

**BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION**

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Certain Corrosion-Resistant Steel Products )	Inv. Nos. 701-TA-534-538 and
from China, India, Italy, Korea, and )	731-TA-1274-1278
Taiwan )	(Preliminary)
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**TESTIMONY OF MICAH DAUGHERTY**

1. Good afternoon members of the Commission Staff. My name is Micah Daugherty and I am the U.S. agent of Arvedi for its sales of flat rolled products in the United States. I have worked with them for 5 years and before that I was a manufacturing consultant to steel processors. Arvedi sells primarily in the Florida and Texas markets where their imports can be freight competitive. Those markets have always depended on imports to supply flat rolled steel. As a consequence, our competitors are primarily imports from Brazil and Mexico. We and our customers were very surprised to see this case filed against Italy when we have imported such small quantities and we see Mexico and Brazil as much more competitive on price and charging lower prices than our sales for Arvedi.

2. I want to make clear that our customers also buy from domestic mills, but due to their location and the need for a diversity of suppliers, they also purchase imports. This will be particularly important through the summer when U.S. Steel and Arcelor's union contracts are set to expire.

3. Due to the temporary decrease in the value of the Euro, Italy became more competitive relative to other imports during 2014 and 2015, but our overall presence remains miniscule.

4. We have focused primarily on 7 or 8 customers in the United States. Of those, our largest customers are in Florida and Texas and are end users who produce steel profiles and other structural products for construction and producers of containers. Our largest customer, who accounts for about a third of the imports from Arvedi, is located in Texas. Our main competitor for that supply was located in Mexico. That customer built that facility in 2011. We went through a lengthy approval process and, since the first quarter of 2014, we have been their preferred supplier. As a consequence, Arvedi's imports have increased to supply that facility. We have two other large customers—well, large for us—who are end users and use our product for various construction applications. One has a facility at the port of Tampa to supply its manufacturing plant in Tampa. That company did not want to use product from other import supply so we managed to get their business. The product supplied in the construction segment is in the range of .0120 – .0570 inch thickness.

5. Our other major customers are service centers in the Midwest who produce parts for the automotive industry. Keep in mind that when I say major, we are talking about supply of only about 15,000 tons annually. Total imports from

Italy were only 135,000 tons in 2014, which I estimate to be less than 1 percent of U.S. consumption, and 46,000 tons in the first quarter of 2015. Brazil's imports in the first quarter of 2015 were 49,000 tons and Mexican imports were 55,000 tons so I really don't understand why Italy was included in this case.

6. Arvedi has one galvanizing plant which is used to produce high strength grades of steel such as automotive quality for the Italian and European markets. Arvedi has a good relationship with Fiat/Chrysler in the U.S. and supplies a number of Tier 1 and Tier 2 automotive stamping companies in the mid-west that supply that company and other automotive companies.

7. Arvedi has an unusual production capability that allows it to galvanize hot rolled coil rather than first producing cold rolled coil and, importantly, it is able to roll the high-strength hot-rolled coil into light gauges with dual phase capabilities which are becoming increasingly important to meet the specifications of auto makers who are looking to reduce the weight of their vehicles while not sacrificing strength. Arvedi regularly produces 0.018 inch thickness and can produce down to gauges 0.010-0.012 inch. Most U.S. producers have been reluctant to produce light gauge material below 0.020 inches due to efficiency constraints, and our customers tell us that U.S. producers demand hefty surcharges for light gauge material since they are not efficient at producing it.

8. In Europe, producers have been required to supply this lighter gauge material to their automotive and white goods customers for some time. The same is true for other suppliers outside the United States who have already had to make the change to lighter gauge requirements in their domestic markets. For that reason, Mexico and Brazil are our biggest competitors in the light gauge market rather than U.S. producers. I will say that we cannot supply steel for exposed automotive parts or parts where surface finish is of primary importance because Arvedi uses hot rolled as the substrate for galvanizing.

9. I would like to conclude my remarks by pointing out that the corrosion resistant market in the United States has been very profitable compared to other flat rolled products and U.S. producers have realized remarkably strong and consistent profits in my opinion. While prices declined in the first quarter of 2015, this was due primarily to lower raw material costs including scrap and iron ore which have declined significantly in the second half of 2014 and into 2015. Moreover, cold weather conditions in the first quarter of 2015 put pressure on raw material supplies. Unfortunately, customers demand price decreases even before a company experiences the full benefit of the declines in raw material costs. Raw material cost declines tend to take a while to result in cost savings due to inventory lags and also because some producers are tied into long term contracts. As a consequence, the first quarter of 2015 has been challenging for everyone compared

to 2014. However, due to the continued declines in iron ore prices and due to the sudden and precipitous drop in scrap prices at the end of January of this year, both the Mini Mills and U.S. integrated producers should have realized another major improvement in their profits by May of this year. It takes about three months for the inventory to turn over. I have no doubt that if this case continues against Italy that the only effect will be to see increased imports from Mexico and Brazil. In fact, we are already seeing higher levels of imports from these countries.

10. Thank you.