BEFORE THE U.S. INTERNATIONAL TRADE COMMISSION

Silicomanganese from India, Kazakhstan, and Venezuela	)	Inv. Nos. 731-TA-929-931 (Second Review)

Testimony of Edward Hopkins
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1. Good afternoon. My name is Ed Hopkins. I am the general manager in charge of FerroAtlantica's North American operations. I have been with FerroAtlantica for more than 14 years.

2. I appreciate the opportunity to be here today to address the antidumping duty order on Silicomanganese from Venezuela. I would like to begin by telling you a little bit about FerroVen. Then I will describe the U.S. market for silicomanganese in the United States. I believe it will become evident from this description why revocation of the antidumping duty order on silicomanganese from Venezuela would not lead to a continuation or a recurrence of injury to the domestic silicomanganese industry.

FerroVen

3. FerroVen began production of silicomanganese in 2006, well after the ITC's original antidumping investigation. FerroVen operates a single furnace in Puerto Ordaz, Venezuela that is dedicated to the production of manganese alloys, that is, silicomanganese and ferromanganese. Since production began in 2006, FerroVen's production has been primarily dedicated to supplying the domestic market in Venezuela.

4. FerroVen has never exported silicomanganese to the United States and was not involved in the original investigation. As I will discuss in a moment, given current market conditions, we do not expect to begin selling to the United States at any time in the reasonably foreseeable future, regardless of the outcome of this sunset review. Our company is nevertheless concerned about being branded as an unfair trader that is subject to antidumping duties, even though FerroVen has never been found to have been dumping silicomanganese or to have caused material injury to the U.S. domestic industry. Our European parent is firmly convinced that these sunset reviews must be taken very seriously and, therefore, they have decided to fully participate in this proceeding.

The U.S. Market

5. I would now like to turn to the U.S. silicomanganese market. As the Commission is aware from previous investigations of this market, the end-use of silicomanganese is as a deoxidizer in the production of steel. Consequently, demand for silicomanganese is derivative of U.S. steel production. As the Commission is also aware from previous investigations, there is nowhere near enough domestic capacity to supply the U.S. demand for silicomanganese. As a result, large quantities of imports are an essential feature of the market. This fact has not changed since the entry of Felman into the domestic industry during the period of the Commission's review. The largest import suppliers to this market over the past five years have been South Africa, Georgia, Norway and Australia. In recent years, Georgia has replaced South Africa as the largest import supplier. Collectively, imports have supplied well over half of U.S. demand.

6. The U.S. steel industry is one of the most dynamic and highly competitive industries in the world. Steel producers in the United States have access to large quantities of imports from a wide variety of non-subject sources, as well as from domestic silicomanganese producers, and silicomanganese accounts for a small share of the total cost of steel production. Silicomanganese is a commodity product, and silicomanganese from all sources is generally interchangeable as long as it meets grade requirements. Information on

silicomanganese prices is reported in Ryan's Notes and other trade publications and, as a result, both buyers and sellers have nearly perfect pricing information. As a result of these factors, the price of silicomanganese is primarily a function of supply and demand. From the standpoint of producers supplying this market, this puts a premium on being able to manage your overall cost to obtain a competitive advantage.

7. As the Commission is aware, there are two domestic producers of silicomanganese in the United States: Felman, whose production is located in New Haven, West Virginia, and Eramet, located in Marietta, Ohio, whose output has traditionally been sold to U.S. Steel. Felman is by far the dominant domestic supplier of silicomanganese. In addition to its large domestic production, Felman is also known to be the largest supplier of imported silicomanganese in the United States. Felman's distribution arm, known as Felman Trading, provides an efficient and competitive distribution network that distributes both Felman's domestic and imported silicomanganese throughout the United States. It has been reported in the trade press that between domestic production and imports Felman alone supplies more than half of the U.S. market for silicomanganese.

8. A few weeks ago, Felman announced that it is idling its domestic production facility for a period of at least three months. Based on our understanding of the market, this will not affect Felman's role as the dominant

U.S. supplier. Felman easily can substitute with its captive imports. As has been widely reported in the trade press, Felman's parent company recently completed the acquisition of Georgia Manganese, a major producer of silicomanganese in Georgia. Georgia Manganese owns its own manganese ore mine in Georgia. Given the competitive cost advantages of Georgia Manganese, it makes sense for Felman to rely primarily on that supply to service the U.S. market based on current price levels.

9. As I mentioned a moment ago, because the price of silicomanganese is primarily a function of supply and demand, the most effective competitive strategy for selling profitably in this market is to control costs. Domestic producers have a natural cost advantage with respect to freight and logistics because they are located closer to their customers and can respond quickly to customer orders. Imports, in contrast, feature longer lead times and incur higher freight costs.

10. On the other side of the cost equation, the most significant cost component of silicomanganese production is the primary raw material, manganese ore. There are two kinds of silicomanganese producers, those that are integrated into manganese ore production and those that are not. Through their relationships with their parent companies, both Felman and Eramet are integrated producers who have access to captive sources of manganese ore. The same is true of

producers in most of the major sources of exports to the United States, including Georgia, South Africa, Norway, and Australia. The same is also true of the major producers in India and Kazakhstan.

11. FerroVen is not an integrated producer, which places FerroVen at a competitive disadvantage with respect to the U.S. industry, major non-subject suppliers, and subject producers in India and Kazakhstan. As my colleague Antonio Salinas will explain in a moment, FerroVen's parent company does not own manganese mines anywhere in the world, and there is no local production of manganese ore in Venezuela. This means that FerroVen must source its ore on the open market, and incur the cost of importing the ore into Venezuela. The cost of not being integrated into silicomanganese production can be severe as market prices for ore can be volatile. For example, between 2004 and 2008, the cost of manganese ore increased from $1.48/manganese unit to $18.00. Integrated producers can mitigate such cost increases and thus do a better job of controlling their costs than non-integrated producers.

12. Through its acquisition of Georgia Manganese, Felman now has the best of both worlds. As a domestic producer, it is located close to its customers and has a strong, nationwide distribution operation. And, through Georgia Manganese, Felman now controls a large manganese ore mine, which has the potential to supply both its U.S. and Georgian operations. Felman thus now has

the luxury of shifting seamlessly between domestic production and imports based on market conditions and its own internal cost calculations. This is exactly what we believe is taking place with the decision to temporarily idle Felman's plant in West Virginia.

13. In light of my discussion of the structure and operation of the U.S. market, I would hope it is now clear why revoking the order in silicomanganese from Venezuela would not lead to the continuation or recurrence of material injury to the domestic silicomanganese industry. The small industry in Venezuela is simply in no position to compete with either the domestic producers or with large non-subject import sources that supply this market, including those controlled by Felman.

14. Quite frankly, even without the antidumping order, supplying the U.S. market would make no sense for FerroVen for the foreseeable future. FerroVen's parent company FerroAtlantica produces silicomanganese in Spain, and is not subject to antidumping duties. However, FerroAtlantica is not exporting silicomanganese to the United States from Spain. FerroAtlantica also owns a plant for producing silicomanganese in South Africa. Again, there are no antidumping duties on silicomanganese from South Africa. Yet FerroAtlantica has chosen to let that plant sit idle rather than use it to produce silicomanganese for export to the United States. The overriding economic reality is that without

being integrated into manganese ore, and given the cost of freight, the regular customs duty of 3.9%, and the low market prices in the United States, it simply makes no sense to attempt to compete in this market. If FerroAtlantica is not shipping to the United States from its production facilities in Spain or South Africa – which currently enjoys a favorable exchange rate vis-a-vis the United States, than it would certainly make no sense to do so from FerroVen in Veneuela.

15. Thank you. I would be happy to answer any questions you have.