly. He said demand was down
6 in 2015 and I agree with that wholeheartedly.

7 He said that products were substitutable and I
8 can't deny that they are. He also said that spot prices
9 were down, and that's true too.

10 He's drawing a causal inference he's asking you
11 and the Commission to draw that I'm asking you and the
12 Commission to challenge very carefully and that's the causal
13 connection between the imports and those prices. I think
14 there's no dispute whatsoever that the demand was down. If
15 the question is, why was the volume of the imports into the
16 United States up? That may have more to do with data you'll
17 be gathering from or I've already gathered in the petition
18 from petitioners than with data from the respondents. And
19 by that I mean, remember the respondents' fixed costs or our
20 long-term contracts, that they are increasing their
21 investments, that they are increasing their capacity, and
22 that their long-term contracts with their customers are
23 affected by the spot market, the market on which the low
24 demand consumer of the product are purchasing on.

25 So the story that will have to be told at the

1 preliminary determination in this case really has a high
2 hurdle to jump over which is this question of -- of the
3 rapidly falling demand for the product and the plain fact
4 that the Korean imports were playing in that market and
5 selling into that market is not as mysterious or as -- was
6 not as mysterious as you might think. There are factors in
7 play that are clearly elucidated in the testimony and in the
8 petition that are unrelated to the idea of dumping by the
9 Korean producers that account for those prices and for the
10 injury that you're hearing about.

11 Thank you.

12 MR. MICHAEL ANDERSON: Thank you, Mr. Maberry.

13 And with that I would like to, on behalf of the
14 Commission and the staff here, thank all of you for coming
15 to this conference today and for providing your testimony
16 and answering our questions and helping us gain a better
17 understanding of the industry and the conditions on
18 competition of ferrovanadium.

19 In concluding this conference, a few key dates
20 that I put out there for the parties. The deadline for
21 submission of corrections to the transcript or submission of
22 post-conference briefs is April 21st. And if briefs contain
23 any proprietary information a public version is due the
24 following day on April 22nd.

25 The Commission is tentatively scheduled to vote

1 on this investigation for Wednesday, May 11th. And the
2 Commission will report its determinations to the Secretary
3 of Commerce on Thursday, May 12th. Commissioners' opinions
4 will be issued on Thursday, May 19th.

5 And with that, I thank you all for coming and
6 this conference is adjourned.

7 (Whereupon the hearing adjourned at 12:11 p.m.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Ferrovanadium from Korea

INVESTIGATION NOS.: 731-TA-1315

HEARING DATE: 4-18-16

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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: 4-18-16

SIGNED: Mark A. Jagan
Signature of the Contractor or the
Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings 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 proceedings.

SIGNED: Gregory Johnson
Signature of Proofreader

I hereby certify that I reported the above-referenced proceedings 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 proceedings.

SIGNED: Gaynell Catherine
Signature of Court Reporter