

**Steel Concrete Reinforcing
Bar from Mexico and Turkey;
Inv. Nos. 701-TA-502, 731-TA-
1227-1228; Investigation;
Turkish Exporters' &
Producers' Presentation
Before the Commission**

Smart in your world[®]
Arent Fox

Presented by:
Matthew Nolan, Arent Fox LLP

September 15, 2014

Department of Commerce Final Results

➤ Antidumping

- Icdas: 0.00%
- Habas: 0.00%
- All Others: 0.00%

➤ Countervailing Duty

- Icdas: 1.25%
- Habas 0.74% (de minimis)
- All Others 1.25%

Department of Commerce Final Result

- **There are no Less than Fair Value Sales, no evidence of any dumping, at all.**
- **Negative subsidies determination for Habas.**
- **Nearly de minimis subsidy determination for Icdas (1.25%), based almost entirely on a “calculated” subsidy for low grade lignite coal purchases used to generate electricity for steel production.**

Department of Commerce Final Result

- **Lignite purchase subsidy based on a calculated “world benchmark price” of over \$200/MT for most of the POI. Twice as high as the highest price paid for coal on any published price index.**
 - Average price of U.S. exports/imports of coal, all types, all sources, in 2012: **\$96.78** (U.S. Energy Information Administration, Quarterly Coal Report)
 - Prices for steam coal delivered to the northwest European ARA ports were **below 100 \$/t** for almost all of 2012 (EUROCOAL 2013 Annual Report)
 - U.S. Average Lignite Price FOB in 2011: **\$19.38/ST**

Impact of Department of Commerce Final Determination

- **No Less Than Fair Value Sales**
- **A significant percentage of Turkish imports are free of any duty finding. They are not subject merchandise.**
- **The balance of Turkish imports that are still subject have a margin so low as to beg the question of causation.**
- **What is the causal link between unfairly traded subject Turkish imports and material injury to the domestic industry?**

Injury and Causation

- **The ITC determines whether a U.S. industry is materially injured, threatened with injury, or materially retarded “by reason of” unfairly traded imports.**
 - Volumes have increased, but no dumped LTFV sales
 - No subsidies for a significant Turkish exporter (volumes of price competitive non subject imports)
 - Reported levels of price underselling cannot be due to LTFV sales or subsidies.
 - Note that in threat cases, the nature of the subsidy is relevant.

Conditions of Competition Favor the US Industry

- **U.S rebar industry is dominated by 3 companies, Nucor, Gerdau and CMC.**
- **It is vertically integrated. These companies own their own scrap operations, and their own downstream fabricators.**
- **They are highly insulated from imports.**
- **Buy America Shield 10%+ of the market**

The U.S. Rebar Industry Has Continued to Consolidate and Vertically Integrate

Nucor:

- Upstream operations: Acquisition of David J. Joseph Co, a scrap broker in 2007 was a major milestone
 - “Nucor is North America’s largest recycler.”
- Rebar production: went from 4 mini-mills in 2000, to 11 mills in 2007 to 13 mills in 2013
 - Nucor Steel Kingman - new mill in Arizona in 2010
- Downstream operations: Harris Steel fabricates, installs and distributes rebar throughout the United States
- Harris Steel operates over 70 fabrication facilities across the United States and Canada, with each facility serving a local market.

The U.S. Rebar Industry Has Continued to Consolidate and Vertically Integrate

Gerdau Ameristeel:

- In 2008, it owned 19 mini-mills, 19 scrap recycling facilities and 68 downstream operations in North America.
- In 2013, it owns 62 scrap collection and processing facilities
- Recent acquisitions in the United States:
 - Cycle Systems, a scrap recycler (2013)
 - TAMCO (2010) – leading rebar producer on the West Coast

CMC: its internal organization illustrates vertical integration

- Americas Recycling – scrap operations
- Americas Mills
 - new rebar mill in Arizona, 2010
- Americas Fabrication – rebar fabrication
- Why is the acquisition and vertical integration continuing?

Evidence supports finding a healthy, improving U.S. industry

- Sales value increased over the POI
- Gross profit margins remained strong over the POI
- Operating income also quite healthy.
- Average figures smooth out differences between individual results which show some variation.
- Watch late 2012/early 2013 for the weather.
- Income shifting among affiliates

The Domestic Industry Shows No Indicators of Current Material Injury

	2011	2012	2013	
Apparent US Consumption Quantity	6,538,663	7,390,806	7,729,672	+18%
Production Capacity Quantity	9,632,001	9,816,490	9,911,597	+2.8%
Production Quantity	6,327,968	6,831,468	6,776,007	+7.1%
Capacity Utilization	65.7%	69.6%	68.4%	+2.7%
US Shipments Quantity	5,883,245	6,411,375	6,520,775	+10.8%
US Shipments Value	3,861,848	4,162,510	4,080,230	+5.6%
AUV	656	649	626	-4.6%
Raw Material Unit Cost	423	410	380	-10.2%
Direst labor per ST	\$43	\$43	\$45	+4.6%
Gross Profit	355,080	417,142	336,102	-5.4%
Turkish imports (MT)	267,381	633,619	716,555	
Related Transfers (Q)*	BPI???	BPI???	BPI???	
Capital Expenditures**	BPI	BPI	BPI	

* See Staff Report Table III-7, p III-11

** See Staff Report Table VI-4, p VI-21

(Quantity = short tons; Value = 1,000 dollars; Unit values, unit labor costs, and unit expenses = dollars per short ton)

Source: Data from ITC Final Staff Report, at III-5, Table III-3 ,III-7, VI-5

Expectations of U.S. Economic Growth

- Texas Steel is building a new 200,000 ton capacity mill near Waco Texas.
- Most Recent Bureau of Economic Analysis Report for 2nd Quarter 2014:
 - Real GDP up 4.2%, projected 3% growth in 2015
 - Nonresidential Fixed Investment up 8.4%
- Census Data for June 2014 shows Construction activity up 5.5% over 2013.
- Recent Articles indicate that the rebar market is heating up very quickly, with multiple price increases in the past 6 months.

U.S. Census Data for July 2013 Confirm Continued Growth in Construction

Type of Construction	Jun 2013 ^r	Jul 2013 ^p	Jan 2014 ^r	March 2014	June 2014	Jul 2014	Percent change Jul 2013 to
							Jul 2014
Total Construction	895,748	900,824	942,494	947,303	900,334	981,305	+9%
Total Private Construction*	625,641	631,403	677,699	627,598	627,598	701,657	+12%
Total Public Construction**	270,107	269,422	264,795	260,887	272,736	279,648	+3.3%

^pPreliminary

^rRevised

*Includes the following categories of private construction not shown separately: public safety, highway and street, sewage and waste disposal, water supply, and conservation and development.

**Includes the following categories of public construction not shown separately: lodging, religious, communication, and manufacturing.

Source: U.S. Census Bureau News Construction Data

•TURKEY'S REBAR PRODUCTION AND CONSUMPTION

•Quantity: 1000 Tons



HS: 721420	2011	2012	2013	2013 Semi-annual	2014 Semi-annual
Rebar Production	17.272	19.324	19.837	9.496	9.928

HS: 721420	2011	2012	2013	2013 Semi-annual	2014 Semi-annual
Rebar Domestic Consumption	10.212	10.770	11.656	5.346	5.952

•Exact production and consumption data on HS-6 digit level are not available except for rebar (HS 721420). Therefore, Production and consumption data for rebar above may not cover all the products which are subject to the investigation.

•Source: Turkish Steel Producers Association (TCUD)

•TURKEY'S REBAR EXPORTS BY COUNTRY

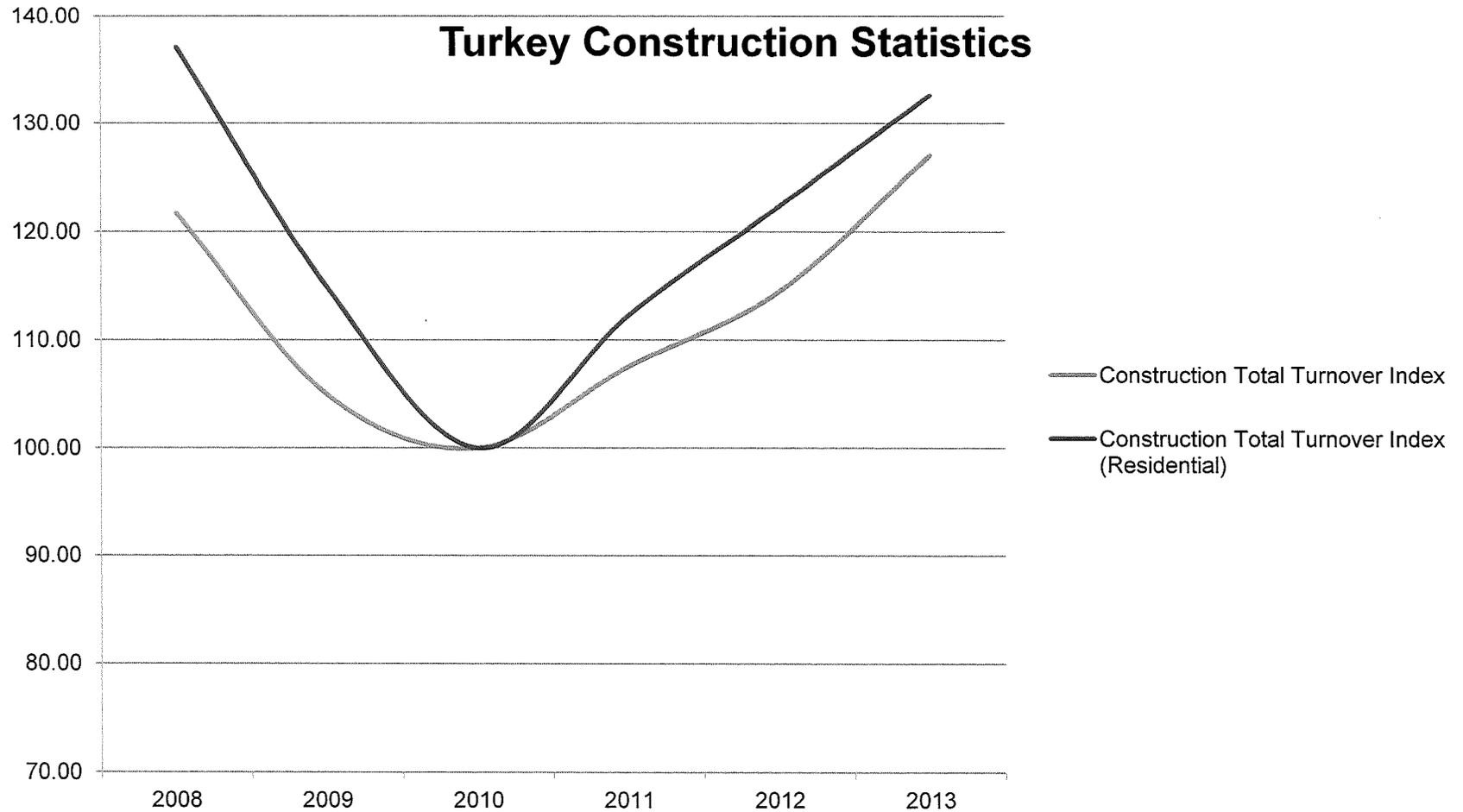
•Quantity: 1000 Tons



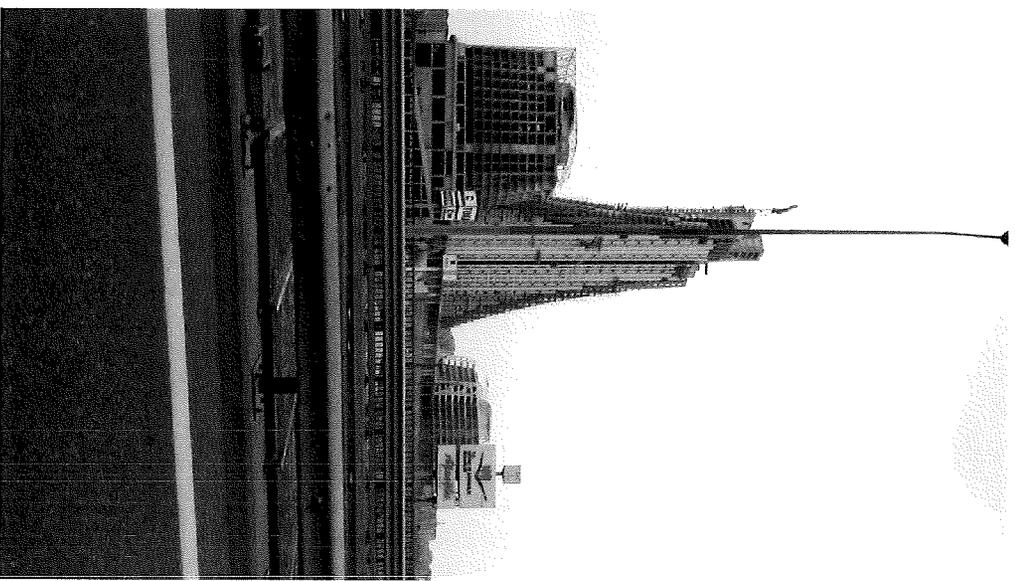
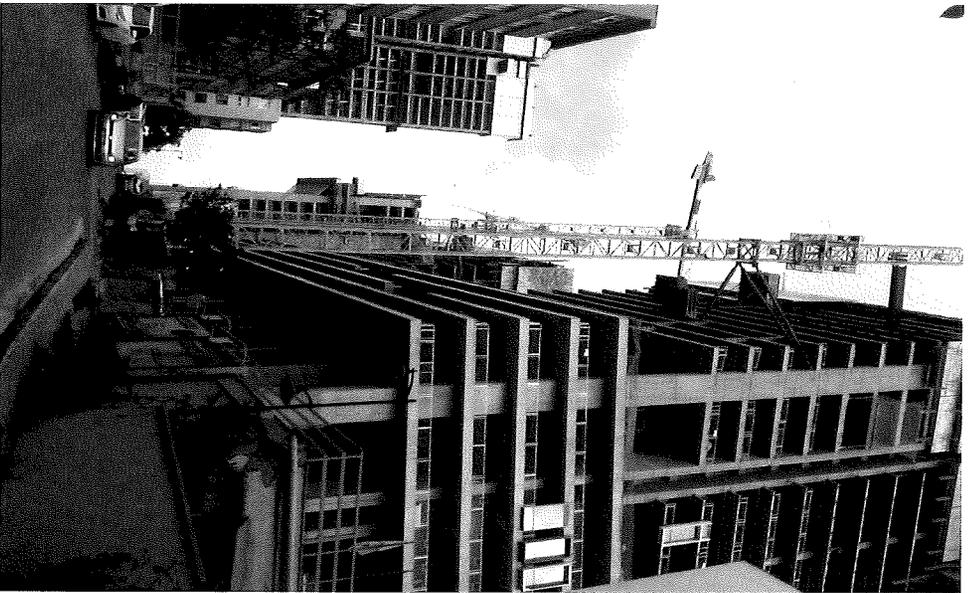
HS: 721420 + 721310	2011	2012	2013	2013 Semi- annual	2014 Semi- annual	2013/1 4 Semi- annual	2014
	1000 TONS	1000 TONS	1000 TONS	1000 TONS	1000 TONS *	CHANG E %	SHARE %
1 UAE	1.237	1.029	1.099	552	642	16,4%	15,4%
2 IRAQ	851	1.233	1.532	698	513	-26,5%	12,3%
3 ISRAEL	464	504	648	332	449	35,4%	10,8%
4 YEMEN	246	506	674	361	400	10,8%	9,6%
5 USA	404	593	653	311	334	7,3%	8,0%
6 BRAZIL	121	166	244	103	179	74,1%	4,3%
7 EGYPT	443	450	212	32	170	437%	4,1%
8 LIBYA	51	373	406	229	159	-30,3%	3,8%
9 ETHIOPIA	183	296	263	120	156	30,4%	3,8%
10 SAUDI ARABIA	244	708	519	294	140	-52,4%	3,4%
OTHERS	2.896	2.856	2.254	1.338	1.015	-24,1%	24,4%
TOTAL	7.139	8.716	8.505	4.368	4.157	-4,8%	100%

•Source: Steel Exporters' Association

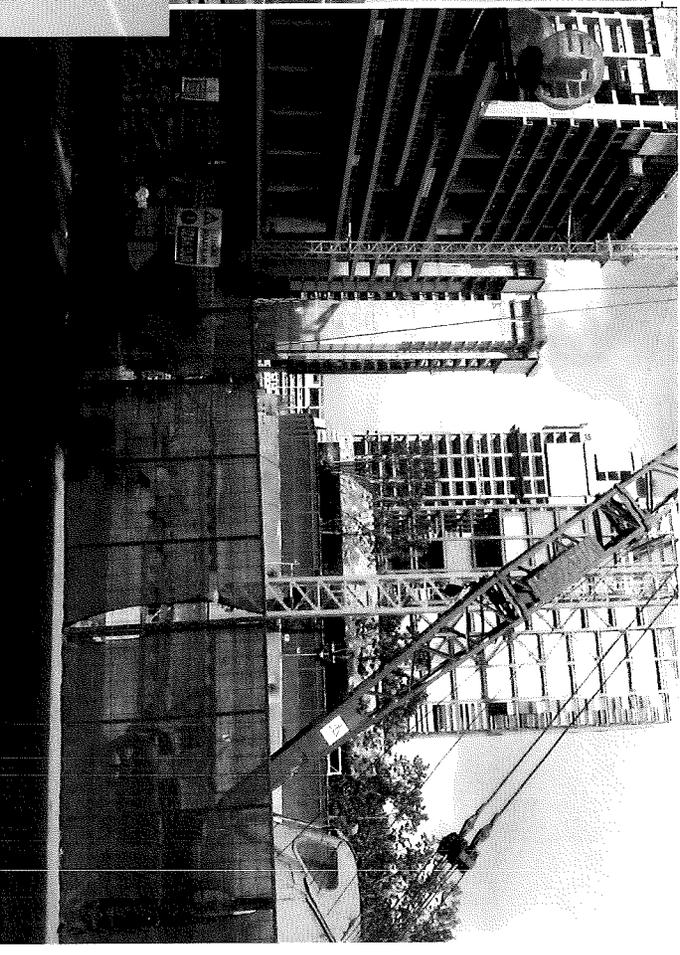
Turkey Domestic Construction



Construction boom in Turkey



Construction boom in Turkey



Smart in your world®
Arent Fox

Construction boom in Turkey

