Steel Concrete Reinforcing Bar from Mexico and Turkey
Inv. Nos. 701-TA-502 and 731-TA-1227-1228 (Final)
Hearing
September 15, 2014

Statement of Frank Bergren

Good afternoon. I am Frank Bergren, Managing Director of Metal Partners Rebar. We are one of the largest independently owned distributors and fabricators. We distribute rebar nationwide and have three fabrication shops. We project to sell 280 thousand tons this year.

For our distribution operations, we sell to retailers, lumberyards, construction supply houses, and small independent fabricators. We primarily distribute 20-foot rebar. This length is mostly used in residential construction and cut and bent on the job site without going through a fabricator. As a national distributor, our main competitors are **Harris Supply**, which is owned by Nucor, and **Adelphia**. We also compete with some regional distributors, such as BlueLinx and Weyerhaeuser.

Our three **fabrication shops** are located in Bakersfield, California; Chicago, Illinois; and Bala Cynwd, which is near Philadelphia. We **can't compete** with fabrication companies that are owned by US mills, so we don't try. The mill-owned fabricators bid for projects at much lower prices than we could. So to avoid competing with them, we focus on supplying fabricated rebar to **low-volume** customers, like construction supply houses and precasters. This niche market has been underserved, so we are filling a void. In contrast, mill-owned fabricators and other large fabricators focus on obtaining business directly with general contractors.

We mostly buy **domestic** rebar, and purchase imports for the balance of our requirements. We would **prefer** to buy **<u>only</u>** domestic rebar, but US mills do not offer adequate supply.

- In particular, **Nucor**, the largest US producer, has **consistently refused** to sell us rebar since 2009, even though we have offered to purchase a **minimum of 50,000 tons** from them per year. The reason Nucor refuses to sell to us is not a secret. On several occasions, Nucor's senior management has openly explained that they will **not** sell rebar to us because we compete with **Harris Supply**, their internal distribution company, and with **Adelphia**, which is a top Nucor customer. Nucor's refusal to do business with us costs us and them money every day – not to mention their employees, who are paid based on production and labor hours. If I were a Nucor steelworker, I would be livid to know that Nucor is costing each employee by leaving the 50,000 plus tons of annual business on the table. Nucor management talks about their people, but this example shows disregard for their workers' interest.

- **CMC**, another major US producer, also will not sell us rebar. Although they don't refuse outright like Nucor, CMC quotes us prices that are **so above market** it's clear they don't have product available to sell us. From a geographic standpoint, CMC cannot supply us because they only have mills in the south. CMC obviously lacks supply, or else they would not be such a large importer of rebar.

We buy **domestic rebar** from Gerdau, Steel Dynamics, Cascade, and ArcelorMittal, but can't get enough from these suppliers.

- Unlike Nucor and CMC, **Gerdau** has limited distribution operations. Nevertheless, Gerdau is unable to offer us sufficient volumes of rebar, in part because they prioritize sales to their downstream fabrication operations.

- **Steel Dynamics** has shifted to producing more SBQs and merchant bar, because these bars are more profitable than rebar. SDI has reduced their rebar production by about half, and this problem will only worsen as the US construction sector continues to improve. Other US mills will also shift production to more profitable bar.

- **Cascade** has sold us only low volumes of coiled rebar for our fabrication operations, and will not sell us rebar for distribution. Also, Cascade has been sold out of rebar as of late.

- **ArcelorMittal** also lacks adequate supply, even though they increased production at their El Paso mill.

- The remaining US mills – **Byer, Evraz, and Keystone** – are **minor** players, and **cannot** service our needs. Byer's production is insignificant, and the quality of their rebar is not accepted by the majority of our customer base. **Evraz and Keystone** only produce coiled rebar, for which the market is miniscule.

Demand for rebar is high right now – better than I've seen it since 2008. Construction projects that were delayed last winter are now underway; commercial construction has been more active; agricultural construction projects (like grain silos and hog farms) have increased in the Midwest; Department of Transportation work has been busy in the Midwest and Northeast; and construction projects related to Texas's growing energy sector are in abundance. As a result, demand for domestic rebar far exceeds the supply, and we are unable to buy more than our historical purchase levels from US mills. Notably, organizations like the CRSI forecast that demand for rebar will continue to increase.

We would prefer to buy 100% domestic rebar for several reasons.

First, roughly **half** of our purchases are **required** to be domestic rebar because many of our customers **insist** on US rebar – whether due to Buy America restrictions or simply based on their preference. These requirements, in turn, mean that we have to keep separate inventories of domestic and imported rebar. To avoid this hassle and expense, we would prefer to buy just US-produced rebar.

Second, we normally have to buy imported rebar from **trading companies**. Purchases from trading companies are subject to **high minimum quantity** requirements and **long lead times**. Delivery to the port **alone** typically takes up to **90 days** for rebar from Turkey and other offshore countries. The trader issues the invoice when the rebar lands at the port, so you risk losing money if market prices decline in the interim. Rebar is also often mishandled and damaged at the port, creating another risk to importing. Also, we have to arrange for transportation from the port to our inland location, which adds cost.

For these reasons, we pay a **premium of 7 to 10 percent** for domestic rebar over imported rebar. The real driver of US producers' prices is the concentration of their mills. In the Southeast, for example, Nucor, Gerdau, and CMC all have multiple mills, and their prices are lower. In contrast, only Nucor and Gerdau have mills in the Northeast – one each – and consequently they charge higher prices for rebar in this market, despite the presence of imports.

This concludes my remarks. Thank you.