

Presentation of Mauricio Gutiérrez Noriega

Good afternoon and thank you for the opportunity to appear at the hearing.

My name is Mauricio Gutiérrez. I am the Director of Export Sales for Deacero. I will give you an overview of Deacero's rebar production and sales operations.

Deacero is a privately owned steel manufacturer. Our production operations include:

- **scrap recycling centers;**
- **steel mills**, which produce billet, wire rod, rebar, merchant bars, and structural shapes; and
- **wire facilities**, which draw wire from wire rod and produce nearly four thousand downstream products, such as barbed wire, steel nails, chain link fence, and many others.

We have a diversified business portfolio. We have more than 80 product families, supplying to 90 different industries throughout the Americas to over seven thousand customers.

During the period of investigation, we produced rebar at three facilities: Celaya, Saltillo, and Ramos.

Nearly all of our rebar production takes place at our **Celaya** steel plant. In 2013, **97 percent** of our rebar production was at Celaya. The Celaya plant has **four** rolling mills:

- **Two** of the rolling mills – **Mill 0** and **Mill 2** – are primarily dedicated to the production of wire rod, and produce **coiled** rebar in limited quantities. We would **not** shift production from wire rod to coiled rebar on these mills in any meaningful way, because wire products are our core business, and the market for coiled rebar is small. Also, 70 percent of our wire rod production is for our own consumption to manufacture wire products.
- The other two rolling mills – **Mill 1** and **Mill 3** – are primarily dedicated to the production of **straight** rebar, and also may be used to produce merchant bar. These mills can only produce straight rebar up to 42 feet in length, because our packaging lines are not equipped to handle longer rebar. Also, there is **limited** potential to shift production from merchant bar to rebar on these mills, because they are already used almost exclusively to produce rebar.

The **Saltillo** steel plant has **one** hot-rolling mill that is primarily dedicated to producing wire rod, but is also used to make small volumes of **coiled** rebar. As I mentioned, wire products are Deacero's core business and the market for coiled

rebar is small. So we would **not** shift the Saltillo mill's production from wire rod to coiled rebar.

Lastly, we produced small volumes of **straight** rebar at our new facility in **Ramos Arizpe**. The Ramos plant has two rolling mills:

- The **first** is a **hot-rolling** mill that is primarily dedicated to the production of merchant bars and structural shapes, and also produces small volumes of straight rebar. In 2013, for example, merchant bars and structural shapes accounted for **nearly 90 percent** of production on this mill. We would **not** shift from production to rebar on this mill in any meaningful way, because merchant bars and structural shapes are more profitable than rebar, and Mexico lacks production of merchants and structurals to meet local demand. Also, it is less efficient to produce straight rebar on this mill because the output is lower, making costs higher.
- The **second** is a **cold-rolling** mill that produces merchant bars from wire rod. We **cannot** produce rebar on this mill.

There have been some articles in the media, stating that the Ramos plant is for the production of rebar and wire rod, but these articles are inaccurate. Most recently, Deacero's Commercial Director of Profiles was quoted as saying: "With the construction of this facility, we **entered** into the production of rebar." The

quote is wrong on its face. It was a translation error. Deacero has produced **rebar** for many years. Rather, with the inauguration of the Ramos facility in 2012, we entered into the production of **merchant bars and structural shapes**. Nucor, Gerdau, and CMC know this; they visited the plant.

Turning to sales, **Mexico** has always been, and will continue to be, our most important market for rebar. We have long-term relationships with customers in Mexico, including large construction companies and distributors located throughout the country. We also sell rebar to small hardware stores. All these customers regularly purchase rebar from us and consider us to be a reliable source of supply. Although the downturn in Mexico's construction sector has been well publicized, the sector is growing now that the Pena Nieto Administration has begun to fund projects under the 2014-2018 National Infrastructure Plan. The total investment will be roughly **600 billion US dollars** – that is **more than twice** the value of the prior administration's infrastructure plan.

Demand for rebar is **also** growing in Mexico's export markets in Latin American countries. Many of these countries have GDPs that are projected to grow at **3 to 5 percent** rates, and have **deficits** in rebar. Petitioner argues that rebar exports from China and Turkey will crowd out Mexico's exports to Central and South America, but this is **not** occurring. Even if it **did** occur, Mexico's free

trade agreements with Central and South American countries give our rebar exports a **significant duty advantage** over exports from other countries. Moreover, Deacero has long-term agreements for the supply of rebar to customers in Colombia, Peru, and Guatemala, and we recently formed an alliance with a Chilean distributor for the supply of rebar in Chile. We are also in discussions for long-term supply agreements with clients in Bolivia and Paraguay. From 2011 to 2013, our exports to Latin American markets grew by more than **350 percent**, and now **exceed** the volume of our shipments to the US. We have limited excess capacity.

Petitioner also argues that demand for rebar is declining in Panama, another top export market for Mexico. ArcelorMittal Las Truchas is the main Mexican exporter of rebar to Panama, and it is related to a US mill. ArcelorMittal just announced that they have won another bid for the Panama canal expansion that will require almost **200 thousand** tons of rebar, and will **not** be completed until **December 2015**.

Last fall, Petitioner also stressed Colombia's safeguard investigation against rebar. But last March Colombia decided against imposing a safeguard. There are no foreign trade remedy measures in place against rebar from Mexico.

In contrast to our growing markets in Central and Latin America, our rebar shipments to the US have been **consistent and stable**, growing **slowly** over time in response to increasing demand. We are a responsible supplier, and do not behave in ways that disrupt the US market. As a private company, we always look to the long-term. Like any market we participate in, we want the US market to be healthy now and in the future. We can prove this based on our consistently low US market share over the years.

Based on our track record, it is clear that **Petitioners are wrong** when they warn that Deacero intends to substantially increase exports to the US. We didn't do that in 2012 or 2013 when demand was low in Mexico. And we **certainly** will not do it now that consumption in Mexico and other Latin American countries is increasing.

I would like to comment on the Big 3's power in the US market. The Big 3 have **85 percent** of the US rebar market. They are **so powerful** that 3 independent purchasers are testifying on their side. If I were in those purchasers' shoes I would do the exact same thing, because with 3 companies controlling so much of the market, I would have no other choice. It makes no sense to me that imports are a problem when three US producers dominate the market in this way.

Thank you very much. I'll be happy to answer your questions.