

BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

Certain Hot-Rolled Steel Flat Products from))	
Australia, Brazil, Japan, Korea,))	Inv. Nos. 701-TA-545-547 and
the Netherlands, Turkey, and the))	731-TA-1291-1297 (Final)
United Kingdom))	
)	

Testimony of Jerry Richardson

Mr. Chairman and members of the Commission:

1. My name is Jerry Richardson. I am the General Director at CSN, LLC. CSN is a U.S. producer of cold-rolled and corrosion-resistant steel located in Terre Haute, Indiana. CSN employs 215 workers at its U.S production facility, which has been in operation since 2001. CSN purchases hot-rolled steel for its U.S. production operation from domestic producers and also imports hot-rolled steel from its parent company, CSN SA in Brazil.

2. In addition, CSN, LLC imports hot-rolled steel from CSN Brazil for sale to the U.S. merchant market. Our merchant market sales are made mainly to distributors and service centers who in turn serve the construction and automotive sectors.

3. We have increasingly come to rely on our imports of hot-rolled from CSN Brazil for our internal production because we need a dedicated source of

supply that is independent of the domestic producers. CSN provides us with a consistent, reliable product that runs well on our equipment. Our experience with U.S. merchant market supply has been that differences among hot-rolled suppliers leads to significant variation in the chemistry, dimensions, surface quality, and tolerances of our products, all of which affects our operational efficiency.

4. In addition, all of the major U.S. producers of hot-rolled compete with us in the downstream markets for cold-rolled and corrosion-resistant steel. For obvious reasons, we are not considered a priority customer by our U.S. competitors, and this has made it difficult for us to rely on them. Moreover, there have been many times over the last three years when lead times among our suppliers have lengthened substantially making it difficult to manage a reliable supply chain.

5. Long lead times were a problem in the first quarter of 2014 and again briefly in the summer of 2015 and finally most recently since March of 2016. We will be submitting a chart showing lead times in our post-hearing brief. What this means is that we cannot rely on the hot-rolled arriving when we need it. When you encounter disappointment and delays a few times, you begin to look for alternatives and an obvious alternative for us was CSN, Brazil.

6. Because freight is a major component of our raw material cost, we primarily supply our plant from nearby mills such as Nucor, SDI, and AK Steel. Unfortunately, we have also had substantial quality problems with material produced by several of those domestic suppliers. Not only have we experienced substandard quality, but the resolution of claims has been slow. We will be submitting in our post-hearing brief a summary of the claims and the percentage of instances across suppliers.

7. CSN is a light gauge boutique mill supplying tight tolerance products rolled to precision gauges. Some U.S. suppliers have been unable to consistently meet our requirements, making it necessary to take excessive trim resulting in increased yield costs.

8. We also made some limited commercial shipments to customers of Brazilian material in 2015, particularly in the first quarter of 2015 in response to the strong demand situation in late 2014 in the U.S. market. Once it was apparent that the market was turning down in 2015 and U.S. producers were facing reduced demand in the pipe and tube sector, we reduced our shipments accordingly.

9. Pricing in the HR market has fluctuated significantly in the last three years due to raw material costs and declining demand in the pipe and tube sector. In 2016, raw material costs began to increase and hot-rolled prices also increased

world-wide. But in 2015 when raw material prices were low and the demand for HRC dropped dramatically due to the fall in oil and gas related sectors, the combination had an overwhelming effect on pricing of HRC and we saw plunging prices. U.S. producers felt those effects first and led prices down.

10. Finally, you are undoubtedly aware of the financial problems in Brazil. It presents substantial obstacles for us as a company. While Brazilian companies are fairly adept at dealing with difficult economic conditions, the current situation is extreme. We face substantial supply and production problems. One of CSN Brazil's blast furnaces representing 35 percent of production has been down since January, and we do not know when it will be placed back into service. We have had to purchase slab or hot-rolled coil to supply downstream operations. Due to the fact that CSN's credit rating is low, we have been forced by our suppliers into cash in advance purchases and given that interest rates in Brazil currently top 14 percent, that has made it very difficult for us to operate at normal levels.

11. Thank you.