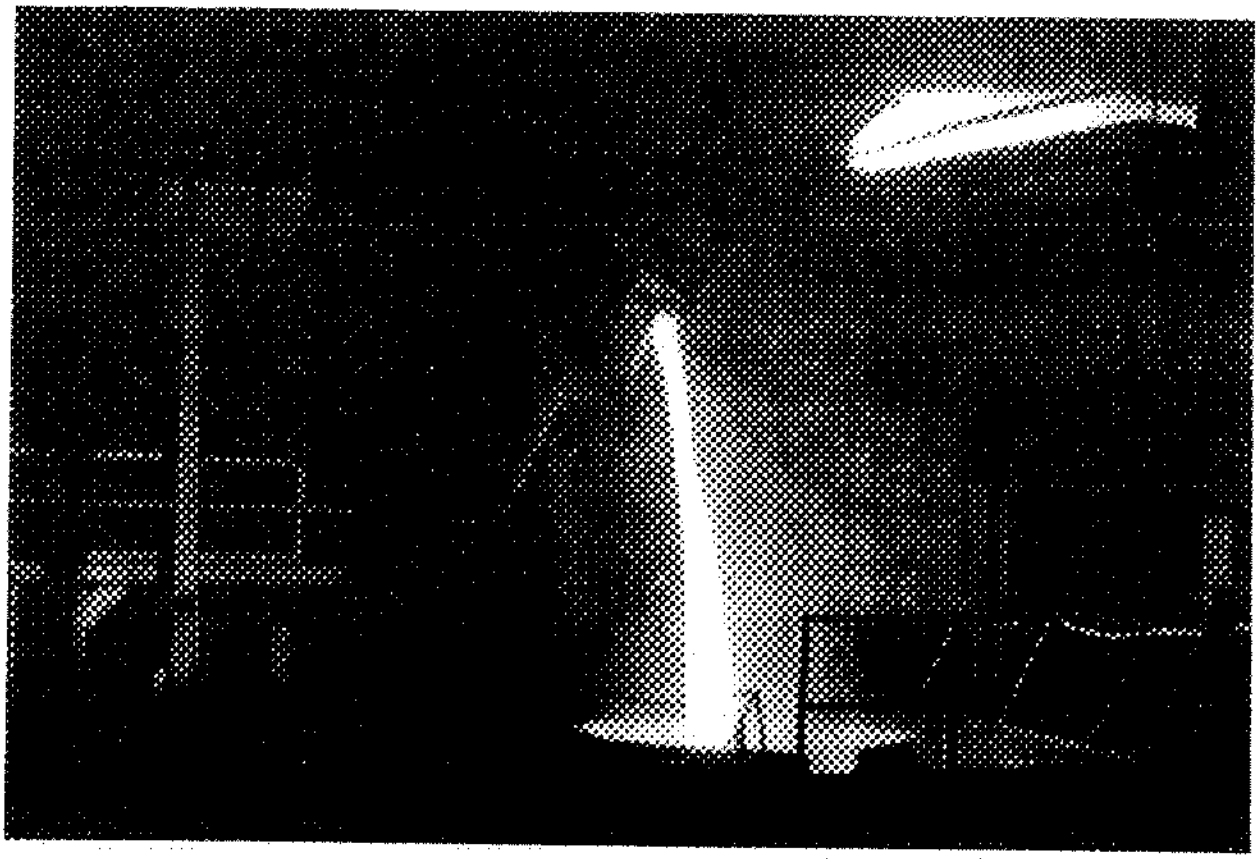

HEARING BEFORE THE
U.S. INTERNATIONAL TRADE COMMISSION

SILICOMANGANESE FROM BRAZIL, CHINA, AND UKRAINE
INV. NOS. 731-TA-671-673
(THIRD REVIEW)

SEPTEMBER 5, 2012

HEARING MATERIALS AND TESTIMONY
IN SUPPORT OF CONTINUATION OF THE ANTIDUMPING DUTY ORDERS

Prepared by:
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United States International Trade Commission

Silicomanganese from Brazil, China and Ukraine,
Inv. Nos. 731-TA-671-673 (Third Review)

Testimony of Vladyslav Mikhyeyev, Chief Executive Officer
Felman Trading, Inc.

Good morning Chairman Williamson and Commissioners. I am Vlad Mikhyeyev, chief executive officer of Felman Trading, Inc., which is based in Miami, Florida. Felman Trading trades in ferroalloys. In addition to silicomanganese, Felman Trading also trades in ferrosilicon, high carbon and medium carbon ferromanganese and ferrochromium. We are the exclusive distributor of the silicomanganese that is produced by Felman Production. In other words, Felman Trading is Felman Production's sales arm. I joined Felman Trading when it was first established in 2008.

Prior to joining Felman Trading, I worked in the ferroalloy industry since 2001. In January 2006, I went to Letart, West Virginia to provide consulting advice to Felman Production when the plant was purchased out of bankruptcy from its previous owners. Understandably, the plant was in a state of disrepair, and it had not produced any silicomanganese in several years. Felman Production was able to make the necessary repairs and improvements over the next eight months and began producing silicomanganese in September 2006.

Let me now turn to discussing the market for silicomanganese and what makes the U.S. market especially attractive. First, unlike most other countries that produce and/or import silicomanganese, the U.S. market, and therefore the domestic industry, is currently protected from unfair import competition from some of the largest producers of silicomanganese in the world. As the public prehearing staff report states, Brazil, China, and Ukraine collectively have "high capacity" to produce silicomanganese, but they also have "low capacity utilization rates."

Consequently, Brazil, China, and Ukraine are able to respond to changes in demand with "large changes in the quantity of shipments of silicomanganese to the U.S. market." The orders, however, are preventing the producers in these countries from using their excess capacity to capture market share in the U.S. at very low prices.

Because conditions of competition in the U.S. market are not being distorted by dumped imports from these countries, it is often possible to get higher prices for silicomanganese in the U.S. than in other countries.

Second, the demand for silicomanganese in the U.S. is significantly greater than what the industry was able to supply before Felman Production started operating in 2006. Thus, at that time there was every reason to believe that the market would support a second domestic producer. And, in fact, Felman Production's capacity, production, capacity utilization, shipments, employment, and sales have increased substantially since production began in September 2006.

However, when it comes to setting sales prices, Felman Production must follow the market. I completely agree with the statement in the public Prehearing Staff Report that, when purchasers were asked to list the top three factors they consider when choosing a supplier, "Price was quoted most frequently as both the first and second most important factors." Purchasers also made it very clear that they do not perceive any significant differences in silicomanganese from Brazil, China, Ukraine or the U.S. Indeed, the Prehearing Staff Report shows that most or all purchasers rated domestic silicomanganese as being "comparable" with silicomanganese from Brazil, China, and Ukraine across 19 different factors. Further, all but one importer and all purchasers without exception reported that silicomanganese, whether from the U.S., Brazil, China or Ukraine, was "always" or "frequently" interchangeable. In short, this is an extremely

price competitive market. Therefore, Felman Production generally cannot pass along increases in raw material costs or other production costs to their customers in the form of higher prices.

This is why it is so important that these orders remain in place. According to the USGS 2010 Minerals Yearbook, production of silicomanganese in Brazil, China, and Ukraine dwarfs that of Felman Production and, we believe, the domestic industry as a whole. The USGS reports that, in 2010, the combined production of silicomanganese in these three countries totaled over 7.4 million short tons. Given the prehearing staff report's finding that the three countries are operating at low capacity utilization, one can well imagine not only how massive their collective capacity is, but also how they are capable of producing much, much more silicomanganese if there are new markets to which they can ship their product.

In addition to substantial excess capacity, the IMF projects that the economies in all three countries are slowing. The combination of substantial excess capacity and slow economic growth in their respective home markets, combined with the prospect of higher prices in the U.S. than in other countries, will give silicomanganese producers in Brazil, China, and Ukraine both the ability and strong incentive to resume shipping silicomanganese to the U.S. at dumped prices if the orders are revoked. Such a surge in imports would utterly disrupt the market in the U.S. and quickly displace domestic silicomanganese, just as it happened in 1994 and 2002.

For these reasons, I respectfully ask you to make affirmative determinations. Thank you.

John S. Konrady

United States International Trade Commission

Silicomanganese from Brazil, China and Ukraine,
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Testimony of John Konrady, Plant Manager
Felman Production, LLC

Good morning, Chairman Williamson and Commissioners. My name is John Konrady. I am the plant manager for Felman Production's silicomanganese plant in Letart, West Virginia. I joined Felman Production in late 2009. Before then, I worked in the steel industry, specifically for U.S. Steel, for more than four decades and have extensive experience working with furnaces.

Felman operates three furnaces. The largest furnace based on output is 51 MVA (or million volt ampere), while the other two furnaces are 24 and 27 MVA, respectively. While our furnaces are relatively old, Felman has made significant investments to improve their safety, efficiency, reliability and environmental compliance. For example, in 2010, we installed new design casting hoods and ladle tilters on two of the furnaces to increase fume capture, improve the production cycle time and reduce emissions. We also redesigned and fabricated a new ladle transfer car to improve equipment reliability, which reduces delays and eliminates safety hazards. These improvements cost several million dollars to carry out.

Currently, we are in the process of adding automated process controls, which will increase productivity, reduce electrode costs, and maximize power inputs. We are also looking at ways to further reduce plant emissions.

As you can see from our U.S. Producer Questionnaire response, Felman Production experienced significant progress in increasing our capacity, production, capacity utilization, U.S. commercial shipments, employment, hours worked, wages paid, and net sales by volume and value since the plant began operating in the fourth quarter of 2006. Of course, a lot of hard work

went into achieving these results. I am very proud of what our hourly employees and management have been able to accomplish working together as a team.

In 2011, Felman Production's 256 employees accounted for about 35% of all manufacturing jobs in Mason County, West Virginia. Earlier this year, two professors from West Virginia University prepared an analysis of the economic impact that Felman has had on both Mason County's economy and the economy of West Virginia. They found that, in 2011, "Felman's operations generated a total business volume impact of $150 million that supported 369 jobs and over $25 million in employee compensation to the Mason County economy. The absence of Felman's operation would have significantly increased an already high unemployment rate in Mason County." In short, Felman Production has had, and continues to have, a significant and positive impact on the economies of Mason County and the state of West Virginia as a whole.

As I stated at the outset of my testimony, before coming to work for Felman Production, I worked in the steel industry for more than 40 years. So I have personally witnessed the disastrous impact that unfair competition from dumped imports can inflict on a domestic industry. Steel mills were shut down and good people, including friends of mine, lost their jobs. The communities in which they lived suffered economic devastation.

I have also seen the beneficial effects that come from strong and effective enforcement of our trade rules and antidumping duty orders such as those under review here. Production resumes and employees are called back to work. And I am seeing the benefits today that helped create the conditions which enabled Felman Production to join the domestic industry and become a significant producer of silicomanganese.

There is no doubt in my mind that the antidumping orders under review today, as well as the antidumping orders on silicomanganese from India, Kazakhstan and Venezuela, were essential to the decision by Felman's investors to purchase the Letart facility in 2006 and restore it to operating condition. However, there is also no doubt in my mind that if any of the orders are revoked, the producers in Brazil, China and Ukraine will resume exporting dumped silicomanganese to the U.S. The public record indicates that these countries have significant excess capacity, their economies are all slowing down, and they can get better prices for silicomanganese in the U.S. than they can in other markets. As indicated in our U.S. Producer Questionnaire response, Felman Production strongly believes that the U.S. market will be flooded with dumped product within four to six months. I do not believe that Felman Production would be able to hold out very long against such a flood of dumped imports. I am very concerned that all that Felman Production and our employees have been able to accomplish since 2006 would simply be washed away. I ask you to not let that happen.

Thank you.

Barry C. Nuss

United States International Trade Commission

Silicomanganese from Brazil, China and Ukraine,
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Testimony of Barry C. Nuss, Chief Financial Officer
Felman Production, LLC

Good morning, Chairman Williamson and Commissioners. I am Barry Nuss, chief financial officer for Felman Production, LLC. I joined Felman Production in January 2011. Prior to that, I worked for 30 years as a finance executive in the metals industry, including 23 years with a multinational ferroalloy producer.

I am here today to talk about four issues. First, the production of silicomanganese is highly capital intensive. The submerged arc furnaces that we use to smelt the manganese ore, quarzite, coke and other inputs ideally should run 24 hours a day, seven days a week, 365 days a year, with intermittent brief planned shutdowns for maintenance. Happily, we currently are running close to capacity, but sudden changes in the market, such as a large influx of dumped imports from Brazil, China and Ukraine, can lead to a collapse in expected prices and force a shutdown of one or more of our furnaces. This, of course, would cripple our ability to cover our fixed costs.

Second, as you have heard, the market for silicomanganese is so intensely price-driven that we cannot automatically pass along increases in our raw material costs in the form of higher prices. Thus, we are continuously under intensive pressure to keep our raw material costs as low as possible. That said, the reality is that we have little control over actual raw material costs. Just as silicomanganese is a commodity product, so too are the raw materials we use to make silicomanganese, such as manganese ore, quartz, coal and coke. The same kinds of market forces that drive the price of silicomanganese also drive the prices of these raw materials.

We do the best we can to use them as efficiently as possible. We use about 4 tons of material for every ton of saleable product. The remainder consists of such by-products as slag and dust, raw materials that were consumed during smelting, and fines that are generated during crushing. We try to recycle as much of the fines as we can. We also sell the slag to a company that processes it for use in the construction of roadbeds. So, we are really trying to squeeze every last bit out of every ton of raw material that we can to keep our raw material costs as low as possible.

Next to raw materials, the single largest input in the production of silicomanganese in terms of cost is electricity. It accounts for roughly 25 percent of our total cost of production. As one of the top consumers of electricity in West Virginia, Felman Production is in the process of applying for a special power rate under a recent West Virginia law that is tied to economic conditions and performance. Based on certain metrics, when Felman Production's profit margins are higher, it would pay more for power and when its margins are lower, it would pay less.

Our goal is to raise Felman Production to "world class" status. Those plans include investment in a new furnace to expand our capacity and production. By doing so, we will have a greater amount of volume to spread across our fixed costs, which will bring down our per unit costs, thus further improving our competitiveness.

Third, our production facility in West Virginia had significant operational reliability issues when we acquired it. By "reliability issues," I mean such things as whether a furnace can be counted on to operate reliably or whether there is a significant risk of an unplanned outage. We have invested substantially more than the original acquisition cost in 2006 to address these reliability issues, which means there were fewer resources available for investing in new equipment.

Finally, our operating income/loss position over the period of review as a whole has been in the red. Now, some of this is, of course, attributable to start-up costs in 2006 and the collapse in the market and prices in 2009. But the point is that until we can increase our operating returns to where they need to be to justify the investment of tens of millions of dollars to raise Felman Production to world class status, those expenditures can't and won't be made.

However, we at Felman Production are cautiously optimistic about the future. Prices for silicomanganese have trended upward as our economy continues to recover, albeit slowly, from the effects of the recent economic crisis. Steel production in the U.S. is on the rise. And, equally important, the plant's reliability has improved significantly in the last couple of years. In short, we believe we are close to turning a corner.

But whether Felman Production can justify making the investments necessary to raise its status to world class standards depends on a number of factors, including, in particular, whether the U.S. market, which accounts for the vast majority of our sales, will continue to be as attractive a market as the one that Vlad described in his testimony. I can't think of anything that would undo that faster than revoking the orders on Brazil, China and Ukraine and allowing our market to once again be flooded with dumped imports of silicomanganese. Since customers put a premium on finding the lowest price, Felman Production would likely quickly be overwhelmed by dumped imports. Given a choice between trying to sell our product at unsustainably low prices or simply cede market share, we would ultimately be forced to do the latter as we would not be able to afford the costs of our raw materials or electricity. And that would mean shutting down the furnaces. Of course, it doesn't have to be that way and I firmly believe it won't if the orders remain in effect. Thank you.

Roy F. Martin, Jr.

United States International Trade Commission

Silicomanganese from Brazil, China and Ukraine,
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Testimony of Roy F. Martin, Jr.
Treasurer, USW Local 5171

Good morning. My name is Roy Martin, Treasurer of Local 5171 of the United Steelworkers union at the silicomanganese plant owned and operated by Felman Production in Letart, West Virginia. I began working for Felman as a machinist shortly after the company purchased the plant in 2006 out of bankruptcy, and I am currently a millwright. From 2007 to 2009, I was also the President of USW Local 5171.

Since the plant opened in 2006, we went from about 60 workers to now having 256 employees, including 211 USW members. The plant is old but we are constantly working together with the company to solve problems and implement improvements to increase our competitiveness. The company has spent millions to improve the plant – for production, quality, safety, environmental compliance, and efficiency. The company also has additional plans for improvements, so it's really an on-going process for both the workers and the company and something we are all very proud of. I am also very happy to tell you that there have been no lay-offs at the plant, not even during the economic crash in 2008; we all kept working in various ways.

Since 2010 we have had what's called a "gain-sharing" program where employees can receive additional wages for gains made in areas like production, furnace uptime, safety and quality. Lately this has been working very well, as it provides workers an additional incentive to improve operations and to have an even more direct stake in the outcome of our work and the plant's competitive success.

It is because these antidumping orders have worked that we were given a fair chance to get these jobs, make improvements to the plant's operations and allow the company to grow. But let there be no doubt – if the orders are not continued, we will be right back where we started, with little or no chance for a future. On behalf of the workers at the Felman plant and my USW members working there, I urge you to keep these orders in place so we can continue to have a future at Felman.

Thank you for this opportunity to testify.