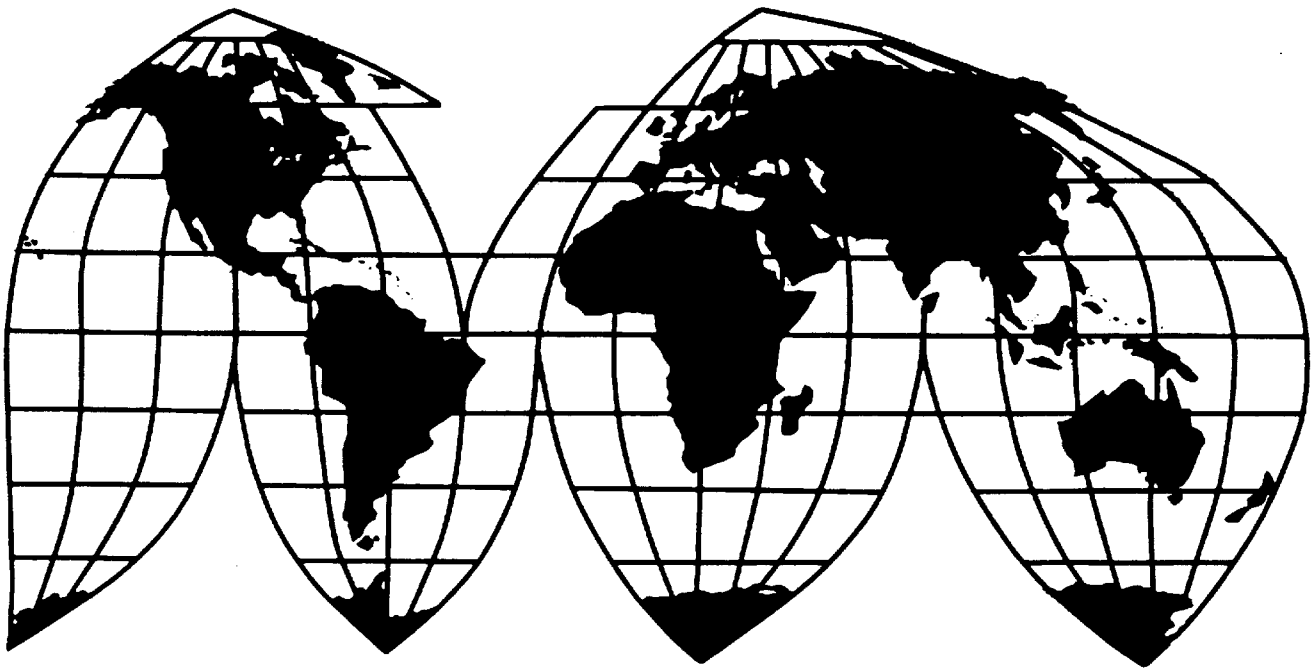
Carbon and Certain Alloy Steel Wire Rod From China, Germany, and Turkey

Investigation Nos. 731-TA-1099-1101 (Preliminary)

Publication 3832 **January 2006**

U.S. International Trade Commission



Washington, DC 20436

U.S. International Trade Commission

COMMISSIONERS

Stephen Koplan, Chairman
Deanna Tanner Okun, Vice Chairman
Jennifer A. Hillman
Charlotte R. Lane
Daniel R. Pearson
Shara L. Aranoff

Robert A. Rogowsky
Director of Operations

Staff assigned

Michael Szustakowski, *Investigator*
Harry Lenchitz, *Industry Analyst*
Amelia Preece, *Economist*
David Boyland, *Accountant*
June Brown, *Attorney*
Jonathan Engler, *Attorney*
Steven Hudgens, *Statistician*

Douglas Corkran, *Supervisory Investigator*

Address all communications to
Secretary to the Commission
United States International Trade Commission
Washington, DC 20436

U.S. International Trade Commission

Washington, DC 20436
www.usitc.gov

Carbon and Certain Alloy Steel Wire Rod From China, Germany, and Turkey

Investigation Nos. 731-TA-1099-1101 (Preliminary)

Publication 3832

January 2006

CONTENTS

CONTENTS

Appendixes

Note.--Information that would reveal confidential operations of individual concerns may not be published. Such information is indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 731-TA-1099-1101 (Preliminary)

Carbon and Certain Alloy Steel Wire Rod From China, Germany, and Turkey

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission (Commission) determines, pursuant to section 733(a) of the Tariff Act of 1930 (19 U.S.C. § 1673b(a)) (the Act), that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury, or that the establishment of an industry in the United States is materially retarded, by reason of imports from China, Germany, and Turkey of carbon and certain alloy steel wire rod, provided for in subheadings 7213.91.30, 7213.91.45, 7213.91.60, 7213.99.00, 7227.20.00, and 7227.90.60 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value (LTFV).

BACKGROUND

On November 10, 2005, a petition was filed with the Commission and the U.S. Department of Commerce by Connecticut Steel Corp., Wallingford, CT; Gerdau AmeriSteel U.S. Inc., Tampa, FL; Keystone Steel & Wire Company, Peoria, IL; Mittal Steel USA Georgetown, Georgetown, SC; and Rocky Mountain Steel Mills, Pueblo, CO, alleging that an industry in the United States is materially injured and threatened with material injury by reason of LTFV imports of carbon and certain alloy steel wire rod from China, Germany, and Turkey. Accordingly, effective November 10, 2005, the Commission instituted antidumping duty investigation Nos. 731-TA-1099-1101 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of November 18, 2005 (70 FR 69988). The conference was held in Washington, DC, on December 1, 2005, and all persons who requested the opportunity were permitted to appear in person or by counsel.

[1] The record is defined in sec. 207.2(f) of the Commission's Rules of Practice and Procedure (19 CFR § 207.2(f)).

VIEWS OF THE COMMISSION

Based on the record in the preliminary phase of these investigations, we find that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of subject imports of carbon and certain alloy steel wire rod ("steel wire rod") from China, Germany, and Turkey that are allegedly sold in the United States at less than fair value.[1]

I. THE LEGAL STANDARD FOR PRELIMINARY DETERMINATIONS

The legal standard for preliminary antidumping duty determinations requires the Commission to determine, based upon the information available at the time of the preliminary determination, whether there is a reasonable indication that a domestic industry is materially injured or threatened with material injury, or that the establishment of an industry is materially retarded, by reason of the allegedly unfairly traded imports.[2] In applying this standard, the Commission weighs the evidence before it and determines whether "(1) the record as a whole contains clear and convincing evidence that there is no material injury or threat of such injury; and (2) no likelihood exists that contrary evidence will arise in a final investigation."[3]

The Court of Appeals for the Federal Circuit has stated that the purpose of preliminary determinations is to avoid the cost and disruption to trade caused by unnecessary investigations and that the "reasonable indication" standard requires more than a finding that there is a "possibility" of material injury.[4] It also has noted that, in a preliminary investigation, the "statute calls for a reasonable indication of injury, not a reasonable indication of need for further inquiry."[5] Moreover, the Court of International Trade ("CIT") has reaffirmed that in applying the reasonable indication "standard for making a preliminary determination regarding material injury or threat of material injury, the Commission may weigh all evidence before it and resolve conflicts in the evidence."[6]

The Commission has collected comprehensive information in these preliminary investigations. Data on U.S. producers are based on the questionnaire responses of 10 firms that accounted for 100 percent of U.S. production in 2004. Importer questionnaire data accounted for 74.2 percent of the quantity of U.S. imports of the subject merchandise from China in 2004, 48.4 percent of imports from Germany, and 53.8 percent of imports from Turkey.[7] The Commission collected comprehensive U.S. import data based on official Department of Commerce ("Commerce") import statistics and utilized the same HTS statistical reporting numbers for purposes of data collection as those presented in the petition.[8] Exports to the United States in 2004 reported by the subject country producers exceeded 84 percent of

---

[1] Material retardation of the establishment of an industry was not an issue in these investigations.

[2] 19 U.S.C. § 1673b(a); see also, e.g., Co-Steel Raritan, Inc. v. United States, 357 F.3d 1294 (Fed. Cir. 2004); Sensient Technologies Corp. v. United States, Slip Op. 04-11 (Ct. Int'l Trade Sept. 10, 2004); Committee for Fair Coke Trade v. United States, Slip Op. 04-68 (Ct. Int'l Trade June 10, 2004); Ranchers-Cattlemen Action Legal Foundation v. United States, 74 F. Supp.2d 1353, 1368-69 (Ct. Int'l Trade 1999); Aristech Chemical Corp. v. United States, 20 CIT 353, 354-55 (1996); American Lamb Co. v. United States, 785 F.2d 994, 1001-04 (Fed. Cir. 1986).

[3] American Lamb, 785 F.2d at 1001; see also Texas Crushed Stone Co. v. United States, 35 F.3d 1535, 1543 (Fed. Cir. 1994).

[4] American Lamb, 785 F.2d at 1004.

[5] Texas Crushed Stone, 35 F.3d at 1543.

[6] Ranchers-Cattlemen, 74 F. Supp.2d at 1368.

[7] Confidential Staff Report ("CR") at I-5; Public Staff Report ("PR") at I-4.

[8] Compare CR at IV-1 n.1, PR at IV-1 n.1, with Petition at 7, Exhibits 3 and 6.

U.S. imports from each country, as reported by official Commerce statistics.[9] Thus, although the Commission did not receive questionnaire responses from all producers of subject merchandise in all subject countries, the subject country producers that did respond represent the vast majority of exports of steel wire rod from each country to the United States during the period examined. The Chinese producers responding to the Commission's questionnaires accounted for 43.8 percent of 2004 Chinese production of steel wire rod; the responding German producers accounted for 70.7 percent of 2004 German steel wire rod production; and the responding Turkish producers accounted for 71.3 percent of 2004 Turkish steel wire rod production.[10]

The sales price data collected by the Commission cover a large and representative portion of overall sales, accounting for 43.3 percent of the quantity of U.S. producers' U.S. commercial shipments of steel wire rod for the period January 2002 through September 2005, 70.5 percent of reported imports from China, 24.6 percent of reported imports from Germany, and 82.2 percent of reported imports from Turkey.[11] Although, as is customary in preliminary investigations, the Commission did not send questionnaires to purchasers, a number of important purchasers participated in the conference, submitted briefs, and were contacted regarding lost sales and lost revenue allegations.

We see no likelihood that any evidence we would have obtained in any final phase of these investigations would change our determinations that the domestic industry is neither materially injured nor threatened with material injury by reason of subject imports from China, Germany, and Turkey.

II. SUMMARY

We find that there is no reasonable indication that an industry in the United States is materially injured by reason of the subject imports. Throughout the period examined the U.S. industry has lacked the capacity to meet U.S. demand for steel wire rod. This shortage of domestic supply was exacerbated by significant production curtailments and work stoppages by domestic producers that are not attributable to subject imports in any significant respect. These production curtailments and work stoppages largely coincided with a significant increase in apparent U.S. consumption from 2003 to 2004. As a result of this combination of increased apparent U.S. consumption and uncertain domestic supply, purchasers and domestic producers increasingly were forced to turn to imports to meet their needs.

Subject import volume increased only from 2003 to 2004 and declined in every other period. The increase in subject imports in 2004 also occurred as imports from nonsubject sources increased. The increase in import volume, both subject and nonsubject, occurred to meet U.S. demand that U.S. producers could not meet. Therefore, we do not find the volume or increase in volume of subject imports to be significant, either absolutely or relative to production or consumption.

U.S. prices increased significantly during the period examined. U.S. prices peaked in 2004 even as subject imports reached their highest levels, both absolutely and relative to U.S. consumption. U.S. prices declined somewhat during January-September ("interim") 2005, but remained at levels well above those experienced early in the period examined. Therefore, we do not find that subject imports depressed U.S. prices to a significant degree. Nor do we find that subject imports suppressed U.S. prices to any significant degree. In 2004 and interim 2005, when subject imports had their greatest market share, the U.S. industry increased unit sales values at a rate faster than the increase in their unit raw material costs. Although the U.S. industry's total unit costs increased slightly relative to U.S. prices in interim 2005, the ratio of total costs to sales value was still below that experienced by the U.S. industry earlier in the period examined. Moreover, we find that the increase in costs relative to prices in interim 2005 largely reflects

[9] CR at VII-1, VII-6, VII-10; PR at VII-1, VII-5, VII-8.

[10] CR at VII-1, VII-6, VII-10; PR at VII-1, VII-5, VII-8 (as reported by ***).

[11] CR at V-7, PR at V-6.

the impact of production curtailments and work stoppages by U.S. producers and the overall decline in U.S. demand in interim 2005. Therefore, the significant underselling of U.S. prices by subject imports notwithstanding, we do not find that subject imports depressed or suppressed U.S. prices significantly.

We do not find that there is a reasonable indication that subject imports have had an adverse impact on the domestic industry. The U.S. industry was profitable in each year of the period examined except 2003, when subject import volume was at its lowest level. The profitability of the U.S. industry reached record levels in 2004 even as subject import volume was at its highest level. Although profits decreased moderately from 2004 to 2005 they remained at high levels and the decline occurred as subject import volume declined absolutely and remained essentially unchanged relative to consumption.

Therefore, for the foregoing reasons we find that there is no reasonable indication that an industry in the United States is materially injured by reason of the subject imports.

In addition, we find no reasonable indication that the U.S. industry is threatened with material injury by reason of the subject imports. The industry is not in a vulnerable state. In particular, the operating income ratio remained healthy in interim 2005. There is no indication that an increase in the volume of subject imports is imminent. Cumulated subject import volume declined in interim 2005 as compared to interim 2004 as apparent U.S. consumption declined. Inventory levels, including those held by subject foreign producers and U.S. importers, are very low. Subject foreign producers are operating at high levels of capacity utilization and do not anticipate significant increases in production capacity in the imminent future. The record indicates that subject imports had no significant adverse effects on U.S. prices throughout the period examined notwithstanding the fact that subject imports undersold the U.S. domestic like product. We do not find that the prices of subject imports are likely to increase demand for subject imports. U.S. prices rose significantly during the period examined and remain at levels significantly above those earlier in the period. Moreover, U.S. producers recently announced additional price increases. We do not find that subject imports are likely to have an actual or potential negative effect on the domestic industry.

Accordingly, we find that the record as a whole contains clear and convincing evidence that there is no reasonable indication of a threat of material injury by reason of subject imports and no likelihood exists that contrary evidence will arise in a final investigation.

III. BACKGROUND

The petition in these investigations was filed on November 10, 2005. Petitioners are the following five of the 10 current domestic producers of steel wire rod: Connecticut Steel Corp., Gerdau AmeriSteel U.S., Inc., Keystone Consolidated Industries, Inc., Mittal Steel U.S.A. (ISG Georgetown), and Rocky Mountain Steel Mills. Foreign producers and exporters and one related U.S. importer who participated in the conference and/or filed briefs include: Chinese Respondents Shougang Group/Shoudu Iron & Steel Company, Anshan Iron & Steel (Group) Corp., Jiangsu Shagang Group Co. Ltd., Xiangtan Iron & Steel (Group) Co. Ltd. (subsidiary of Hunan Valin Iron & Steel Group), Tangshan Iron & Steel Group Co. Ltd., Hangzhou Iron & Steel Group Co. Ltd., Henan Jiyuan Steel & Iron Group Ltd., Maanshan Iron & Steel Co. Ltd., Nanjing Iron & Steel United Co., Ltd., Pingxiang Iron & Steel Co. Ltd., Qingdao Iron & Steel Group Co., Shanghai Baosteel Group Corp., Tianjin Tiangang Steel Group Co. Ltd., and Wuhan Iron and Steel Co. Ltd.; German Respondents Mittal Steel Hochfeld GmbH, Mittal Steel Hamburg GmbH, Saarstahl AG, and Saarsteel, Inc.; and Turkish Respondents Colakoglu Metalurji A.S., Ege Celik Endustrisi Sanayi ve Ticaret A.S., Habas Sinai ve Tibbi Gazlar Istihsal Endustrisi A.S., and Icdas Celik Enerji Tersame ve Ulasim Sanayi A.S. Finally, several U.S. purchasers and groups of purchasers appeared as Respondents: the American Wire Producers Association; the Committee of Domestic Steel Wire Rope and Specialty Cable Manufacturers; the Rubber Manufacturers Association, Michelin North America, Goodyear Tire & Rubber Co., and Bridgestone Firestone North America Tire Company LLC; Illinois Tool Works Inc.; and The Lincoln Electric Company.

The Commission has conducted several previous investigations regarding steel wire rod. In the most recent prior investigations in 2001-02, the Commission reached final affirmative determinations with respect to imports of steel wire rod from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine; found imports from Germany to be negligible; and terminated its investigation with respect to Turkey following Commerce's final negative countervailing duty determination on Turkey.[12] In the preliminary phase, the Commission had found imports of steel wire rod from Egypt, South Africa, and Venezuela to be negligible.[13] Several appeals ensued from the Commission's preliminary and final determinations.[14]

Pursuant to a safeguard investigation, a tariff-rate quota was imposed globally on imports of steel wire rod from March 1, 2000 through March 1, 2003,[15] which covers a portion of the current investigation period.

The Commission reached negative final determinations in antidumping and countervailing duty investigations in 1997 with respect to imports of steel wire rod from Canada, Germany, Trinidad and

---

[12] Carbon and Certain Alloy Steel Wire Rod From Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine, Inv. Nos. 701-TA-417-421 and 731-TA-953, 954, 956-959, 961, and 962 (Final), USITC Pub. No. 3546 (October 2002).

[13] Carbon and Certain Alloy Steel Wire Rod From Brazil, Canada, Egypt, Germany, Indonesia, Mexico, Moldova, South Africa, Trinidad and Tobago, Turkey, Ukraine, and Venezuela, Inv. Nos. 701-TA-417-421 and 731-TA-953-963 (Preliminary), USITC Pub. No. 3456 (October 2001).

[14] Petitioner Co-Steel Raritan appealed the Commission's preliminary determinations that imports from Egypt, South Africa and Venezuela were negligible. Following remand, the Court of International Trade affirmed the Commission's first Remand Views – which the Commission issued under protest – finding that subject imports of wire rod from Egypt, South Africa and Venezuela, based on Commerce's modified scope of investigation, were not negligible when aggregated with subject imports from Germany. Co-Steel Raritan, Inc. v. U.S. International Trade Commission, 26 CIT 1131 (2002). On appeal, the Court of Appeals for the Federal Circuit vacated the Court of International Trade's decision, affirmed the Commission's original preliminary determination that subject imports from Egypt, South Africa and Venezuela were negligible for purposes of present material injury, but remanded the Commission's finding that subject imports from these three countries were negligible for purposes of threat. Co-Steel Raritan, Inc. v. International Trade Commission, 357 F.3d 1294 (Fed. Cir. 2004). The Commission's second Remand Determination, again finding subject imports from Egypt, South Africa and Venezuela to be negligible for purposes of threat, is pending before the Court of International Trade.

As to Germany, the Court of International Trade affirmed the Commission's final determination that subject imports from Germany were negligible. Georgetown Steel Co. v. United States, USCIT Court No. 02-00739 (April 1, 2005). A motion for reconsideration by the petitioner in that case is pending before the Court of International Trade.

With respect to Trinidad and Tobago, the Court of International Trade affirmed the Commission's final determination that the domestic industry was materially injured by reason of de-cumulated subject imports from Trinidad and Tobago. Caribbean Ispat Ltd. v. United States, 366 F. Supp. 2d 1300 (CIT 2005). An appeal of that decision is pending before the Court of Appeals for the Federal Circuit.

With respect to Canada, a North American Free Trade Agreement (NAFTA) Panel, following remand to the Commission, affirmed the Commission's Remand Views finding material injury by reason of the cumulated subject imports. Carbon and Certain Alloy Steel Wire Rod from Canada, Final Injury Determination, USA-CDA-2002-1904-09 (August 12, 2004). The plaintiffs terminated a second NAFTA case regarding the Commission's affirmative determination on steel wire rod from Mexico.

[15] Certain Steel Wire Rod, Inv. No. TA-201-69, USITC Pub. 3207 (July 1999). We note that the Commission was evenly divided regarding the issue of whether increased imports were a substantial cause of serious injury or threat of serious injury to the domestic industry.

Tobago, and Venezuela,[16] and negative determinations in antidumping and countervailing duty investigations in 1993 and 1994 with respect to imports of steel wire rod from Brazil, Germany, Japan, and Trinidad and Tobago.[17]

IV. DOMESTIC LIKE PRODUCT

A. In General

To determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[18] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Act"), defines the relevant domestic industry as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[19] In turn, the Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[20]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[21] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[22] The Commission looks for clear dividing lines among possible like products, and disregards minor variations.[23] Although the Commission must accept the determination of Commerce as to the scope of the imported merchandise allegedly sold at less than fair value, the Commission determines what domestic

---

[16] Certain Steel Wire Rod From Canada, Germany, Trinidad & Tobago, and Venezuela, Inv. Nos. 701-TA-368-371 (Final), USITC Pub. 3075 (November 1997).

[17] Certain Steel Wire Rod From Brazil and Japan, Inv. Nos. 731-TA-646 and 648 (Final), USITC Pub. 2761 (March 1994).

[18] 19 U.S.C. § 1677(4)(A).

[19] Id.

[20] 19 U.S.C. § 1677(10).

[21] See, e.g., NEC Corp. v. Department of Commerce, 36 F. Supp.2d 380, 383 (Ct. Int'l Trade 1998); Nippon Steel Corp. v. United States, 19 CIT 450, 455 (1995); Torrington Co. v. United States, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), aff'd, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) consumer and producer perceptions of the products; (5) common manufacturing facilities, production processes and production employees; and where appropriate, (6) price. See, e.g., Nippon, 19 CIT at 455 n.4; Timken Co. v. United States, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996). No single factor is dispositive, and the Commission may consider other factors relevant to a particular investigation. The Commission looks for clear dividing lines among possible like products, and disregards minor variations. See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess. 90-91 (1979).

[22] See, e.g., S. Rep. No. 249, 96th Cong., 1st Sess., at 90-91 (1979).

[23] See, e.g., Nippon Steel, 19 CIT at 455; Torrington, 747 F. Supp. at 748-49; see also S. Rep. No. 249 at 90-91 (Congress has indicated that the domestic like product standard should not be interpreted in "such a narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.")

product is like the imported articles Commerce has identified.[24] The Commission must base its domestic like product determination on the record in this investigation. The Commission is not bound by prior determinations, even those pertaining to the same imported products, but may draw upon previous determinations in addressing pertinent like product issues.[25]

B. Product Description

In its notice of initiation, Commerce defined the imported merchandise within the scope of investigation as:

> certain hot-rolled products of carbon steel and alloy steel, in coils, of approximately circular cross section, 4.75 mm or more, but less than 19.00 mm, in solid cross-sectional diameter. Specifically excluded are steel products possessing the above-noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States ("HTSUS") definitions for (a) stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; (e) concrete reinforcing bars. Also excluded are free machining steel products (i.e., products that contain by weight one or more of the following elements: 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.04 percent of phosphorus, more than 0.05 percent of selenium, or more than 0.01 percent of tellurium).[26]

U.S. imports of steel wire rod are currently classifiable under subheadings 7213.91.3011, 7213.91.3015, 7213.91.3092, 7213.91.4500, 7213.91.6000, 7213.99.0030, 7213.99.0090, 7227.20.0000, and 7227.90.6050 of the Harmonized Tariff Schedule of the United States (HTSUS), although the subheadings are provided for convenience and Customs purposes and the written description is dispositive.[27]

The scope of these investigations includes 1080 grade tire cord quality wire rod and 1080 grade tire bead quality wire rod, which were excluded from the scope of the most recent previous investigations of steel wire rod, but which the Commission nevertheless found to be part of a single domestic like product.

---

[24] See, e.g., Hosiden Corp. v. Advanced Display Mfrs., 85 F.3d 1561, 1568 (Fed. Cir. 1996) (Commission may find a single domestic like product corresponding to several different classes or kinds defined by Commerce); Torrington, 747 F. Supp. at 748-52 (affirming Commission's determination of six domestic like products in investigations where Commerce found five classes or kinds).

[25] See, e.g., Acciai Speciali Terni S.p.A. v. United States, 118 F. Supp.2d 1298, 1304-05 (Ct. Int'l Trade 2000); Nippon Steel, 19 CIT at 455; Asociacion Colombiana de Exportadores de Flores v. United States, 693 F. Supp. 1165, 1169 n.5 (Ct. Int'l Trade 1988) (particularly addressing like product determination); Citrosuco Paulista, S.A. v. United States, 704 F. Supp. 1075, 1087-88 (Ct. Int'l Trade 1988).

[26] CR at I-7, PR at I-5 (citing 70 F.R. 72781, December 7, 2005).

[27] CR at I-7, PR at I-5.

C. Domestic Like Product

1. Arguments of the Parties

Petitioners advocate a single domestic like product, coextensive with the scope of subject merchandise.[28] Petitioners note that the Commission has consistently found all carbon and certain alloy steel wire rod to be a "continuum of products comprising a single domestic like product with only minor variations between types of wire rod and no clear dividing lines within the product group" and should continue to do so in this case.[29]

German producer Saarstahl argues that tire cord quality wire rod should be considered a separate like product, and respondent Illinois Tool Works (ITW) argues that cold heading quality ("CHQ") wire rod meeting the Industrial Fasteners Institute IFI-140 and ASTM F2282-03 standards should be a separate like product.[30] The Petitioners did not specifically address tire cord or CHQ wire rod as separate like products in their postconference brief. No other respondents presented alternative like product definitions in the preliminary phase of these investigations.

2. Analysis

We define the domestic like product as all steel wire rod, coextensive with the scope of subject merchandise, on the basis that all types of steel wire rod constitute a product continuum, with no clear dividing lines among the various types. This is consistent with the Commission's most recent previous antidumping and countervailing duty investigations of steel wire rod in which the scope of subject merchandise was narrower, but the Commission expanded the like product beyond the scope to include 1080 grade tire cord quality wire rod and 1080 grade tire bead quality wire rod. The 1080 grade products are included in the scope of the instant investigations. The Commission in that case also considered, but rejected, arguments that certain high-end specialized products, including CHQ wire rod and tire cord quality wire rod of all grades, should be considered separate like products.[31]

Physical Characteristics and Uses: All categories of wire rod are intermediate circular, hot-rolled products that are sold in irregularly wound coils. Wire rod is used primarily for subsequent drawing and finishing into wire and wire products, but is also used to make fasteners and other products.[32] There is no clear demarcation between low-end and high-end wire rod products, but rather a continuum of at least 11 major categories of products, defined by end use, ranging from low carbon industrial wire rod used for nails and wire garment hangers, to medium to high carbon wire rod used for tire bead and prestressed concrete strand, to the highest-end products, including the more specialized high-end CHQ and tire cord wire rod.[33] Tire cord quality wire rod itself comprises several grades, including 1070, 1080, and 1090.[34]

---

[28] Petitioners' Postconference Br. at 3-4.

[29] Petitioners' Postconference Br. at 4.

[30] Saarstahl AG and Saarstahl, Inc. Postconference Brief ("Saarstahl Postconference Br.") at 13-24; ITW Postconference Br. at 1-3.

[31] Carbon and Certain Alloy Steel Wire Rod From Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine, Inv. Nos. 701-TA-417-421 and 731-TA-953, 954, 956-959, 961 and 962 (Final), USITC Pub. 3546 (Oct. 2002) at 6-12.

[32] CR at I-8 to I-10, PR at I-6.

[33] CR at I-8 to I-9, PR at I-6, CR/PR at Table I-2.

[34] CR at I-14, PR at I-10; Saarstahl Postconference Br. at 16. Petitioners report that the domestic industry does not currently produce the 1080 and 1090 grades of tire cord quality wire rod. Petitioners' Postconference Br. at 19.

Moreover, the more specialized steel wire rod products are all made to specific customer requirements and quality standards.[35]

Interchangeability: Within the 11 broad categories of steel wire rod, there is overlap of metallurgical qualities, chemistry, and physical characteristics, and similar or related end uses.[36] Interchangeability nevertheless is limited in that low-end products do not meet the specifications required for high-end applications, and high-end wire rod is not generally used in low-end applications because such use would be uneconomical or would entail adjustments in the manufacturing process.[37] Firms cannot typically substitute between wire rod with different specifications, although firms sometimes substitute different specifications in less critical applications. The Commission, however, has found that a lack of interchangeability among products comprising a continuum is not unexpected and not inconsistent with finding a single like product.[38]

While CHQ wire rod may be produced to stringent customer specifications and quality standards, the same is true for tire cord wire rod and other types of high end wire rod.[39] Differing end uses and limited interchangeability thus do not establish sufficiently clear dividing lines for finding CHQ, tire cord quality, or any other type of steel wire rod to be distinct like products.

Channels of Distribution: Almost all domestically produced wire rod is sold to end users, and is often tailored to customers' needs for specific applications and quality requirements.[40]

Common Manufacturing Facilities, Production Processes and Production Employees: All wire rod shares a basic manufacturing process consisting of steelmaking, casting, hot-rolling, and coiling and cooling.[41] The wire rod rolling process determines the rod's size and dimensional precision, depth of decarburization, surface defects and seams, amount of mill scale, and structural grain size, within limits set by the chemistry, tensile strength and other physical properties of the wire rod.[42] Metallurgical properties are imparted by adjusting the chemistry during steelmaking as well as by varying the rolling and cooling processes.[43] Tire cord quality wire rod is largely produced using billets made from direct reduced iron (DRI).[44] Similarly, only high quality scrap or raw iron billets can be used to make CHQ wire rod.[45]

U.S. producers generally make a range of steel wire rod products, using scrap, scrap substitutes, and billets, from low-end to high quality, including both CHQ quality and tire cord quality wire rod. While Saarstahl contends,[46] and Petitioners agree, that no domestic producer currently makes 1080 or 1090 grade tire cord wire rod, domestic producers do manufacture other grades of tire cord wire rod.[47] The Commission accepts as a starting point for its like product analysis the scope of subject merchandise

---

[35] CR at I-13 to I-15, PR at I-9 to I-11.

[36] CR at I-9, PR at I-6-7.

[37] CR at I-10-11, PR at I-8.

[38] Outboard Engines From Japan, Inv. No. 731-TA-1069 (Preliminary), USITC Pub. 3673 at 8, n.40 (March 2004).

[39] CR at II-10, PR at II-6-7.

[40] CR at I-12, I-14; PR at I-8-9, I-10.

[41] CR at I-10 to I-11, PR at I-8.

[42] CR at I-11, PR at I-8.

[43] CR at I-11, PR at I-8.

[44] CR at I-14, PR at I-10; Saarstahl Postconference Br. at 20.

[45] ITW Postconference Br., Declaration of Thomas Hansen at 2.

[46] Saarstahl Postconference Br. at 6-7.

[47] Petitioners' Postconference Br. at 19; CR at II-10, n.23, PR at II-7, n.23.

as defined by Commerce, which in this case includes 1080 and 1090 grade tire cord wire rod, and has no authority to exclude product from the scope because it is not produced domestically.[48] However, when a type of imported subject merchandise is not made domestically, the Commission defines the domestic product in terms of the product most similar to the imported merchandise, which in the case of 1080 and 1090 grade tire cord wire rod would be all other tire cord quality wire rod which is produced domestically.[49]

Customer and Producer Perceptions: Although different types of wire rod are used for similar applications, it is not uncommon for wire rod to be produced to specific customer requirements and standards.[50] However, this is true, not only for tire cord quality wire rod and CHQ quality wire rod, but for many types of specialized wire rod products. Domestic producers generally produce both specialty and lower end types of wire rod,[51] and do not make bright-line distinctions among the various types, but rather view the various types as comprising a continuum.

Price: As would be expected with a product continuum, prices for steel wire rod range from a low end for industrial grades to higher prices for the high-end, more specialized grades.[52]

Conclusion: We find that all steel wire rod comprises a single domestic like product, including tire cord quality wire rod and CHQ quality wire rod. While these two types of high-end specialized product may have certain unique characteristics and be made using specialized processes to specific customer requirements and standards, the same is true for many other types of high-end specialized wire rod. Moreover, all types of wire rod share certain basic physical properties and generally are manufactured in the same domestic facilities by the same employees, using some of the same processes up to the point of specialization. The record does not show sufficiently clear dividing lines between these two types of steel wire rod and all other types of steel wire rod for the Commission to find that they are separate like products. What the record does show is that the varied types of steel wire rod that correspond to the scope and that are used in many different applications themselves comprise a product continuum, such that the only clear dividing line is between steel wire rod and other steel products. As noted, a lack of interchangeability in end use and price differences are not inconsistent with finding a single like product that consists of a continuum.

V. DOMESTIC INDUSTRY

A. In General

The domestic industry is defined as the "producers as a [w]hole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[53] In defining the domestic industry, the Commission's general practice has been to include in the industry all domestic production of the domestic like product, whether

---

[48] See, e.g., Certain Cold-Rolled Steel Products From Australia, India, Japan, Sweden, and Thailand, Inv. Nos. 731-TA-965, 971-72, 979, and 981 (Final), USITC Pub. 3536 (September 2002) at 10, n.31.

[49] Certain Cold-Rolled Steel Products From Australia, India, Japan, Sweden, and Thailand, USITC Pub. 3536 at 10, n.30.

[50] CR at I-10, PR at I-8.

[51] Conference Transcript at 29 (Martin); 34 (Simon); 37 (Porter); 62 (Martin, McGrath).

[52] CR at I-12; I-14-15; PR at I-9, I-10-11.

[53] 19 U.S.C. § 1677(4)(A).

toll-produced, captively consumed, or sold in the domestic merchant market.[54] Based on our finding that the domestic like product is all steel wire rod, we define the domestic industry to consist of all domestic producers of steel wire rod, but consider whether any producers should be excluded under the related parties provision.

B. Related Parties

We must determine whether any producer of the domestic like product should be excluded from the domestic industry pursuant to 19 U.S.C. § 1677(4)(B). That provision of the statute allows the Commission, if appropriate circumstances exist, to exclude from the domestic industry producers that are related to an exporter or importer of subject merchandise, or which are themselves importers.[55] Exclusion of such a producer is within the Commission's discretion based upon the facts presented in each case.[56]

Two domestic producers are related parties: domestic producer Mittal Steel U.S.A. (ISG Georgetown) is affiliated with German producers Mittal Steel Hochfeld and Mittal Steel Hamburg GmbH;[57] and domestic producer Sterling Steel Corp. is wholly owned by Leggett & Platt, an importer of subject merchandise.[58] In addition, two domestic producers ,***, purchased subject imports during the period examined.[59]

Petitioners argue that domestic producer Sterling should be excluded as a related party because it is ***, and inclusion of the company's financial data would skew the financial picture of the industry as a whole.[60] No other related parties arguments were presented to the Commission.

Sterling: In July 2002, Leggett & Platt, an importer of subject merchandise, acquired the wire rod-producing assets of Northwestern Steel & Wire (which had no production in 2002) and restarted the manufacturing operations in February 2003 as Sterling Steel Corp.[61] Sterling represented *** percent of U.S. production in 2004 and opposes the petition.[62] Its parent imported subject merchandise from *** subject countries during the period examined, and Leggett & Platt's subject imports were equivalent to *** percent of Sterling's production in 2003, *** percent in 2004, *** percent in interim 2004, and ***

---

[54] See, e.g., United States Steel Group v. United States, 873 F. Supp. 673, 681-84 (Ct. Int'l Trade 1994), aff'd, 96 F.3d 1352 (Fed. Cir. 1996).

[55] 19 U.S.C. § 1677(4)(B).

[56] See, e.g., Sandvik AB v. United States, 721 F. Supp. 1322, 1331-32 (Ct. Int'l Trade 1989), aff'd mem., 904 F.2d 46 (Fed. Cir. 1990); Empire Plow Co. v. United States, 675 F. Supp. 1348, 1352 (Ct. Int'l Trade 1987). The primary factors the Commission has examined in deciding whether appropriate circumstances exist to exclude related parties include: (1) the percentage of domestic production attributable to the importing producer; (2) the reason the U.S. producer has decided to import the product subject to investigation, i.e. whether the firm benefits from the LTFV sales or subsidies or whether the firm must import in order to enable it to continue production and compete in the U.S. market, and (3) the position of the related producers vis-a-vis the rest of the industry, i.e. whether inclusion or exclusion of the related party will skew the data for the rest of the industry. See, e.g., Torrington, 790 F. Supp. at 1168. The Commission has also considered the ratio of import shipments to U.S. production for related producers and whether the primary interests of the related producers lie in domestic production or in importation. See, e.g., Melamine Institutional Dinnerware from China, Indonesia and Taiwan, Inv. Nos. 731-TA-741-743 (Final), USITC Pub. 3016 at 14 n.81 (Feb. 1997).

[57] CR at III-5-6, VII-6, VII-8; PR at III-4, VII-5, VII-7; CR/PR at Table III-1.

[58] CR at III-11, PR at III-8; CR/PR at Table III-3; Conference Transcript at 134-138 (Downes).

[59] CR/PR at Table III-7.

[60] Petitioners' Postconference Br. at 7.

[61] CR/PR at Table III-3.

[62] Sterling was the *** U.S. producer in 2004. CR/PR at Table III-1.

percent in interim 2005.[63] Leggett & Platt reported that it imported wire rod because its internal production cannot meet internal consumption demand and because imports ***.[64]

The record provides some indication that Sterling may be benefitting from imports or may be shielded from any injurious effects of the subject imports. It was a relatively profitable domestic producer after 2003 and, in interim 2005, ***. Its operating margins increased *** over the period, from *** percent in 2003 to *** percent in 2004 and to *** percent in interim 2005.[65]

However, including Sterling's data would not skew the data for the industry as a whole, given that the trends in Sterling's performance and financial indicators are similar to those of many of the other domestic producers.[66] Thus, with or without Sterling's data, the U.S. industry's production and net sales quantities generally decreased over the period, but unit sales value increased and operating income increased dramatically from 2002 to 2004, despite rising costs. U.S. production declined somewhat when the interim periods are compared, although the industry remained profitable. The industry's operating margins with Sterling included were 14.3 percent in 2004 and 9.2 percent in interim 2005. Without Sterling, they were *** percent in 2004 and *** percent in interim 2005.[67]

While this is a close question, on balance we find that appropriate circumstances exist to exclude Sterling from the domestic industry under the related parties provision, given the high ratio of Leggett & Platt's imports to Sterling's production at the end of the period, the reasons the company imported subject product, and Sterling's opposition to the petition. However, our determinations of no reasonable indication of material injury or threat of material injury would have been the same had we included Sterling in the domestic industry.

Mittal Steel U.S.A. (ISG Georgetown): Domestic producer Mittal Steel U.S.A. is a related party because it is wholly owned by Mittal Steel, NV, of the Netherlands, which is also the parent company of two German steel wire rod producers, Mittal Steel Hamburg and Mittal Steel Hochfeld.[68] Mittal Steel U.S.A. accounted for *** percent of U.S. production in 2004.[69] Mittal Steel, NV, however, did not acquire the ISG Georgetown facilities until April 2005, Mittal Steel U.S.A. did not import or purchase subject product during the period examined,[70] and thus, on balance, it is not appropriate to exclude Mittal Steel U.S.A. under the related parties provision.

Domestic Producers' Purchases of Subject Imports: During the period examined, two domestic producers, ***, purchased subject imports.[71] When a U.S. producer is neither related to a subject country producer, exporter, or importer, nor directly imports subject merchandise, it may nevertheless be deemed a related party if it controls large volumes of imports where, for example, it was responsible for a predominant proportion of an importer's purchases and the importer's purchases were substantial.[72] *** accounted for *** percent of U.S. production in 2004,[73] and its purchases of subject imports, as a

[63] Calculated from CR/PR at Table III-7.

[64] CR at III-11, PR at III-8.

[65] CR/PR at Table VI-3.

[66] CR/PR at Table VI-3.

[67] CR/PR at Tables C-1, C-2.

[68] CR at III-5-6, VII-6, VII-8; PR at III-4, VII-5, VII-7.

[69] CR/PR at Table III-1.

[70] CR at III-5-6, III-11-12; PR at III-4, III-8.

[71] CR at III-12, PR at III-8, CR/PR at Table III-7.

[72] See Foundry Coke From China, Inv. No. 731-TA-891 (Final), USITC Pub. 3449 (September 2001) at 8-9.

[73] CR/PR at Table III-1.

percentage of its total production, ranged from *** percent in 2003 to *** percent in interim 2005.[74] *** reported that its *** purchased subject imports from *** subject countries.[75]

***, which accounted for *** percent of domestic production in 2004,[76] purchased *** subject imports from *** in 2004 in product sizes that it could not produce internally.[77] ***'s purchases of subject imports amounted to *** percent of its production in 2004.[78]

The record does not indicate that these two producers' purchases of subject imports accounted for a predominant portion of imports by a particular importer or that the importer(s) from which the purchases were made were responsible for a substantial volume of subject imports. The record thus does not support a finding that either of these domestic producers controlled large volumes of subject imports through their purchases so as to bring them within the related parties provision. Thus, we need not consider whether appropriate circumstances exist to exclude them under the provision.

Accordingly, we define the domestic industry to consist of all domestic producers of steel wire rod, except Sterling.

VI. CUMULATION

A. In General

For purposes of evaluating the volume and price effects for a determination of material injury by reason of the subject imports, section 771(7)(G)(i) of the Act requires the Commission to cumulate subject imports from all countries as to which petitions were filed and/or investigations self-initiated by Commerce on the same day, if such imports compete with each other and with domestic like products in the U.S. market.[79] In assessing whether subject imports compete with each other and with the domestic like product, the Commission has generally considered four factors, including:

(1) the degree of fungibility between the subject imports from different countries and between imports and the domestic like product, including consideration of specific customer requirements and other quality related questions;
(2) the presence of sales or offers to sell in the same geographic markets of subject imports from different countries and the domestic like product;
(3) the existence of common or similar channels of distribution for subject imports from different countries and the domestic like product; and
(4) whether the subject imports are simultaneously present in the market.[80]

While no single factor is necessarily determinative, and the list of factors is not exclusive, these factors are intended to provide the Commission with a framework for determining whether the subject

[74] CR/PR at Table III-7.

[75] CR at III-12, PR at III-8.

[76] CR/PR at Table III-1.

[77] CR at III-12, PR at III-8.

[78] CR/PR at Table III-7.

[79] 19 U.S.C. § 1677(7)(G)(i).

[80] See Certain Cast-Iron Pipe Fittings from Brazil, the Republic of Korea, and Taiwan, Inv. Nos. 731-TA-278-280 (Final), USITC Pub. 1845 (May 1986), aff'd, Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898 (Ct. Int'l Trade), aff'd, 859 F.2d 915 (Fed. Cir. 1988).

imports compete with each other and with the domestic like product.[81] Only a "reasonable overlap" of competition is required.[82]

The threshold criterion for cumulation is satisfied because the petition was filed with respect to each of the three subject countries on the same day.[83] None of the statutory exceptions to cumulation is applicable, including the negligibility exception, in that imports from each of the subject countries exceeded the statutory threshold of 3 percent of all imports of subject merchandise during the most recent 12 months immediately preceding the filing of the petition for which data were available.[84] By quantity, imports from China during the 12-month period were 25.9 percent of all wire rod imports; imports from Germany were 8.4 percent; and imports from Turkey were 14.4 percent.[85]

B. Arguments of the Parties

The Petitioners contend that the Commission should find, as it did in its 2001-02 investigations of steel wire rod, that "[f]oreign-produced subject wire rod generally is interchangeable with U.S.- produced wire rod."[86] Petitioners state that the majority of both domestic producers and responding importers report that subject imports were "always" or "frequently" interchangeable with one another and with the U.S. product, and that pricing and sales data show significant overlap between sales of U.S. and imported product.[87] Petitioners further note that the channels of distribution for the majority of wire rod imports overlap with those of the domestic like product; steel wire rod is sold directly to end users; there is significant geographic overlap between sales of the subject imports and the domestic like product; and wire rod from the three subject countries has been simultaneously present in the U.S. market in each year of the period examined.[88]

The Respondents did not argue against cumulation for purposes of the Commission's present material injury analysis, but German and Turkish Respondents did present arguments opposing cumulation for threat purposes, as discussed in the threat section of these Views.

C. Analysis

We examine below the four factors that the Commission customarily considers in determining whether there is a reasonable overlap of competition.

---

[81] See, e.g., Wieland Werke, AG v. United States, 718 F. Supp. 50 (Ct. Int'l Trade 1989).

[82] The SAA (at 848) expressly states that "the new section will not affect current Commission practice under which the statutory requirement is satisfied if there is a reasonable overlap of competition." SAA at 848 (citing Fundicao Tupy, S.A. v. United States, 678 F. Supp. 898, 902 (Ct. Int'l Trade 1988)), aff'd 859 F.2d 915 (Fed. Cir. 1988). See Goss Graphic Sys., Inc. v. United States, 33 F. Supp. 2d 1082,1087 (Ct. Int'l Trade 1998) ("cumulation does not require two products to be highly fungible"); Wieland Werke, AG, 718 F. Supp. at 52 ("Completely overlapping markets are not required.").

[83] Petition at 1.

[84] See 19 U.S.C. § 1677(7)(G)(ii).

[85] CR at IV-4, PR at IV-4.

[86] Petitioners' Postconference Br. at 8.

[87] Petitioners' Postconference Br. at 8-9.

[88] Petitioners' Postconference Br. at 9-10.

1. Fungibility

The vast majority of domestic producers that responded to the Commission's questionnaires reported that imports from each subject country were always interchangeable with domestic product, and most importers agreed that subject and U.S. product were at least sometimes interchangeable. Limits on the interchangeability of the subject imports with each other and with the domestic like product, as reported by importers, included quality differences, lead times, and inability to produce to certain specifications.[89]

The Commission collected data on U.S. shipments of both U.S. product and subject imports by five specific categories of steel wire rod. Two categories are considered commodity grades or industrial grades (low and medium-low carbon industrial and standard quality wire rod, and high and medium-high carbon industrial and standard quality wire rod) and three categories are considered to be specialty grades (tire cord and tire bead wire rod, welding quality wire rod, and cold heading and other specialty carbon and alloy quality wire rod).[90] While imports of the German product are the most concentrated in the specialty grades, these data reveal a reasonable overlap in product types among the subject imports and between the subject imports and the domestic product. In each full year of the period, nearly 80 percent of U.S. producers' U.S. shipments were in the commodity grades, as compared to more than 90 percent for U.S. importers' shipments of the Chinese product, from *** percent for the Turkish product,[91] and from *** percent for the German product (although in interim 2005, the proportion of U.S. importers' shipments of the German product in the commodity grades was only *** percent, with *** percent in specialty grades, and *** percent in the "all other" category). The remainder, for each country and for the U.S. product, was of specialty and "all other" grades.[92] While the German Respondents assert that nearly 30 percent of the steel wire rod they exported to the United States during the period was of types not produced domestically, the remaining 70 percent was in categories made by U.S. producers.[93]

2. Same Geographical Markets

The record shows that U.S. product is produced and sold nationwide.[94] The record further shows that the majority of subject imports from each of the three subject countries entered the United States through 11 common Customs port districts and that these districts accounted for 84.5 percent of subject imports' entry into the United States over the period.[95]

---

[89] CR at II-10-13, PR at II-6-8.

[90] CR at IV-5, PR at IV-5.

[91] CR at IV-5-6, PR at IV-5. Some of the Turkish product classified as "all other" may actually be commodity-grade product that was misclassified. CR at IV-6, PR at IV-5.

[92] CR/PR at Table IV-3.

[93] CR at II-11, PR at II-7.

[94] CR at II-1, IV-11; PR at II-1, IV-10.

[95] CR/PR at Table IV-4.

3. Common or Similar Channels of Distribution

The vast majority of both U.S. product and subject imports from each country are shipped to end users, with the remainder shipped to distributors and service centers.[96] The U.S. product and the subject imports thus have common channels of distribution.

4. Simultaneous Presence

Monthly import data show entries from each of the subject countries throughout the period examined. From January 2002 through September 2005, there were imports from each country in every month, except for three months in 2003 when there were no entries from China, and two months in 2002, when there were no entries from Turkey.[97]

5. Conclusion

On balance, we find a reasonable overlap of competition between the subject imports from each country and between the subject imports and the domestic like product. There is no question that subject imports from each country and the U.S. product were present throughout the period examined in overlapping geographic markets and were sold in common distribution channels. As to fungibility, while more German product is of specialized grades and a portion is of types not produced domestically, there is sufficient overlap of the commodity and all other categories with both U.S. product and the subject imports from China and Turkey for us to find a reasonable overlap of competition.

We therefore cumulate subject imports from China, Germany, and Turkey for our analysis of present material injury.

VII. NO REASONABLE INDICATION OF MATERIAL INJURY BY REASON OF CUMULATED SUBJECT IMPORTS FROM CHINA, GERMANY AND TURKEY

In the preliminary phase of antidumping duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured by reason of the imports under investigation.[98] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[99] The statute defines "material injury" as "harm which is not inconsequential, immaterial, or unimportant."[100] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry

[96] CR/PR at Table II-1.

[97] CR at IV-12, PR at IV-10, CR/PR at Table IV-5.

[98] 19 U.S.C. § 1673b(a).

[99] 19 U.S.C. § 1677(7)(B)(i). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each [such] factor ... [a]nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B); see also, e.g., Angus Chemical Co. v. United States, 140 F.3d 1478 (Fed. Cir. 1998).

[100] 19 U.S.C. § 1677(7)(A).

in the United States.[101] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[102]

A. Conditions of Competition and the Business Cycle[103]

We have considered the business cycle and taken the following conditions of competition into account when assessing whether there is a reasonable indication of material injury or threat of material injury to the domestic steel wire rod industry by reason of the cumulated subject imports.

Wire rod is an intermediate product that is sold largely to wire drawers, which draw wire rod into wire for use in a large variety of products. Demand for wire rod thus depends on demand for these many and varied end use products. A relatively large proportion of steel wire rod sold in the U.S. market ultimately is used for construction and automotive applications, and demand for these uses tends to follow the cyclical trends in these industries.[104] Demand for other end uses of wire rod is largely driven by the general economic cycle.[105]

Most steel wire rod is produced to order rather than sold out of inventory. All 10 responding U.S. producers reported that 95 percent or more of their sales were produced to order, and 14 out of 17 responding importers stated that the steel wire rod they sold was produced to order.[106] Wire rod mills thus tend to tailor their operating practices to meet a customer's needs for specific applications and quality requirements.[107] The vast majority of steel wire rod sold in the United States is shipped directly to end users – approximately 95 percent of U.S. producers' shipments and about 80 percent of subject imports during the period examined.[108] Because steel wire rod generally is produced on a made-to-order basis and shipped directly to end users, inventories typically are maintained by end users. Accordingly, the quantity of inventories held during the period by U.S. producers and importers was relatively low.[109]

---

[101] 19 U.S.C. § 1677(7)(C)(iii).

[102] 19 U.S.C. § 1677(7)(C)(iii).

[103] None of the parties argue that the captive production provision, 19 U.S.C. § 1677(7)(C)(iv), applies in this case or that it should be considered a significant condition of competition in the industry. Internal consumption and transfers to related firms by quantity rose from 12.4 percent of U.S. producers' total shipments in 2002 to 24.7 percent in interim 2005. CR at III-10, PR at III-7, CR/PR at Table III-6. The third criterion of the captive production provision of the statute, which requires that the production of the domestic like product sold in the merchant market not generally be used in the production of the downstream article, would not be satisfied. No domestic producer reported differences, including in quality and end use, between the wire rod they consumed internally or transferred to related firms, and the wire rod that they sold to the merchant market. CR at III-11, PR at III-8; Conference Transcript at 112 (Cheek, Porter). Thus, as the Commission noted in its prior investigations (Carbon and Certain Alloy Steel Wire Rod From Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine, Inv. Nos. 701-TA-417-421 and 731-TA-953, 954, 956-959, 961 and 962 (Final), USITC Pub. 3546 (Oct. 2002) at 23, n.135), steel wire rod is used to make the same types of wire and wire products, whether internally consumed or sold to third-party purchasers, and we need not reach any of the other statutory captive production criteria to find that the provision does not apply.

[104] CR at II-8, PR at II-5-6.

[105] Conference Transcript at 65 (Porter).

[106] CR at V-6, PR at V-5.

[107] CR at I-10, PR at I-8.

[108] CR at II-2, PR at II-1, CR/PR at Table II-1.

[109] CR at III-14, VII-13; PR at III-8, VII-12; CR/PR at Tables III-8, VII-10 (as revised by Memorandum INV-CC-220, December 22, 2005).

In 2005, there were 10 U.S. producers of steel wire rod, five of which are Petitioners. In addition to the Petitioners, U.S. producers include Nucor Corp., Republic Engineered Products, Cascade Steel and Rolling Mills, Charter Steel, and Sterling Steel Corp.[110]

The domestic industry produces a wide range of steel wire rod[111] and reportedly is developing certain specialty grades that it does not currently produce.[112] However, the vast majority of the U.S. market, approaching 80 percent throughout the period examined, consists of the commodity or standard grades, in which most suppliers, including all three subject countries and the U.S. producers, compete.[113]

Although the U.S. industry produces a wide range of steel wire rod products, U.S. producers do not have the capacity to supply the entire U.S. market,[114] and therefore imports, both subject and nonsubject, are a necessary source of supply to the U.S. market. Throughout the period examined, nonsubject imports were larger in absolute volume and market share than the subject imports and included product from several countries that are subject to countervailing and antidumping duty orders.[115]

Apparent U.S. consumption increased by 2.9 percent from 2002 through 2004. A decrease of 15.4 percent from 2002 to 2003 was followed by a dramatic increase of 21.6 percent from 2003 to 2004. Apparent U.S. consumption then decreased by 22.5 percent in interim 2005 compared with interim 2004.[116]

The increase in apparent U.S. consumption in 2004 is consistent with a period of strong demand for steel wire rod due to generally favorable economic conditions, as acknowledged by all parties.[117] The parties do not dispute that the rise in apparent U.S. consumption in 2004 also reflects a build-up in inventory by end users of steel wire rod. The record indicates that the inventory build-up resulted, at least in significant part, from purchasers' precautionary buying in reaction to widespread supply disruptions by

---

[110] CR/PR at Table III-1.

[111] Conference Transcript at 29(Martin); 34 (Simon); 37 (Porter); 62 (Magrath).

[112] Petitioners' Postconference Br. at 17. The domestic industry, for example, does not currently produce grade 1080 or 1090 tire cord wire rod, although it does produce relatively small quantities of lower grade tire cord quality wire rod. Petitioners' Postconference Br. at 19. However, the domestic industry produces tire bead quality wire rod in commercial quantities, although domestic supply was curtailed following the shutdown of the Georgetown facility. Conference Transcript at 148 (Hoeferlin). See also CR/PR at Table IV-3.

[113] CR/PR at Table IV-3. According to German Respondents, nearly 30 percent of steel wire rod imports from Germany are specialty products that are not made by the domestic industry, particularly grades 1080 and 1090 tire cord quality wire rod. Saarstahl Postconference Br. at 24. While the fact that certain types of steel wire rod are only made by certain countries, such as the United States or Germany, may attenuate competition, the lack of overlap in product types among the various suppliers, both domestic and foreign, is very limited. CR/PR at Table IV-3.

[114] It is clear from the record that the domestic industry could not meet domestic demand for steel wire rod throughout the period examined. Throughout the period, the domestic industry's claimed production capacity fell far short of apparent U.S. consumption, by *** short tons in 2002, *** short tons in 2003, and *** short tons in 2004. The domestic industry's reported capacity was *** percent of apparent U.S. consumption in 2002, *** percent in 2003, and *** percent in 2004. Derived from CR/PR at Table C-2. Even taking into account Sterling's capacity, U.S. producers' total reported capacity was equivalent to less than 73 percent of apparent U.S. consumption in 2004. Derived from CR/PR at Table C-1. The gap was filled by subject and nonsubject imports. Petitioners themselves purchased substantial quantities of imported steel wire rod during the period to meet domestic demand. *** purchased *** short tons of imported steel wire rod during 2004 alone (representing *** percent of its domestic production), of which *** short tons was subject merchandise. *** purchased *** short tons of imported steel wire rod in 2004 (representing *** percent of its domestic production), of which *** short tons was subject merchandise from ***. CR/PR at Table III-7.

[115] CR/PR at Tables C-2, IV-2.

[116] CR/PR at Table C-2.

[117] Conference Transcript at 25 (Kurtz); 30 (Martin); 39 (Porter); 131 (Johnson); 135 (Downes).

the domestic industry, as discussed below.[118] Petitioners, while taking issue with the Respondents' claim of short supply in 2004, concede that there were periods during which some customers did not have every request met and that, while domestic producers were able to meet what they considered to be their customers' normal needs, they could not supply the full volume requested in response to increased demand.[119] At least three U.S. producers that did not experience closures or production reductions in 2004 limited the volume supplied to purchasers.[120]

The record indicates that increased purchases and inventory build-up by purchasers were also due to the sharp rise in the cost of raw materials, particularly scrap metal, that began in late 2003 and continued in 2004, and the anticipated corresponding rise in steel wire rod prices.[121] In fact, prices rose sharply in 2004, reaching levels at the end of 2004 that were much higher than those at the end of 2003.[122] As a result of this sharp increase in prices (which was greater than the increase in the domestic industry's unit costs), and despite the increase in subject imports, the domestic industry's profitability rose sharply, with its operating income ratio rising from *** percent in 2003 to *** percent in 2004.[123]

While the record indicates that some purchasers turned to subject imports as well as nonsubject imports during this period, and that the domestic industry may have lost some sales to subject imports, the proportion of these confirmed lost sales is relatively small compared to the total claimed and to the overall market.[124] Rather, given the widespread disruptions in domestic supply (described below) during the period, the record on balance does not indicate that purchasers' increased purchases and inventory build-up were driven by lower priced imports, but rather that they were driven by supply shortages perceived by purchasers during a period of rising prices and particularly strong demand.

In interim 2005, apparent U.S. consumption was 22.5 percent lower as compared with interim 2004.[125] The parties agree that this decrease largely reflected the work-off of the 2004 inventory build-up and occurred at the same time that much of the shutdown domestic capacity came back on-line.[126] While prices decreased in interim 2005, they remained well above the price levels seen in 2002 and 2003, and all but the highest prices on record in 2004.[127] The industry remained profitable, with an operating

---

[118] Conference Transcript at 126 (Moffitt); 130 (Johnson); 137-138 (Downes).

[119] Petitioners' Postconference Br. at 20; Conference Transcript at 39 (Porter); 84-85 (Porter, Simon); 118 (Magrath).

[120] Purchasers reported that Connecticut Steel, Rocky Mountain, and Gerdau placed customers on allocation. AWPA Postconference Br. at 6-8; Conference Transcript at 83-84 (Martin, Porter, Simon).

[121] Conference Transcript at 152-156 (Shor).

[122] With respect to the products for which the Commission collected pricing data, domestic producers' fourth quarter 2004 weighted average prices ranged between 56.3 percent and 120.6 percent higher than their fourth quarter 2003 prices. Between these quarters, the weighted average price for product 1 rose by 80.8 percent; for product 2, by 81.0 percent; for product 3, by 120.6 percent; for product 4, by 79.2 percent; and for product 5 (a much lower volume product than the other four), by 56.3 percent. CR/PR at Tables V-2-6.

[123] CR/PR at Table C-2.

[124] CR/PR at Tables V-9 & V-10.

[125] CR/PR at Table C-2.

[126] CR/PR at Table C-2; Conference Transcript at 26 (Kurtz); 128 (Moffitt); Petitioners' Postconference Br. at 16 ("Wire rod demand, as reflected in apparent consumption, fell especially hard in 2005 because purchasers had built six months of inventory"); Turkish Resp. Postconference Br. at 5-7, 9-11; Chinese Resp. Postconference Br. at 6, 18; AWPA Postconference Br. at 3, 5-9, 11, 14.

[127] CR/PR at Tables V-2-6.

income margin of *** percent.[128] By the end of 2005, according to Respondents, with inventory levels down, domestic producer delivery delays and price increases resumed.[129] While Petitioners view demand at the end of 2005 as "subdued" and generally reflecting apparent consumption,[130] public reports indicate that demand is improving, with steel wire rod producers reported to have announced a $40 per ton across the board increase in prices in September 2005. Purchasers, moreover, have reported late deliveries and recent price increases remaining firm.[131]

During the period examined, U.S. supply was irregular due to bankruptcies, production shutdowns, and work stoppages not attributable in any significant respect to the subject imports, which did not increase until 2004. The shutdown of the Georgetown facility prior to Mittal Steel USA's purchase was precipitated by Georgetown's bankruptcy in 2003, which company officials attributed to higher raw material costs and labor disputes.[132] Keystone's bankruptcy, declared in February 2004, was generally attributable to labor problems and increases in scrap prices as well as energy and health care costs; these problems preceded the bankruptcy by at least several months.[133] Gerdau AmeriSteel locked out its employees and shut down its Beaumont, Texas, facility during interim 2005 due to a labor dispute. Company officials testified that the company "decided to no longer continue to try to run the plant without a [labor] contract" and to use a shutdown "to try to stimulate negotiations."[134] Thus, while the Gerdau shutdown occurred in 2005, there is no indication that it was attributable to the subject imports. U.S. producers' reported capacity and production levels both decreased from 2002 to 2004, (by *** percent and *** percent, respectively), as did capacity utilization, by *** percentage points. In interim 2005, as compared to interim 2004, reported capacity increased, but production and capacity utilization levels were lower.[135]

The domestic industry's reported capacity and capacity utilization levels must be viewed in the context of the production shutdowns, work stoppages, and bankruptcies that occurred during the period, most of which predated the increase in subject imports in 2004. *** reported that its blast furnace was shut down from mid-August 2003 to early October 2003, leading to a reduction in capacity of about *** short tons during the period. Before being acquired by Mittal in April 2005, Georgetown Steel declared bankruptcy and closed on October 31, 2003, and production was down through July 2004; its overall reported lost capacity during this period was *** short tons.[136] Since May 26, 2005, Gerdau has experienced a work stoppage at its Beaumont, Texas, facility, resulting in about *** short tons of lost capacity.[137] Charter did not begin producing steel wire rod at the AS&W facility it acquired from

---

[128] CR/PR at Table C-2.

[129] AWPA Postconference Br. at 12, 17-19, Exhibits 11-13; Conference Transcript at 132-33 (Johnson); 140 (Downes); 155 (Shor).

[130] Petitioners' Postconference Br. at 16.

[131] CR at II-8-9, PR at II-6.

[132] Turkish Respondents' Postconference Br. at 8-10, App. B (*In Abrupt Shift, Georgetown Closes Mill, Files for Chapter 11,* American Metal Market (Oct. 22, 2003); *Steel Furnaces Go Cold in Georgetown, S.C.,* Post & Courier (Charleston, S.C.) (Oct. 21, 2003)).

[133] CR at VI-15, n.9, PR at VI-4, n.9; Turkish Respondents' Postconference Br. at 10-11, App. C.

[134] Conference Transcript at 100 (Martin); Turkish Respondents' Postconference Brief at 11, App. D.

[135] CR/PR at Table C-2.

[136] CR at III-8, PR at III-5.

[137] CR at III-8, PR at III-5. We further note that the stated capacity of Gerdau, whose capacity utilization rates were among the *** included in its reported capacity that of its Jacksonville, Florida, facility, which is primarily a rebar facility. CR/PR at Table III-5, n.1, as revised by Memorandum INV-CC-220 (December 22, 2005);

(continued...)

Birmingham in February 2002 until May 2002.[138] ***'s production has *** because of prolonged shutdowns. In its questionnaire response, Keystone attributed prolonged shutdowns to ***.[139] However, Keystone entered bankruptcy protection in February 2004, and the labor problems and increased costs that precipitated bankruptcy preceded that by at least several months. Contemporaneous press reports regarding Keystone's difficulties around this time generally cite labor problems and raw material and energy costs, and not subject imports.[140] Keystone reportedly had *** production from February 2004 through August 2005, when it emerged from bankruptcy.[141]

The record therefore shows that the capacity of the industry as a whole was significantly affected by shutdowns and work stoppages by certain producers that generally were not attributable to the subject imports. The stated capacity of some producers appears to include adjustments for capacity that was idled due to work stoppages, closure, or bankruptcy, and then restarted.[142] When closed facilities resumed operations, however, they went through a ramp-up period during which they could not return to full production immediately, and the producers had to regain customer acceptance.[143]

B. Volume of Subject Imports

Section 771(7)(C)(i) of the Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[144]

The absolute volume of subject imports decreased from 2002 to 2003 by 17.1 percent and then more than doubled from 2003 to 2004.[145] Subject imports' U.S. market share was 12.3 percent in 2002, 12.1 percent in 2003, and 22.6 percent in 2004.[146] The sharp increase in subject import volume and market share occurred as U.S. demand strengthened due to favorable economic conditions, apparent U.S. consumption grew, and the domestic industry experienced production outages and reductions, as described above, which are not attributable in any significant respect to the subject imports. The increase

---

[137](...continued)
Conference Transcript at 28 (Martin).

[138] CR at III-8, PR at III-6. In addition, Charter, whose capacity utilization rates were relatively *** during the period, explained that the capacity utilization of its AS&W facility, acquired in 2002, ***. CR at III-8, PR at III-6, CR/PR at Table III-5, as revised by Memorandum INV-CC-220 (December 22, 2005).

[139] CR at III-7-8, PR at III-5-6.

[140] See Turkish Resp. Postconference Br. at App. C. The one exception is an American Metal Market article dated January 27, 2004 ("Keystone Union Rejects Concessions Package"). This article predates the increase in subject imports. Moreover, the article describes the company's labor problems and also cites rising costs for natural gas, scrap, and health-care premiums as problems faced by Keystone. The article also mentions "low-priced imports," but does not specify country sources.

[141] CR at VI-15, n.9, PR at VI-4, n.9.

[142] However, Keystone experienced a number of shutdowns during 2003-05, but the company neither ***, nor *** for the shutdowns. Petition, vol. 1 at 20; CR/PR at Table III-4, n.1; Keystone's Questionnaire Response at II-2, II-10, n.1. Likewise, despite Gerdau's shutdown of its Beaumont facility from May 26, 2005 to the present, Gerdau reported *** for interim 2005 that it reported for interim 2004. Gerdau's Questionnaire Response at II-2, II-10.

[143] AWPA Postconference Brief at Exhibit 2; Conference Transcript at 24, 68 (Kurtz); 93-94 (Cheek); Turkish Resp. Postconference Br. at 9, n.11 & App. B.

[144] 19 U.S.C. § 1677(7)(C)(i).

[145] Subject import volume decreased from 957,796 short tons in 2002 to 794,216 short tons in 2003, and then increased to 1,807,899 short tons in 2004. CR/PR at Table C-2.

[146] CR/PR at Table C-2.

in subject import volume is thus consistent with the build-up of steel wire rod inventories by purchasers in anticipation of real or perceived short supply during a period of increased demand and, to a lesser extent, of higher prices as steel wire rod raw material costs began to rise.[147] As discussed earlier, prices rose sharply in 2004, in some cases doubling or nearly doubling.[148]

Indeed, from 2003 to 2004, the volume and market share of imports from nonsubject countries increased as well, including imports currently under order because of previous antidumping and countervailing duty investigations.[149] Similarly, U.S. producers' purchases of imports, both subject and nonsubject, increased from 2003 to 2004.[150] While the U.S. industry lost market share from 2003 to 2004, the record indicates that readily available U.S. capacity was limited, that most operating domestic capacity was utilized, and that imports were drawn into the U.S. market because of disruptions in domestic supply. For example, as described above, from 2003 to 2004 domestic producers' capacity decreased by approximately *** short tons. Indeed, the outright closure of one facility alone from November 2003 through July 2004 resulted in overall lost capacity of approximately *** short tons.[151] Even when the closed facilities came back on-line, they went through a ramp-up period during which they could not return to full production immediately, and the producers had to regain customer acceptance.[152] As discussed in more detail below, in the impact section, while the average capacity utilization rate for the industry as a whole was reported at *** percent in 2004,[153] the rate was significantly higher, in many cases *** percent, for those producers that did not experience bankruptcies, production outages and/or other work stoppages.[154]

Thus, although U.S. producers' market share, as well as production, shipment volumes, and sales volumes, declined somewhat in 2004, we do not attribute the decline in significant part to the subject imports, but to the domestic industry's own capacity constraints and production outages during a period of particularly strong demand. Imports, both subject and nonsubject, were necessary to meet demand that the U.S. producers could not supply. Even the domestic producers' declared capacity[155] was not sufficient

---

[147] CR/PR at Figure V-1.

[148] CR/PR at Tables V-2-6.

[149] CR/PR at Tables IV-2, C-2.

[150] CR/PR at Table III-7.

[151] CR at III-7-8, PR at III-5-6. In addition to ***'s reported lost capacity of *** short tons from November 2003 through July 2004, *** reported prolonged shutdowns, including in the first quarter of 2004. *** reportedly experienced *** production from February 2004 through August 2005 when ***. CR at VI-15, n.9, PR at VI-4, n.9.

[152] AWPA Postconference Brief at Exhibit 2; Conference Transcript at 24, 68 (Kurtz); 93-94 (Cheek); Turkish Resp. Postconference Br. at 9, n.11 & App. B.

[153] CR/PR at Table C-2.

[154] CR/PR at Table III-5, as revised by Memorandum INV-CC-220 (December 22, 2005).

[155] We note that Keystone reported the *** each year of the period examined, despite its reductions in operating turns from *** to *** per week and the fact that, during the fourth quarter of 2003 and the first quarter of 2004, it produced on *** basis. CR at III-7, PR at III-5, CR/PR at Table III-4, n.1; Keystone's Questionnaire Response at II-2, II-10, n.1. Also, as noted, Gerdau, whose capacity utilization rates were among the *** during the period, included in its reported capacity its Jacksonville, Florida, facility, which is primarily a rebar facility. CR/PR at Table III-5, n.1, as revised by Memorandum INV-CC-220 (December 22, 2005). Finally, Charter, whose capacity utilization rates were relatively *** during the period, explained that the capacity utilization of its AS&W facility, acquired in 2002, ***. CR at III-8, PR at III-6, CR/PR at Table III-5, as revised by Memorandum INV-CC-220 (December 22, 2005). In addition, as discussed above, restarted facilities must be ramped up and regain customer acceptance.

to satisfy the increased apparent U.S. consumption in 2004.[156] We therefore do not agree with Petitioners that the low prices of the subject imports drove the increase in subject import volume in 2004,[157] given the evidence of domestic supply disruptions and uncertainty, strong demand due to favorable economic conditions, and statements both by producers and purchasers that domestic product was at times not available.[158]

In interim 2005, subject import volumes were lower than in interim 2004 as end users worked off the inventory overhang that had built up in 2004, and subject import market share remained relatively steady at 22.1 percent. U.S. producers' market share, by contrast, increased in interim 2005, relative to interim 2004, as some U.S. production came back on-line.[159]

Accordingly, despite the increase in subject import volume and market share, particularly in 2004, we do not find the volume or increase in volume significant either in absolute terms or relative to domestic production and consumption, given the particular supply and demand conditions prevailing in the U.S. market. The increase occurred during a period of strong demand when U.S. supply was disrupted and nonsubject import volumes also increased to fill the shortfall, real or perceived, in U.S. supply. At the end of the period, in interim 2005, subject import volumes declined, their market share remained relatively steady, and U.S. producers' market share increased even as apparent U.S. consumption declined somewhat. Moreover, as described in the following sections, even when subject import volumes increased, U.S. prices rose sharply and the industry's profitability increased substantially.

C. Price Effects of the Subject Imports

> Section 771(C)(ii) of the Act provides that, in evaluating the price effects of subject imports, the Commission shall consider whether – (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[160]

While steel wire rod generally is produced to a customer's specifications and there are varied uses for steel wire rod, there is a high degree of substitutability between domestic product and subject imports of the same type.[161] The vast majority of the U.S. market – approaching 80 percent – is comprised of commodity or industrial grades of steel wire rod, with several specialty grades comprising the remainder.[162] While some types of specialty product, such as grade 1080 and 1090 tire cord quality steel wire rod, are not produced domestically and purchasers rely on imports, including those from Germany, for these products, the proportion of product for which competition is attenuated in this way is relatively small. In general, then, subject imports and the domestic product are highly substitutable and price is an important factor in purchasing decisions.

---

[156] CR/PR at Table C-2.

[157] Petitioners' Postconference Br. at 13-14; Conference Transcript at 31 (Martin); 111 (Kurtz).

[158] CR at III-7-8, PR at III-5-6; Conference Transcript at 25 (Kurtz); 30 (Martin); 39 (Porter); 83-85 (Martin, Porter, Simon); 118 (Magrath, Rosenthal); 131 (Johnson); 135 (Downes); AWPA Postconference Br. at 6-8; Petitioners' Postconference Br. at 20.

[159] CR/PR at Table C-2.

[160] 19 U.S.C. § 1677(7)(C)(ii).

[161] CR at II-10, PR at II-7.

[162] CR/PR at Table IV-3.

The subject imports largely undersold the domestic product during the period examined. Subject imports undersold the domestic product in 103 of 137 pricing comparisons, by average annual margins ranging from 0.2 to 19.5 percent.[163] However, the frequency and magnitude of the underselling declined toward the end of the period, particularly in interim 2005, when subject imports undersold the domestic product in 16 of 28 comparisons and the average margin during that period was an *overselling* margin of 3.2 percent.[164]

While we find underselling to be significant, although decreasing, during the period, we do not find that the subject imports had any significant adverse price effects. U.S. prices rose throughout 2002-04 and were still significantly higher in all pricing product categories at the end of 2005 than at the beginning of the period examined.[165] We therefore find no evidence that U.S. prices were depressed during the period. In particular, U.S. prices in all product categories reached their highest levels of the entire period examined in 2004, when subject import volumes registered their only volume increase and reached their highest market share.[166] The lowest U.S. prices in each product category, except products 3 and 5, were concentrated early in 2002, while the highest prices occurred late in 2004. In interim 2005, as subject import volumes declined (and U.S. producers' market share increased), U.S. prices declined somewhat, but were still significantly higher than prices earlier in the period.[167]

The price declines in the third quarter of 2005, the last period for which pricing data were collected, are attributable to declining demand as purchasers worked through the inventory overhang that had built up in 2004, and to a decline in raw material costs. By the end of the period examined, according to purchasers, prices had begun to rise again. There were several announced price increases, and some domestic shipments were late, indicating tighter supply.[168]

In addition, we do not find that subject imports suppressed prices for the domestic like product to a significant degree. In 2004, when subject imports increased, the domestic industry was able to raise its prices to more than offset increases in costs, resulting in the industry's highest level of profitability on both an absolute basis and as a percentage of sales during the period.[169] In interim 2005, likewise, average sales value increased by an amount greater than the increase in average raw material costs, although this positive effect was more than offset by higher average other factory costs and to a lesser extent by higher average direct labor costs. The industry, however, remained highly profitable in interim

---

[163] CR/PR at Table V-8.

[164] CR/PR at Table V-8.

[165] Our analysis of prices relies on the pricing data collected, rather than AUV data which may present product mix issues.

[166] With respect to the products for which the Commission collected pricing data, domestic producers' fourth quarter 2004 weighted average prices ranged between 56.3 percent and 120.6 percent higher than their fourth quarter 2003 prices. Between these quarters, the weighted average price for product 1 rose by 80.8 percent; for product 2, by 81.0 percent; for product 3, by 120.6 percent; for product 4, by 79.2 percent; and for product 5 (a much lower volume product than the other four), by 56.3 percent. CR/PR at Tables V-2-6.

[167] The lowest, highest, and end-of-period prices ($/ton) were as follows:

	Product 1	Product 2	Product 3	Product 4	Product 5
Lowest (1-3/02)	280.30	275.11	*** (10-12/03)	***	*** (1-3/04)
Highest (10-12/04)	566.57	561.12	566.23	622.78 (7-9/04)	610.25
Last (7-9/05)	424.94	464.19	457.04	519.69	***

CR/PR at Tables V-2-6.

[168] CR at II-8-9, PR at II-6; AWPA Postconference Brief at 17-19 and Exhibits 11-13.

[169] CR at VI-1, PR at VI-1, CR/PR at Table C-2.

2005; while its profits were lower than in 2004, profits were substantially higher than they were in 2002 and 2003.[170] Although the industry was able to raise its prices to recover fully raw material costs in interim 2005, the industry's higher cost of good sold ("COGS")/sales ratio in interim 2005, as compared to 2004, was due to higher other factory costs, which included, in addition to energy costs, higher average overhead resulting to a large extent from certain producers' fixed costs of production being spread over lower production volumes. This lower production, in turn, resulted from decreased demand and, in some instances, from production outages for reasons largely unrelated to the presence of subject imports, such as labor disputes.[171] In addition, as noted above, in interim 2005 the volume of subject imports declined (and U.S. producers' market share increased), and the frequency and magnitude of underselling dropped.[172] The COGS/sales ratio improved in 2004 and in interim 2005 remained substantially better than in 2002 and 2003, when raw material costs were lower. Thus, we do not find that the subject imports prevented price increases which otherwise would have occurred to any significant degree.[173]

The Petitioners alleged a number of lost sales and lost revenues due to subject imports over the period examined. We do not find the confirmed lost sales and lost revenues to be significant. There was one confirmed lost revenue allegation, in the amount of $*** in interim 2005, when the total U.S. market was $2.6 billion.[174] The value of the confirmed lost sales allegations in 2003 was $***, out of a total market of $2.2 billion; in 2004, it was $***, out of a total market of $4.0 billion; and in interim 2005, it was $***, out of a total market of $2.6 billion. The value of these lost sales was less than one percent of the total market in each period and less than 1.5 percent of U.S. producers' total sales value in each period.[175] Moreover, the importance of these losses is diminished further by the fact that disruptions and uncertainty in U.S. supply led some purchasers to look to imports to meet their needs. Indeed, in addressing the lost sales and lost revenue allegations and the reasons for any shift from U.S. supply to subject imports, purchasers indicated that they shifted supply sources not only because of lower price, but also because of domestic supply shortages and allocations.[176] We find that these responses do not detract from other evidence indicating that the subject imports did not have significant adverse price effects during the period.

---

[170] CR at VI-14, PR at VI-4, CR/PR at Table C-2.

[171] Among the companies reporting lower profitability and notably higher average other factory costs in interim 2005 were *** and ***, which together accounted for almost *** of U.S. production in 2004. CR at VI-14, CR at VI-4, VI-6; CR/PR at Table III-1, as revised by Memorandum INV-CC-220 (December 22, 2005), Table VI-3. The capacity utilization of both these companies was lower in interim 2005 than in any other year of the period examined. CR/PR at Table III-5, as revised by Memorandum INV-CC-220 (December 22, 2005). ***, resulting in lost capacity of approximately *** short tons. CR at III-8, PR at III-5. However, *** reported ***. *** Questionnaire Response at Question II-10. Although ***'s average metal margin, or the difference between its average per short ton sales value and average per short ton raw material cost, increased in interim 2005, its average *** increased, due in part to the ***. CR at VI-14-15, nn.7-8, PR at VI-4, nn.7-8, CR/PR at Table VI-3. Likewise, ***, whose metal margin in interim 2005 was ***, experienced *** when it was in bankruptcy, and thus lower fixed cost absorption, in conjunction with higher energy costs at the end of the period, likely contributed to its *** in interim 2005. CR at VI-15, n.9, PR at VI-4, n.9, CR/PR at Table VI-3.

[172] CR/PR at Tables C-2, V-8.

[173] We also note, as detailed below, the lack of evidence of significant lost revenues. The fact that confirmed lost revenues amount to only *** in a large industry such as wire rod (CR/PR at Table V-9) indicates that imports did not suppress domestic prices of steel wire rod to any significant degree.

[174] CR/PR at Tables V-9, C-2.

[175] CR/PR at Tables V-10, C-2.

[176] CR/PR at Table V-11.

For all of these reasons, we do not find, despite underselling of the domestic like product by subject imports during the period examined, that domestic prices were depressed to a significant degree, or that there has been significant price suppression by reason of the subject imports.

D. Impact of the Subject Imports[177]

Section 771(7)(C)(iii) provides that the Commission, in examining the impact of the subject imports on the domestic industry, "shall evaluate all relevant economic factors which have a bearing on the state of the industry."[178] These factors include output, sales, inventories, capacity utilization, market share, employment, wages, productivity, profits, cash flow, return on investment, ability to raise capital, research and development, and factors affecting domestic prices. No single factor is dispositive and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[179]

We do not find that there is a reasonable indication that subject imports have had an adverse impact on the domestic industry during the period examined. The domestic industry was profitable in 2004 and interim 2005, when subject imports and their market share were at their highest levels. While the volume of the domestic industry's production, sales, and shipments decreased from 2002 to 2004 and it lost some market share, particularly from 2003 to 2004,[180] we do not attribute this lost volume in significant part to the subject imports, but rather to the domestic industry's production shutdowns and work stoppages during a period of high demand and increasing apparent U.S. consumption. Moreover, although there have been a few confirmed lost sales and revenues to subject imports, the domestic industry was more than able to raise its prices during the period in order to offset a dramatic increase in costs and was able to return to profitability. The industry attained its highest profitability in 2004, and profitability continued in interim 2005, although at a somewhat lower level than interim 2004. The unit values of U.S. producers' shipments and sales rose throughout the period, reaching their highest levels in interim 2005.[181]

We find that there is no significant correlation between subject imports and any declines in the industry's profitability. In 2002 and 2003, when subject imports' market share was 12.3 percent and 12.1 percent, respectively, the industry's operating income ratio was *** percent and *** percent, respectively. As subject imports increased in 2004, by 128 percent to a 22.6 percent market share, the domestic industry attained its highest annual level of profitability, at *** percent.[182] As the volume of

---

[177] In its notice of initiation of the antidumping duty investigations, Commerce estimated the following dumping margins for imports from the three subject countries: from 50.25 to 81.88 percent for Germany, 321.76 percent for China; and from 29.23 to 77.76 percent for Turkey. CR at I-6, PR at I-5.

[178] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 885 ("In material injury determinations, the Commission considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they also may demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports.") SAA at 885.

[179] 19 U.S.C. § 1677(7)(C)(iii); see also SAA at 851, 885; Live Cattle from Canada and Mexico, Inv. Nos. 701-TA-386, 731-TA-812-813 (Preliminary), USITC Pub. 3155 at 25 n.148 (Feb. 1999).

[180] CR/PR at Table C-2. From 2003 to 2004, the domestic industry's market share declined by *** percentage points; its production, by *** percent; its U.S. shipment quantity, by *** percent; and its sales quantity, by *** percent. Overall from 2002 to 2004, these declines were as follows: market share, *** percentage points; production, *** percent; U.S. shipment quantity, *** percent; and sales quantity, *** percent.

[181] CR/PR at Table C-2.

[182] CR/PR at Table C-2.

subject imports decreased in interim 2005 (by 21.5 percent), the industry's profitability also decreased, although the operating margin was *** percent, well above the levels in 2002 and 2003.[183]

As discussed earlier in the conditions of competition section, shutdowns experienced by the domestic industry during the period were not due to subject imports to any significant degree. The bankruptcies of Georgetown and Keystone occurred before the increase in subject imports, and the companies themselves attributed their bankruptcies to labor disputes and rising energy costs, not subject imports.[184] Similarly, Gerdau closed its Beaumont facility in May 2005 due to labor issues.[185] The shutdowns and outages of Georgetown and Keystone coincided with strong domestic wire rod demand in 2004 and forced purchasers to look to imports for supply. Producers as well as consumers testified as to the "tight" supply conditions in the wire rod market in 2004, which resulted in some purchasers not being able to source all their needs domestically.[186] The record thus does not indicate that the presence in the market of subject imports adversely affected the capacity utilization of the domestic industry.[187] Rather, the domestic industry's reported capacity utilization during the period, which ranged from a low of *** percent in interim 2005 to a high of *** percent in interim 2004, must be viewed in the context of shutdowns and disruptions in certain producers' operations over the period.[188] The record shows that from 2003 to 2004, domestic producers' capacity decreased by approximately *** short tons and that the closure of a facility by one U.S. producer alone from November 2003 through July 2004 resulted in overall lost capacity of approximately *** short tons.[189] When these shutdown facilities came back on-line, they went through a ramp-up period during which they could not return to full production immediately, and the producers had to regain customer acceptance.[190] Moreover, the capacity utilization levels of the companies that did not experience production shutdowns and work stoppages during the period were frequently *** than those of the companies that did.[191]

---

[183] CR/PR at Table C-2.

[184] CR at VI-15, n.9, PR at VI-4, n.9; Turkish Resp. Postconference Br. at 8-11, App. B, C. In its questionnaire response, *** attributed prolonged shutdowns it experienced during the period examined ***. CR at III-7, PR at III-5. However, as discussed in the conditions of competition section, the record points to factors other than subject imports as behind *** problems.

[185] CR at III-8, PR at III-5; Turkish Resp. Postconference Br. at 11, App. D.

[186] Petitioners' Postconference Br. at 20; Conference Transcript at 39 (Porter); 84-85 (Porter, Simon); 118 (Magrath).

[187] We note further that the firms with the lowest capacity utilization rates in 2004, namely ***, were among the most profitable in 2004. The exception was ***, with both a relatively low capacity utilization rate and a negative operating margin in 2004, but ***. CR at III-8, VI-1, n.3; PR at III-5, VI-1, n.3; CR/PR at Table III-5, as revised by Memorandum INV-CC-220 (December 22, 2005), CR/PR at Table VI-2.

[188] CR/PR at Table C-2.

[189] CR at III-8, PR at III-5, CR/PR at Table C-2.

[190] AWPA Postconference Brief at Exhibit 2; Conference Transcript at 24 (Kurtz); 94 (Cheek); Turkish Resp. Postconference Br. at 9, n.11 & App. B.

[191] CR/PR at Table III-5, as revised by Memorandum INV-CC-220 (December 22, 2005). For example, in 2004, the capacity utilization rate of Cascade was *** percent; that of Connecticut Steel, *** percent; Nucor, *** percent; Republic, *** percent; and Rocky Mountain, *** percent. Mittal and Keystone, which experienced shutdowns and/or work stoppages, had capacity utilization rates of *** percent and *** percent, respectively, in 2004. Although Gerdau, with a capacity utilization rate of *** percent in 2004, did not report production shutdowns in 2004, its stated capacity did include its Jacksonville, Florida, facility, which is primarily a rebar facility. Similarly, Charter, whose capacity utilization rate was *** percent in 2004, explained that the capacity utilization of its AS&W facility, acquired in 2002, ***. CR at III-8, PR at III-6, CR/PR at Table III-5, as revised by Memorandum INV-CC-

(continued...)

In addition to record profitability, the return on investment of the domestic industry was robust and increased substantially during the period examined, as did the industry's capital expenditures, despite the presence in the market of large volumes of subject imports. Domestic capital expenditures increased from $*** in 2003 to $*** in 2004, during which time subject import market share increased from 12.1 percent to 22.6 percent.[192] Capital expenditures continued to rise in interim 2005, increasing from $*** in interim 2004 to $*** in interim 2005.[193] Return on investment was *** percent in 2004 and *** percent in interim 2005.[194]

We further find, as described above, that there is a general lack of correlation over the period examined between subject import volume and domestic pricing trends. As subject import volume increased the most from 2003 to 2004, the domestic industry's prices reached their highest levels of the period. Prices declined somewhat over the course of interim 2005, when subject import volumes declined, but remained significantly higher than at the beginning of the period.[195]

We therefore do not find that there is a reasonable indication that subject imports are having an adverse impact on the domestic industry. We find that the record as a whole contains clear and convincing evidence that there is no reasonable indication of material injury by reason of subject imports of steel wire rod and no likelihood exists that contrary evidence will arise in a final investigation.

[191](...continued)
220 (December 22, 2005).

[192] CR/PR at Table C-2.

[193] We note that the increase in capital expenditures is likely understated due to ***'s failure to report this item to the Commission. CR/PR at Table VI-5, n.1.

[194] CR/PR at Tables VI-6, C-2; Sterling's Questionnaire Response at III-14 (excluding Sterling).

[195] CR/PR at Tables V-2-6.

VII. NO REASONABLE INDICATION OF THREAT OF MATERIAL INJURY BY REASON OF CUMULATED SUBJECT IMPORTS FROM CHINA, GERMANY AND TURKEY

A. Cumulation for Purposes of Threat Determination

In assessing whether a domestic industry is threatened with material injury by reason of imports from two or more countries, the Commission has discretion to cumulate the volume and price effects of such imports if they meet the requirements for cumulation in the context of present material injury.[196] For the reasons discussed in our analysis of cumulation in the context of present material injury, we find that there is likely to be a reasonable overlap of competition between the domestic product and the subject imports from each country with respect to the factors we traditionally consider – fungibility, channels of distribution, geographic overlap and simultaneous presence.

In deciding whether to exercise our discretion to cumulate for purposes of our threat determinations, we also consider whether the subject imports are increasing at similar rates and have similar pricing patterns.[197] In addition, likely different conditions of competition among subject imports also may be relevant to this issue.[198] Petitioners argue that imports from the three subject countries should be cumulated for purposes of the Commission's threat determination.[199] One German Respondent argued that the Commission should not cumulate Germany with the other subject countries for purposes of analyzing threat of material injury, and the Turkish Respondents similarly urge the Commission not to cumulate imports from Turkey with other subject imports for our threat analysis.[200]

In these investigations, the volume of subject imports from China, Germany, and Turkey each rose from 2002 to 2004, although trends diverged to some extent in interim 2005.[201] With respect to pricing trends, prices for most subject imports from China, Germany, and Turkey reached their highest levels in 2004 and declined moderately over the course of interim 2005.[202] With respect to underselling, the subject imports from China, Germany, and Turkey undersold the domestic product in most comparisons between 2002 and 2004, but the frequency and magnitude of the underselling for each country decreased in interim 2005.[203] Based on these price and volume trends, as well as our analysis of the traditional cumulation factors in the present material injury section above, we exercise our discretion to cumulate the subject imports from all three countries for purposes of our threat determinations.[204]

---

[196] 19 U.S.C. § 1677(7)(H).

[197] See, Torrington v. United States, 790 F. Supp. 161 (Ct. Int'l Trade 1992); Metallverken Nederland B.V. v. United States, 728 F. Supp. 730, 741-42 (Ct. Int'l Trade 1989); Asociacion Colombiana de Exportadores de Flores v. United States, 704 F. Supp. 1068, 1072 (Ct. Int'l Trade 1988).

[198] See, Certain Structural Beams from Japan, Inv. No. 731-TA-853 (Final), USITC Pub. No. 3308 (June 2000).

[199] Petitioners' Postconference Br. at 38-39.

[200] Saarstahl Postconference Br. at 30-35; Turkish Respondents' Postconference Br. at 26.

[201] PR/CR at Table C-2. Subject imports from Germany and Turkey by quantity fell substantially between interim 2004 and interim 2005, by 13.9 and 54.9 percent respectively. Subject imports from China, in contrast, rose 18.7 percent. Much of the Chinese increase appears to have come at the expense of non-subject imports, the quantity of which fell by 35.1 percent between interim periods.

[202] CR/PR at Figure V-3.

[203] CR/PR at Table V-8.

[204] Commissioner Jennifer A. Hillman notes the substantial divergence in import trends between China, on the one hand, and Turkey and Germany on the other, as well as the substantially larger production and productive

(continued...)

B. Threat of Material Injury Analysis

Section 771(F) of the Act directs the Commission to determine whether there is a reasonable indication that an industry in the United States is threatened with material injury by reason of the subject imports by analyzing whether "further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted."[205] The Commission may not make such a determination "on the basis of mere conjecture or supposition," and considers the threat factors "as a whole."[206] In making our determination, we have considered all factors that are relevant to this investigation.[207] Based on an evaluation of the relevant statutory factors, we find that there is no reasonable indication that an industry in the United States is threatened with material injury by reason of subject imports of steel wire rod from China, Germany, and Turkey that are allegedly sold in the United States at less than fair value.

As an initial matter, we do not find that the domestic industry is vulnerable. We base this finding on the fact that the industry realized an operating margin of *** percent in interim 2005, despite the lingering demand-depressing effects of the inventory overhang from 2004 held by certain domestic purchasers.[208] Every member of the domestic industry operated at a profit in interim 2005, including ***.[209] The domestic industry's market share increased by *** percentage points in interim 2005 as compared to interim 2004, while subject import market share was 22.1 percent in interim 2005 compared to 21.8 percent in interim 2004.[210]

The subject country producers' capacity, capacity utilization, and export trends do not indicate the likelihood of substantially increased imports of the subject merchandise to the United States in the imminent future. The Commission received questionnaire responses from foreign producers accounting

---

[204](...continued)
capacity in China compared to the other two countries. However, on the present record, these differences are not sufficient for her not to exercise her discretion to cumulate all three countries.

[205] 19 U.S.C. § 1677d(b) and 1677(7)(F)(ii).

[206] 19 U.S.C. § 1677(7)(F)(ii). An affirmative threat determination must be based upon "positive evidence tending to show an intention to increase the levels of importation." Metallverken Nederland B.V. v. United States, 744 F. Supp. 281, 287 (Ct. Int'l Trade 1990) (citing American Spring Wire Corp. v. United States, 590 F. Supp. 1273, 1280 (Ct. Int'l Trade 1984); see also Calabrian Corp. v. United States, 794 F. Supp. 377, 387-88 (Ct. Int'l Trade 1992) citing H.R. Rep. No. 98-1156 at 174 (1984).

[207] 19 U.S.C. § 1677(7)(F). These factors include: any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports; a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports; whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on the domestic prices and are likely to increase demand for further imports; inventories of the subject merchandise; the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products; and the actual and potential negative effects on the existing development and production efforts of the domestic industry. 19 U.S.C. § 1677(7)(F)(i). Statutory threat factor (I) is inapplicable, as no countervailable subsidies are involved, and statutory threat factor (VII) is inapplicable, as no imports of agricultural products are involved. Id.

[208] CR/PR at Table C-2.

[209] CR/PR at Table VI-3.

[210] CR/PR at Table C-2.

for 43.8 percent of known Chinese production of steel wire rod,[211] 70.7 percent of steel wire rod produced in Germany,[212] and 71.3 of Turkish production of steel wire rod during the period.[213] While these producers do not represent all steel wire rod production in each country, they do account for the vast majority of exports to the United States from each country. Reported exports to the United States from China exceeded 100 percent of U.S. imports,[214] reported exports from Germany were 84.8 percent of U.S. imports; and reported exports from Turkey were 92.3 percent of U.S. imports.[215] For the subject countries combined, exports to the United States, as a percentage of subject country producers' total shipments, ranged from a low of 3.8 percent in 2003 to a high of 6.9 percent in interim 2004 and are projected to remain between 4 and 5 percent. The subject foreign producers' home market shipments represented approximately 80 percent of their production during the period and are projected to remain at this level.[216] The record indicates that foreign producers in the subject countries have generally been operating at high levels of capacity utilization throughout the period examined. The capacity utilization rate for the subject countries combined was approximately *** percent throughout the period and is projected to remain at that rate.[217]

Chinese production capacity grew from 17,708,179 short tons in 2002 to 21,183,211 short tons in 2004;[218] Chinese producers forecast only a moderate increase in production capacity in 2005, followed by a decrease in 2006.[219] Chinese capacity utilization was high throughout the period examined, at levels of 90.3 percent or higher throughout the period from 2002 to 2004.[220] The four producers that produce the majority of Chinese exports to the United States operated at a capacity utilization rate of over *** percent in 2004 and interim 2005.[221] The record indicates that the Chinese industry, which has the largest overall capacity of the subject countries, is primarily focused on supplying its domestic market and is not export oriented: *** percent of Chinese shipments of steel wire rod went to the home market during the period examined, and *** percent were internally consumed over the period examined.[222] Exports to the United States increased over the period examined as a share of shipments, from 2.5 percent in 2002 to 4.1 percent in 2004, but fell to 3.2 percent in interim 2005 and are projected to fall further in 2006.[223] In absolute terms, shipments from China to the United States are projected to decline in 2005 and 2006 relative to

[211] CR at VII-1; PR at VII-1.

[212] CR at VII-6; PR at VII-5.

[213] CR at VII-10; PR at VII-8.

[214] U.S. imports as reported by the U.S. Department of Commerce.

[215] CR at VII-1, VII-6, VII-10; PR at VII-1, VII-5, VII-8 (based on 2004 data).

[216] CR/PR at Table VII-9.

[217] CR/PR at Table VII-9.

[218] CR/PR at Table VII-1.

[219] CR/PR at Table VII-1.

[220] CR/PR at Table VII-1.

[221] ITC Foreign Producer Questionnaire Response of ***, Table II-8.

[222] CR/PR at Table VII-1.

[223] CR/PR at Table VII-1.

their peak in 2004.[224] Finally, the level of inventories is low.[225] Thus, increased volumes of steel wire rod imports from China are not imminent.

German steel wire rod production capacity has been stable throughout the period, at approximately 4.8 million tons per year. [226] No German producer ***.[227] German capacity utilization has remained moderately high throughout the period, rising from 84.4 percent in 2002 to 87.3 percent in 2004.[228] During the period 2002 to 2004, *** of German shipments of steel wire rod went to the home market, and *** were internally consumed.[229] While German exports to the United States as a share of total shipments increased from 2002 to interim 2005, they reached only 5.2 percent of total shipments in 2004 and only 5.6 percent of total shipments in interim 2005; they are projected to rise slightly to 5.9 percent in 2005 before falling back to 5.6 percent of total shipments in 2006.[230] In absolute terms, shipments from Germany to the United States peaked in 2004 and are projected to fall to lower levels in 2005 and 2006.[231] Inventory levels in interim 2005 remain low, moreover, and are projected to end the year well below 2004 levels before dropping further in 2006, while German internal consumption is projected to remain at high levels in 2005 and 2006.[232] Increased subject imports from Germany do not appear imminent, particularly of the commodity grade steel wire rod imports that comprise the majority of domestic production. By interim 2005, the product mix of the subject imports from Germany had shifted from a preponderance of commodity grade steel wire rod from 2002 to 2004 to a mix weighted toward specialty grades of steel wire rod, including grades of tire cord quality wire rod and other grades not produced by the domestic industry.[233] With the return to production of additional U.S. commodity grade steel wire rod capacity, the trend toward greater imports from Germany of specialized products (where competition with the domestic industry is more attenuated) and away from commodity grade products is likely to continue.

---

[224] Imports from China to the United States were 410,926 short tons in 2002, 269,328 short tons in 2003, and 770,773 short tons in 2004. They were 593,006 short tons in interim 2005 as compared to 499,654 short tons in interim 2004. CR/PR at Table C-2. Exports to the United States are projected to be 711,272 short tons in 2005, 59,867 short tons lower than 2004 levels, and 536,805 short tons in 2006, 174,467 short tons lower than projected 2005 levels. CR/PR at Table VII-1.

We have considered whether other information in the record is consistent with the projections of capacity, production, and shipments included in the Chinese producers' questionnaire responses. Record data indicate that Chinese production and consumption trends have risen in tandem over the period examined. See ***. This evidence suggests that these trends are not likely to change in the imminent future. We further note that our determination does not depend on finding that Chinese exports to the United States will decline as projected, but only on our finding that such exports are not likely to rise to a significant level in the imminent future.

[225] CR/PR at Table VII-1.

[226] CR/PR at Table VII-4.

[227] CR/PR at Table VII-4.

[228] CR/PR at Table VII-4.

[229] CR/PR at Table VII-4.

[230] CR/PR at Table VII-1.

[231] Imports from Germany to the United States were 55,861 short tons in 2002, 108,518 short tons in 2003, and 255,478 short tons in 2004. They were 175,436 short tons in interim 2005 as compared to 203,690 short tons in interim 2004. CR/PR at Table C-2. Exports to the United States are projected to be 206,495 short tons in 2005, 10,249 short tons lower than 2004 levels, and 208,372 short tons in 2006, 1,877 short tons higher than projected 2005 levels. CR/PR at Table VII-4 and Table C-2.

[232] CR/PR at Table VII-4.

[233] CR/PR at Table IV-3.

Turkish production capacity was relatively stable during the period examined, increasing slightly from 2,197,944 short tons in 2002 to 2,236,663 short tons in 2004.[234] Turkish capacity utilization rates were similar to those in Germany, rising from 82.6 percent in 2002 to 86.4 percent in 2004.[235] Turkish producers project a moderate increase in production capacity for 2005 with capacity then declining somewhat in 2006.[236] During the period from 2002 to 2004, between *** of Turkish shipments of steel wire rod went to the home market, and *** were internally consumed.[237] As a share of total Turkish shipments, exports to the United States increased from 29.4 percent to 36.2 percent from 2002 to 2004, then decreased sharply to 20.5 percent in interim 2005 from 41.7 percent in interim 2004. U.S. shipments are projected to represent 21.1 percent of Turkish shipments for all of 2005 and then to drop further to 16.6 percent in 2006.[238] In absolute terms, shipments from Turkey to the United States peaked in 2004 and are projected to fall to much lower levels in 2005 and 2006.[239] The decline in Turkish shipments to the United States has been accompanied by a substantial increase in third-country and home market sales. Home market sales as a percentage of total shipments increased from *** of shipments in interim 2004 to *** in interim 2005 and are projected to remain at high levels in 2005 and 2006. Exports to other markets increased substantially from interim 2004 to 2005 as a percentage of Turkish shipments, rising from 29.2 percent in interim 2004 to 37.6 percent in interim 2005, and this trend away from the U.S. market toward third-country markets is projected to continue into 2006.[240] The level of inventories is low.[241] Thus, increased imports from Turkey are also not imminent.

Similarly, the volume data in these investigations do not indicate a likelihood of a substantial increase in the volume and market share of the subject imports into the United States in the imminent future. We acknowledge that subject import volume increased in quantity and relative to apparent U.S. consumption from 2002 to 2004, particularly from 2003 to 2004, as domestic producers' volumes declined and they lost some market share. However, as discussed above, this increase was largely due to the inability of the domestic industry to satisfy strong domestic demand in 2004, due to production curtailments and work stoppages. Moreover, at the end of the period, in interim 2005, the absolute volume of subject imports decreased by 21.5 percent and their market share remained relatively steady, even as the U.S. industry regained market share as idled domestic production was restarted, despite a drop in demand.[242]

The record does not reflect, nor do Petitioners argue, that significant product-shifting from other products to steel wire rod in the subject countries will occur in the imminent future. Furthermore, we do not find that inventories of subject merchandise in the subject countries indicate that the domestic industry is threatened with material injury. As previously noted, steel wire rod is not normally produced for inventory; both domestic and foreign producers generally produce to customer specifications. While

---

[234] CR/PR at Table VII-7.

[235] CR/PR at Table VII-7.

[236] CR/PR at Table VII-7.

[237] CR/PR at Table VII-7.

[238] CR/PR at Table VII-7.

[239] Imports from Turkey to the United States were 491,010 short tons in 2002, 416,370 short tons in 2003, and 781,648 short tons in 2004. They were 291,364 short tons in interim 2005 as compared to 646,179 short tons in interim 2004. CR/PR at Table C-2. Exports to the United States are projected to be 418,034 short tons in 2005, 303,145 short tons lower than 2004 levels, and 328,811 short tons in 2006, 89,223 short tons lower than projected 2005 export levels. CR/PR at Table VII-7 and Table C-2.

[240] CR/PR at Table VII-7.

[241] CR/PR at Table VII-7.

[242] CR/PR at Table C-1, C-2.

purchasers may accumulate inventories, producers and importers normally do not. Accordingly, importer inventories of subject merchandise are relatively small, equivalent to 7.7 percent of subject imports in 2003 and 8.2 percent in 2004, before dropping to 6.5 percent in interim 2005.[243] Industry participants report that the high inventory levels held by purchasers earlier in 2005 have been largely worked off and that demand is expected to increase as a result.[244] There are no dumping orders in third-country markets against any of the subject countries that would encourage increased shipments to the U.S. market in the imminent future.[245]

We do not find that subject imports will enter the U.S. market at prices that are likely to have a significant depressing or suppressing effect on domestic prices or that are likely to increase demand for further imports. The record evidence indicates that subject import prices had no significant adverse effects on domestic prices during the period examined. Prices rose through the end of 2004 and, despite a decline at the end of interim 2005, were significantly higher at the end of the period than at the beginning, and the industry was profitable in 2004 and interim 2005.[246] The domestic industry's "metal margin" in interim 2005 – the difference between average per short ton sales value and average per short ton raw materials cost – was *** percent higher than in interim 2004, indicating that the domestic industry has been increasingly successful at passing on increases in raw materials costs to its customers.[247] The COGS/sales ratio improved in 2004 and in interim 2005 remained substantially better than in 2002 and 2003, when raw material costs were lower. As noted previously, much of the rise in overhead and fixed costs is attributable to certain domestic producers' production shutdowns for reasons unrelated to subject imports, such as labor disputes. At the very end of the period, purchasers reported that domestic producers' prices for steel wire rod had begun to increase again.[248]

We also do not find that subject imports are likely to have an actual or potential negative effect on the domestic industry's existing development and production efforts. There is no indication that subject imports have negatively affected development efforts by the domestic industry; on the contrary, the domestic industry substantially increased its capital expenditures in interim 2005. Domestic capital expenditures increased by *** percent in interim 2005 compared to interim 2004, and the domestic industry's return on investment remained strong in interim 2005 at *** percent. [249]

Accordingly, we find that the record as a whole contains clear and convincing evidence that there is no reasonable indication of a threat of material injury by reason of subject imports of steel wire rod from China, Germany and Turkey, and no likelihood exists that contrary evidence will arise in a final investigation.

CONCLUSION

For the reasons stated above, we determine that there is no reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of subject imports of steel wire rod from China, Germany, and Turkey that are allegedly sold in the United States at less than fair value.

---

[243] CR/PR at Table VII-10 (as revised by Memorandum INV-CC-220, December 22, 2005).

[244] Conference Transcript at 124 (Korbel); 132 (Johnson); 140 (Downes).

[245] CR at VII-10; PR at VII-13.

[246] CR/PR at Figure V-3; Table C-2.

[247] CR/PR at Table VI-3 (excluding Sterling).

[248] CR at II-9; PR at II-5-6.

[249] CR/PR at Tables VI-5, C-2, Sterling's Questionnaire Response at III-14 (excluding Sterling).

PART I: INTRODUCTION

BACKGROUND

These investigations result from a petition filed by Connecticut Steel Corp., Wallingford, CT; Gerdau AmeriSteel U.S. Inc., Tampa, FL; Keystone Steel & Wire Company, Peoria, IL; Mittal Steel USA Georgetown, Georgetown, SC; and Rocky Mountain Steel Mills, Pueblo, CO, on November 10, 2005, alleging that an industry in the United States is materially injured and threatened with material injury by reason of less-than-fair-value ("LTFV") imports of carbon and certain alloy steel wire rod ("wire rod")[1] from China, Germany, and Turkey. Information relating to the background of the investigations is provided below.[2]

Date	*Action*
November 10, 2005 .	Petitions filed with Commerce and the Commission; institution of Commission's investigations (70 FR 69988, November 18, 2005)
December 1, 2005 . .	Commission's conference[3]
December 7, 2005 . .	Commerce's notice of initiation (70 FR 72781, December 7, 2005)
December 23, 2005 .	Commission's vote
December 27, 2005 .	Commission's determination transmitted to Commerce
January 4, 2006	Commission's views transmitted to Commerce

PREVIOUS AND RELATED INVESTIGATIONS

Prior Investigations

The Commission has previously conducted antidumping, countervailing duty, global safeguard, and NAFTA safeguard investigations regarding wire rod (see tabulation below).

Investigation No.	Determination
731-TA-88 (Venezuela)	Negative
731-TA-113-114 (Brazil and Trinidad and Tobago)	Affirmative
701-TA-148 (Brazil)	Suspended
701-TA-149-150 (Belgium and France)	Terminated
701-TA-209 (Spain)	Affirmative
731-TA-157 (Argentina)	Affirmative
731-TA-158 (Mexico)	Terminated
731-TA-159 (Poland)	Negative
731-TA-160 (Spain)	Affirmative

[1] A complete description of the imported products subject to these investigations, as well as information regarding tariff treatment, is presented in *The Subject Merchandise* section of this part of the report.

[2] *Federal Register* notices cited in the tabulation are presented in app. A.

[3] A list of witnesses appearing at the conference is presented in app. B.

Investigation No.	Determination
731-TA-205 (German Democratic Republic)	Terminated
TA-201-51	Affirmative
701-TA-243-244 (Portugal and Venezuela)	Terminated
731-TA-256-258 (Poland, Portugal, and Venezuela)	Terminated
701-TA-314-317 and 731-TA-552-555 (Brazil, France, Germany, and United Kingdom)	Affirmative
731-TA-572 (Brazil)	Negative
731-TA-646 (Brazil)	Negative
731-TA-647 (Canada)	Terminated
731-TA-648-649 (Japan and Trinidad and Tobago)	Negative
701-TA-359 (Germany)	Negative
731-TA-686 (Belgium)	Terminated
731-TA- 687 (Germany)	Negative
701-TA-368-371 and 731-TA-763-766 (Canada, Germany, Trinidad and Tobago, and Venezuela)	Negative
TA-201-69	Evenly divided
NAFTA-312-1	Affirmative
TA-204-6	None
TA-204-11	None
701-TA-417 (Brazil)	Affirmative
701-TA-418 (Canada)	Affirmative
701-TA-419 (Germany)	Negligible
701-TA-420 (Trinidad and Tobago)	Terminated
701-TA-421 (Turkey)	Terminated
731-TA-953 (Brazil)	Affirmative
731-TA-954 (Canada)	Affirmative
731-TA-955 (Egypt)	Negligible
731-TA-956 (Germany)	Negligible
731-TA-957 (Indonesia)	Affirmative
731-TA-958 (Mexico)	Affirmative
731-TA-959 (Moldova)	Affirmative
731-TA-960 (South Africa)	Negligible
731-TA-961 (Trinidad and Tobago)	Affirmative
731-TA-962 (Ukraine)	Affirmative
731-TA-963 (Venezuela)	Negligible

In its most recent prior investigations of steel wire rod, the Commission reached final affirmative determinations in October 2002 with respect to subject imports from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine; found imports from Germany to be negligible; and terminated its investigation with respect to Turkey following Commerce's final negative countervailing duty determination on Turkey.[4] The Commission found a single domestic like product consisting of all carbon and certain alloy steel wire rod, including grade 1080 tire bead and tire cord quality wire rod that had been excluded from Commerce's scope.[5] In the preliminary phase, the Commission had found subject imports from Egypt, South Africa, and Venezuela to be negligible.[6] Several appeals ensued from the Commission's preliminary and final determinations, as described below.

Subsequent Litigation

Petitioner Co-Steel Raritan appealed the Commission's preliminary determination that imports from Egypt, South Africa, and Venezuela were negligible. Following remand, the U.S. Court of International Trade affirmed the Commission's first Remand Views – which the Commission issued under protest – finding that subject imports of wire rod from Egypt, South Africa, and Venezuela, based on Commerce's modified scope of investigation, were not negligible when aggregated with subject imports from Germany.[7] On appeal, the Court of Appeals for the Federal Circuit vacated the Court of International Trade's decision, affirmed the Commission's original preliminary determination that subject imports from Egypt, South Africa, and Venezuela were negligible for purposes of present material injury, but remanded the Commission's finding that subject imports from these three countries were negligible for purposes of threat.[8] The Commission's second Remand Determination, again finding subject imports from Egypt, South Africa, and Venezuela to be negligible for purposes of threat, is pending before the Court of International Trade.

As to Germany, the Court of International Trade affirmed the Commission's final determination that subject imports from Germany were negligible.[9] A motion for reconsideration by the petitioner in that case is pending before the Court of International Trade.

With respect to Trinidad and Tobago, the Court of International Trade affirmed the Commission's final determination that the domestic industry was materially injured by reason of de-cumulated subject imports from Trinidad and Tobago.[10] An appeal of that decision is pending before the Court of Appeals for the Federal Circuit.

With respect to Canada, a North American Free Trade Agreement (NAFTA) Panel, following remand to the Commission, affirmed the Commission's Remand Views finding material injury by reason

---

[4] *Carbon and Certain Alloy Steel Wire Rod From Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine, Inv. Nos. 701-TA-417-421 and 731-TA-953, 954, 956-959, 961, and 962 (Final)*, USITC Publication No. 3546 (October 2002).

[5] Ibid, p. 7.

[6] *Carbon and Certain Alloy Steel Wire Rod From Brazil, Canada, Egypt, Germany, Indonesia, Mexico, Moldova, South Africa, Trinidad and Tobago, Turkey, Ukraine, and Venezuela, Inv. Nos. 701-TA-417-421 and 731-TA-953-963 (Preliminary)*, USITC Publication No. 3456 (October 2001).

[7] Co-Steel Raritan, Inc. v. U.S. International Trade Commission, 26 CIT 1131 (2002).

[8] Co-Steel Raritan, Inc. v. International Trade Commission, 357 F.3d 1294 (Fed. Cir. 2004).

[9] Georgetown Steel Co. v. United States, USCIT Court No. 02-00739 (April 1, 2005).

[10] Caribbean Ispat Ltd. v. United States, 366 F. Supp. 2d 1300 (CIT 2005).

of the cumulated subject imports.[11] The plaintiffs terminated a second NAFTA case regarding the Commission's affirmative determination on steel wire rod from Mexico.

ORGANIZATION OF THE REPORT

Information on the subject merchandise, estimated dumping margins, and the domestic like product is presented in Part I. Information on the conditions of competition and other economic factors is presented in Part II. Information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment, is presented in Part III. Information on the volume of imports of the subject merchandise, apparent U.S. consumption, and market shares is presented in Part IV. Part V presents data on prices in the U.S. market. Part VI presents information on the financial experience of U.S. producers. Information on the subject country foreign producers and U.S. importers' inventories is presented in Part VII.

SUMMARY OF DATA PRESENTED IN THE REPORT

A summary of data collected in the investigation is presented in appendix C, tables C-1 and C-2. Except as noted, U.S. industry data are based on questionnaire responses of 10 firms that accounted for 100 percent of U.S. production of carbon and certain alloy steel wire rod during 2004. U.S. imports are based on official Commerce statistics, except as noted, where they are based on questionnaire responses of 37 firms. Importer questionnaire data account for 74.2 percent of the quantity of U.S. imports of the subject merchandise from China in 2004, 48.4 percent from Germany, 53.8 percent from Turkey, and 70.6 percent from all other sources. The responding U.S. importers of wire rod are estimated to account for 66.6 percent of total U.S. imports of wire rod in 2004.[12]

U.S. MARKET SUMMARY

The domestic industry producing wire rod consists of 10 companies. The largest producer of wire rod is *** with *** percent of domestic production. Two U.S. producers imported or purchased imported wire rod, although only *** imported subject wire rod directly (see Part III). Petitioners argue that appropriate circumstances exist to exclude Sterling from the U.S. industry.[13] Appendix C, table C-2 presents summary data that exclude Sterling from the domestic industry.

Thirty-seven firms reported having imported wire rod. Twenty-five firms imported subject wire rod. Twenty-one firms imported wire rod from China, eight from Germany, and thirteen from Turkey. The largest importer of wire rod from China in 2004 is ***, with *** percent of imports from China. The largest importer of wire rod from Germany is ***, with *** percent of imports from Germany. The largest importer of wire rod from Turkey is ***, with *** percent of imports from Turkey.

[11] Carbon and Certain Alloy Steel Wire Rod from Canada, Final Injury Determination, USA-CDA-2002-1904-09 (August 12, 2004).

[12] Based on questionnaire data and official Commerce statistics.

[13] Petitioners' postconference brief, p. 5.

THE NATURE AND EXTENT OF ALLEGED SALES AT LTFV

On December 7, 2005, Commerce published its notice of initiation in the *Federal Register*. Based on petitioners' comparisons of export price to normal value, the initial estimated dumping margins were as follows: for wire rod from China, 321.76 percent; for wire rod from Germany, 50.25-81.88 percent; and for wire rod from Turkey, 29.23-77.76 percent.[14]

THE SUBJECT MERCHANDISE

Commerce's Scope

Commerce's notice of initiation defines the imported merchandise within the scope of these investigations as follows:

> Certain hot-rolled products of carbon steel and alloy steel, in coils, of approximately circular cross section, 4.75 mm or more, but less than 19.00 mm, in solid cross-sectional diameter. Specifically excluded are steel products possessing the above-noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States ("HTSUS") definitions for (a) stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; and (e) concrete reinforcing bars. Also excluded are free machining steel products (i.e., products that contain by weight one or more of the following elements: 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.04 percent of phosphorus, more than 0.05 percent of selenium, or more than 0.01 percent of tellurium).[15]

Tariff Treatment

The products subject to these investigations currently are classified in the HTSUS in statistical reporting numbers 7213.91.3011, 7213.91.3015, 7213.91.3092, 7213.91.4500, 7213.91.6000, 7213.99.0030, 7213.99.0090, 7227.20.0000, and 7227.90.6050.[16] As shown in table I-1, U.S. imports of wire rod currently enter the United States free of duty under the general duty rate. Table I-1 presents tariff rates for wire rod since 2002.

---

[14] *Initiation of Antidumping Duty Investigations: Carbon and Certain Alloy Steel Wire Rod from Germany, Turkey, and the People's Republic of China*, 70 FR 72781, December 7, 2005.

[15] Ibid.

[16] A complete list of relevant HTSUS statistical reporting numbers providing for imports of the subject steel wire rod appears in Part IV of this report in the section entitled "U.S. Imports."

Table I-1
Wire rod: Rates of duty for U.S. imports

HTS subheading	Column 1-general rate of duty[1]			
	Percent ad valorem			
	Effective January 1, 2002	Effective January 1, 2003	Effective January 1, 2004	Effective January 1, 2005
7213.91, 7213.99 (nonalloy steel)	0.4 - 0.5	0.2	Free	Free
7227.20, 7227.90.60 (alloy steel)	0.9	0.4	Free	Free

[1] Rate is "Free" for eligible imports from beneficiary countries of the GSP (least developed countries only), CBERA, ATPA, IFTA, and from Canada and Mexico.

Source: *HTSUS (2002-05)*.

THE DOMESTIC LIKE PRODUCT

Physical Characteristics and Uses

Wire rod is a hot-rolled intermediate steel product of circular or approximately circular cross section that is typically produced in nominal fractional diameters from 3/16 inch (4.75 mm) to 47/64 inch (18.7 mm), and sold in irregularly wound coils, primarily for subsequent drawing and finishing by wire drawers.[17] Wire rod sold in the United States is categorized by "quality" according to end use. End-use categories are broad descriptions in which there is an overlap of metallurgical quality, chemistry,[18] and physical characteristics.

Quality and commodity descriptions for 11 major types of wire rod, as indicated by the Iron and Steel Society, are presented in table I-2. Industrial quality wire rod currently accounts for the largest share of wire rod consumed in the United States. It is primarily intended for drawing into industrial or standard quality wire that, in turn, is used for the manufacture of such products as reinforcing wire mesh and chain link fence. Most of the industrial quality wire rod is produced and sold in 7/32 inch (5.5 mm) diameter. Industrial quality wire rod is manufactured from low or medium-low carbon steel.[19]

Foreign-produced wire rod as a group is generally interchangeable with U.S.-produced wire rod, and competes within the same or similar qualities.[20] Although the types and qualities of imported wire rod may vary among country sources, wire rod is imported within the same range of grades and is used for the same general end uses by approximately the same end users as the domestic product. For most wire rod, there does not appear to be a high degree of differentiation between foreign and U.S.-produced wire rod based on the type of production process or on the basis of quality. One source indicates that 60

[17] Wire drawers (also referred to as redrawers) manufacture wire and wire products and may be either independent of, or related to, the wire rod manufacturers.

[18] Ductility, hardness, and tensile strength of the steel are positively correlated with carbon content. Alloying elements can be added during the melting and refining stage of the steelmaking process to impart various characteristics to the wire rod.

[19] Iron and Steel Society, *Steel Products Manual: Carbon Steel Wire and Rods*, August 1993, p. 36.

[20] However, the U.S. industry acknowledged during investigation No. TA-201-69 that some qualities of wire rod were not produced in the United States in commercial quantities. *Certain Steel Wire Rod, Inv. No. TA-201-69,* USITC Publication 3207, July 1999.

countries produce wire rod;[21] the primary sources of U.S. imports in 2004 were Turkey, China, and Canada.

Table I-2
Wire rod: Quality, end uses, and important characteristics

Quality	End uses	Important characteristics
Chain quality	Electric welded chain	Butt-welding properties and uniform internal soundness
Cold-finishing quality	Cold-drawn bars	Surface quality
Cold-heading quality (CHQ)	Cold-heading, cold-forging, cold-extrusion products	Internal soundness, good surface quality, may require thermal treatments
Concrete reinforcement	Nondeformed rods for reinforcing concrete (plain round or smooth surface rounds)	Chemical composition important only insofar as it affects mechanical property
Fine wire	Insect screen, weaving wire, florist wire	Rods must be suitable for drawing into wire sizes as low as 0.035 inch (0.889 mm) without intermediate annealing; internal quality important
High carbon and medium-high carbon	Strand and rope, tire bead, upholstery spring, mechanical spring, screens, ACSR core, and prestressed concrete strand; pipe wrap wire is a subset	Requires thermal treatment prior to drawing; however, it is not intended to be used for music wire or valve spring wire
Industrial (standard) quality	Nails, coat hangers, mesh for concrete reinforcement, fencing	Can only be drawn a limited number of times before requiring thermal treatment
Music spring wire	Springs subject to high stress; valve springs are a subset	Restrictive requirements for chemistry, cleanliness, segregation, decarburization, and surface imperfections
Scrapless nut	Fasteners produced by cold heading, cold expanding, cold punching, and thread tapping	Internal soundness, good surface quality
Tire cord	Tread reinforcement in pneumatic tires	Restrictive requirements for cleanliness, segregation, decarburization, chemistry, and surface imperfections
Welding quality	Wire for gas welding, electric arc welding, submerged arc welding, and metal inert gas welding	Restrictive requirements for uniform chemistry

Source: Iron and Steel Society, *Steel ProductsManual: Carbon Steel Wire and Rods*, August 1993, pp. 35-37.

[21] *Iron and Steel Works of the World*, 16th edition (Surrey, England: Metal Bulletin Books, Ltd., 2004), pp. 261-262.

Manufacturing Process

The manufacturing process for wire rod consists of several stages: (1) steelmaking, where the steel's chemistry is fixed; (2) casting the steel into a semifinished shape (billet); (3) hot-rolling the billet into rod on a multistand, high-speed rolling mill; and (4) coiling and controlled cooling of the wire rod as it is passed along a specialized conveyor (called a Stelmor deck, which is unique to the wire rod industry). Wire rod mills often tailor their operating practices to meet a customer's needs for specific applications and quality requirements. Metallurgical properties may be imparted by adjusting the chemistry during steelmaking as well as by varying rolling and cooling practices.[22] Finally, the product is inspected, bundled, and readied for shipment.[23]

The wire rod rolling process determines the rod's size (diameter) and dimensional precision, its depth of decarburization, surface defects and seams, amount of mill scale, structural grain size, and within limits set by the chemistry, the tensile strength and other physical properties. There is little or no difference among the wire rod rolling mills in the United States, or between U.S. mills and their foreign competitors. A larger billet will produce a heavier coil; however, not all mills have the capability to produce heavier coils. Depending on the capabilities of the wire drawer's equipment and machinery, coil size may be limited.

U.S. and foreign wire rod manufacturers have made capital investments in their production facilities to improve processing efficiencies and product quality. Standards of product quality (e.g., tighter dimensional tolerances, control over residuals, and coil weight) have become higher across the entire range of wire rod products largely in response to customer demands for improved performance on the customer's equipment. These improvements have tended to blur the distinctions among quality terms over time.[24]

Some wire rod manufacturers purchase billets whereas others have steelmaking capabilities and thus can produce their own billets. Most U.S. wire rod producers today use minimill technology where scrap is melted in an electric arc furnace. The exceptions are (1) Republic Technologies (formerly USS/Kobe) where the integrated route to steelmaking is still employed (i.e., a basic oxygen furnace using pig iron, which is produced from iron ore) and (2) those rod producers who are not steelmakers and, therefore, purchase billets. Minimills use scrap as their primary raw material and may add direct reduced iron (DRI) or hot-briquetted iron and/or pig iron to the mix, depending on the specifications for the end product and the relative costs of these raw materials. Some minimills produce high quality rod products; therefore, they may use less scrap and more DRI than other steelmakers.

Channels of Distribution

Responses to Commission questionnaires in the preliminary phase of these investigations indicate that almost all shipments of wire rod in the United States by U.S. producers and U.S. importers are made directly to end users, with the remainder shipped to distributors. In 2004, U.S. producers shipped more than 90 percent of their wire rod to end users, while U.S. importers of subject wire rod shipped more than

---

[22] The wire rod producer can accelerate or retard the wire rod's rate of cooling by raising or lowering covers over the Stelmor deck and by using forced air drafts. Cooling also affects scale buildup, which affects wire drawers' yield losses. Other post-rolling thermal treatments include annealing and patenting to obtain desired mechanical properties and microstructure.

[23] For a more detailed discussion of the wire rod production process, see *Certain Steel Wire Rod from Brazil and Japan, Inv. Nos. 731-TA-646 and 648 (Final)*, USITC Publication 2761, March 1994, pp. II-6 to II-10.

[24] *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Egypt, Germany, Indonesia, Mexico, Moldova, South Africa, Trinidad and Tobago, Turkey, Ukraine, and Venezuela, Inv. Nos. 701-TA-417-421 and 731-TA-953-963 (Preliminary)*, USITC Publication 3456, October 2001, p. I-5.

80 percent of the product to end users. Distribution of wire rod is discussed in greater detail in Part II of this report, in the section entitled "U.S. Channels of Distribution."

Price

In 2002, the average unit value of U.S. shipments of wire rod was $324.08; in 2003, $332.58 per short ton; in 2004, $514.46 per short ton; in January-September 2004, $500.52 per short ton; and in January-September 2005, $554.28 per short ton. The average unit value of U.S. shipments of imported wire rod from China was $259.54 per short ton in 2002; in 2003, $269.67 per short ton; in 2004, $464.14 per short ton, in January-September 2004, $455.03 per short ton; and in January-September 2005, $499.11 per short ton. In 2002, the average unit value of U.S. shipments of wire rod from Germany was $283.51 per short ton; in 2003, $304.29 per short ton; in 2004, $448.10 per short ton; in January-September 2004, $402.70 per short ton, and in January-September 2005, $678.52 per short ton. The average unit value of U.S. shipments of imported wire rod from Turkey in 2002 was $241.88 per short ton; in 2003, $279.08 per short ton; in 2004, $460.00 per short ton; in January-September 2004, $449.08 per short ton; and in January-September 2005, $496.34 per short ton. Wire rod prices are discussed in greater detail in Part V of this report.

DOMESTIC LIKE PRODUCT ISSUES

The Commission's decision regarding the appropriate domestic products that are "like" the subject imported products is based on a number of factors including (1) physical characteristics and uses; (2) common manufacturing facilities and production employees; (3) interchangeability; (4) customer and producer perceptions; (5) channels of distribution; and, where appropriate, (6) price. In the most recent wire rod investigations, the Commission found a single domestic like product consisting of all carbon and certain alloy steel wire rod.[25]

In 2002, the Commission considered arguments regarding certain tire cord, tire bead, CHQ, and clean-steel precision bar-in-coils wire rod.[26] In these investigations petitioners contend that there is a single domestic like product comprising all carbon and certain alloy steel wire rod.[27] In their postconference brief, Saarstahl AG and Saarstahl, Inc., argued that tire cord quality wire rod is a separate like product.[28]

Tire cord quality steel wire rod is a high carbon wire rod that the downstream purchaser (either a specialized wire drawer or a producer of steel-reinforced pneumatic tires) draws into wire that is then bunched or cabled together to form a cord that is used for tread reinforcement in steel-reinforced pneumatic tires. Restrictive specifications for tire cord quality wire rod are necessary to produce tire cord that meets ASTM D2969-04, Standard Test Methods for Steel Tire Cords. Tire cord quality steel wire rod must be able to be drawn into very fine wire sizes (0.006 to 0.15 inch) without failure and is produced under restrictive requirements for cleanliness, segregation, decarburization, chemical analysis,

---

[25] *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine, Inv. Nos. 701-TA-417-421 and 731-TA-953, 954, 956-959, 961, and 962 (Final),* USITC Publication 3546 (October 2002), pp. 7-12.

[26] Ibid.

[27] Petition, p. 10.

[28] Saarstahl AG and Saarstahl, Inc. addressed the six factors generally considered by the Commission in assessing like product issues in their postconference brief, pp. 13-24.

and surface imperfections. Uniformity in mechanical properties and the ability of the wire rod to accept a brass-plated finish are key characteristics.[29]

Saarstahl AG and Saarstahl, Inc. contend that specific manufacturing facilities, which produce steel using a basic oxygen furnace, are necessary to produce tire cord quality wire rod.[30] In the United States, a single company, Mittal Steel U.S.A. Georgetown, produces tire cord quality wire rod.[31] [32] The Georgetown facility, however, uses DRI in an electric arc furnace to produce wire rod, including tire cord wire rod.

Tire cord wire rod is sold exclusively to end users. Saarstahl AG and Saarstahl, Inc. contend that both producers and purchasers of tire cord quality wire rod perceive it as a distinct product, and that the Commission has previously found that producers and consumers view tire cord as a discrete product meeting certain specifications.[33] Tokusen U.S.A., Inc., which manufactures steel tire cord from wire rod, requested that tire cord quality wire rod "should be excluded."[34] Tokusen also noted that no U.S. producer manufactures tire cord in consistent commercial quality in grade 1070, and that there is no domestic production of grade 1080.[35]

Finally, Saarstahl AG and Saarstahl, Inc. contend that the high cost of tire cord quality wire rod distinguishes it from other types of wire rod. Tire cord wire rod shipped by Mittal Steel U.S.A. Georgetown in January-September 2005 had an average unit value ("AUV") of *** per short ton.[36] [37] In the same period, the AUV for all wire rod shipped domestically was *** per short ton.

Several other respondents raised product-related issues in their postconference briefs. Illinois Tool Works urged the Commission to reverse its prior decision that CHQ wire rod is part of a single domestic like product, but did not elaborate.[38] Mittal Germany reported that super-clean cold-head valve spring wire rods and customized alloy safety-critical welding rod are not produced in the United States.[39] Lincoln Electric requested that the Commission "isolate" purchases of certain welding quality wire rod when tracking import volumes from the subject countries, and to "segregate" these purchases from its injury analysis.[40] [41] Finally, RMA also contended that tire producers cannot obtain tire cord quality wire

---

[29] *See, e.g.,* Saarstahl postconference brief, pp. 15-20.

[30] Saarstahl's postconference brief, p. 19.

[31] Conference transcript, p. 23 (Kurtz).

[32] E-mail ***, December 13, 2005.

[33] *Certain Steel Wire Rod from Canada, Germany, Trinidad and Tobago, and Venezuela, Inv. Nos. 701-TA-368-371, (Final),*USITC Publication 3075 (November 1997), p. 8. The Commission found that the same was also true for multiple steel wire rod products that are produced to specifications for particular end uses.

[34] Tokusen U.S.A., Inc., written comment to the Commission, November 28, 2005.

[35] Ibid.

[36] In the same period, tire bead wire rod shipped by Mittal Steel U.S.A. Georgetown had an AUV of *** per short ton. E-mail ***, December 13, 2005.

[37] AUV for imported tire cord wire rod from Germany in 2004 was $606 per short ton; in January-September 2004, $560 per short ton; and in January-September 2005 was $878 per short ton. The AUV for all imports of tire cord wire rod was $416 in 2004; $379 in January-September 2004; and $656 in January-September 2005. Official Commerce statistics for HTS statistical reporting number 7213.91.3011.

[38] ITW postconference brief, p. 3.

[39] Mittal Hochfeld and Mittal Hamburg postconference brief, p. 1.

[40] Lincoln Electric, postconference brief, p. 13.

[41] Lincoln Electric reserved the right to make a "like product" argument in the event the Commission initiates a final injury investigation, Lincoln Electric postconference brief, p. 12. Chinese respondents also noted "that some of the imported product is not produced in the United States and may be appropriate for exclusion at the proper point in

(continued...)

rod from domestic producers, and that tire cord wire rod, in particular, is improperly included in these investigations.[42]

[41] (...continued)
time during the investigation," Shougang, *et al.*, postconference brief, p. 5.

[42] RMA et al, postconference brief, pp. 1-2.

PART II: CONDITIONS OF COMPETITION IN THE U.S. MARKET

MARKET CHARACTERISTICS

U.S. producers and importers sell wire rod to wire drawing firms and/or produce and sell wire or wire products. Approximately one-fifth of U.S. production is captively consumed, as are approximately one-quarter of reported imports.[1]

Imports from the subject countries comprised 22.6 percent of the total U.S. market in 2004, domestic production comprised 49.9 percent of the market, and imports from nonsubject countries comprised 27.5 percent. Overall apparent U.S. consumption increased irregularly over the period for which data were collected, rising from 7.8 million tons in 2002 to 8.0 million tons in 2004. The increase in 2004, however may reflect more than demand growth since purchasers reported uncertainty of supply, difficulty getting orders filled, delayed shipments, the expectation of rising prices, which lead to what the purchasers referred to as "anticipating or precautionary buying" and what the producers referred to as "panic buying."[2] This reportedly contributed to an inventory build-up towards the end of 2004. Apparent U.S. consumption fell from 6.2 million tons in interim 2004 to 4.8 million tons in interim 2005 as purchasers of wire rod and downstream products reportedly worked down their inventories.

Six of the 10 responding producers and seven of the 21 responding importers reported selling nationwide. The other four U.S. producers and 14 importers reported serving markets only in sections of the United States, with most of these (three producers and 10 importers) serving the Midwest. Producers and importers were also requested to provide estimates of the percentages of their shipments that were made within specified distance ranges. Nine of the 10 responding U.S. producers reported that the majority of their shipments, ranging from 65 percent to 100 percent, were between 101 miles and 1,000 miles of their plants. The other producer, ***, reported the majority of its sales were within 100 miles of its plant. Eight U.S. producers reported that between 5 and 55 percent of shipments were within 100 miles, and five reported 3 to 20 percent of shipments over 1,000 miles. Importers were more likely than producers to ship most of their product relatively short distances. Eight of the 14 responding importers reported that most of their shipments were within 100 miles, four reported that most of their shipments were between 101 to 1,000 miles, and two reported all their shipments were distances over 1,000 miles.

U.S. CHANNELS OF DISTRIBUTION

U.S. producers and importers mainly ship wire rod to end users, with relatively small amounts shipped to distributors and service centers (see table II-1). U.S. importers generally shipped approximately four-fifths of their imported wire rod to end users, although all imports of wire rod from Germany were shipped to end users. Approximately 95 percent of U.S. producers' shipments are to end users.

[1] A number of importers imported solely for internal consumption. Some of these did not respond to the questions in the pricing section while others responded only to the questions that were relevant to them. In addition some of the responding importers imported from nonsubject countries and therefore could not respond to the questions that referred solely to imports from subject countries.

[2] Conference transcript, pp. 66-67 (Martin), 107 (Rosenthal), 168-169 (Downes), 218 (Johnson), 227-228 (Korbel).

Table II-1
Wire rod: Channels of distribution for domestic product and imports sold in the U.S. market (as a percent of total), by year and by source, 2002-04, January-September 2004, and January-September 2005

Source and destination	Calendar year			January-September	
	2002	2003	2004	2004	2005
	Share of quantity (*percent*)				
Domestic industry:					
Shipments to end users	95.3	94.1	94.2	94.1	94.8
Shipments to distributors/service centers	4.7	5.9	5.8	5.9	5.2
Imports from China:					
Shipments to end users	82.0	84.9	75.8	83.6	80.9
Shipments to distributors/service centers	18.0	15.1	24.2	16.4	19.1
Imports from Germany:					
Shipments to end users	100.0	100.0	100.0	100.0	100.0
Shipments to distributors/service centers	0.0	0.0	0.0	0.0	0.0
Imports from Turkey:					
Shipments to end users	73.8	96.3	81.2	78.0	100.0
Shipments to distributors/service centers	26.2	3.7	18.8	22.0	0.0
Nonsubject imports:					
Shipments to end users	82.9	77.2	75.2	72.0	82.3
Shipments to distributors/service centers	17.1	22.8	24.8	28.0	17.7

Source: Compiled from data submitted in response to Commission questionnaires.

SUPPLY AND DEMAND CONSIDERATIONS

U.S. Supply

Based on available information, staff believes that U.S. producers are likely to respond to changes in demand with small changes in shipments of U.S.-produced wire rod to the U.S. market and larger changes in prices. Factors restricting supply responsiveness are discussed below.

U.S. supply has been irregular at times during the period for which data were collected. Keystone began to report financial problems in October 2003,[3] and was in bankruptcy from February 26, 2004 until August 31, 2005.[4] Keystone continued producing, although with shutdowns and disruptions of supply.[5] Georgetown emerged from bankruptcy in 2002. However, in October 2003, Georgetown declared

[3] Conference transcript, p. 136 (Downes).

[4] Conference transcript, pp. 21-22 (Cheek).

[5] Conference transcript, pp. 136-137 (Downes).

bankruptcy again and stopped production.[6] It required eight months to find a buyer. Georgetown resumed production by the end of July 2004 and shipping in August 2004. As a result of Georgetown's bankruptcy, in 2004, U.S. production was reduced by 500,000 tons.[7] These closures and reductions in production occurred when apparent consumption was particularly high. More recently, on May 26, 2005, as a result of a labor dispute, Gerdau Ameristeel's Beaumont, TX, facility stopped production, although the workforce is expected to return in December 2005.[8]

Industry Capacity

U.S. producers' capacity utilization decreased from 69.3 percent in 2002 to 65.6 percent in 2003 and then increased to 68.9 percent in 2004. Interim capacity utilization declined from 72.7 percent in 2004 to 57.7 percent in 2005. Respondents questioned the relevancy of the unused capacity of the U.S. industry noting the prevalence of U.S. producers selling on controlled order entry or other allocation mechanisms throughout much of 2004.[9] This lack of responsiveness of capacity utilization to high demand, rising prices, and rising profits, respondents suggest, indicates that this capacity may not actually be available to respond in the short run to changes in demand.[10]

Production Alternatives

Wire rod, an intermediate product, is used to produce a range of downstream products (*see* table I-2). Some mills that produce wire rod also have the capability to produce bar, which is made by straightening and further finishing cut lengths of rod. Certain mills that produce wire rod also produce wire or other downstream products in the same or related facilities.

Inventory Levels and Exports

U.S. producers' inventories of wire rod, as a ratio to total shipments, decreased irregularly from *** percent in 2002 to *** percent in 2003 and 2004, and were *** percent in interim 2005. U.S. producers typically produce to order, which would reduce inventory requirements; on the other hand, producers produce in cycles, grouping the production of similar products, and may maintain inventories to allow shipments of individual products throughout the cycles. Domestic producers exported *** to *** percent of their production in 2002-04. The low level of exports indicates that domestic producers would find it difficult to shift shipments between the U.S. market and other markets.

Subject Imports

On February 16, 2000, the President, pursuant to Section 203 of the Tariff Act of 1974, imposed a tariff-rate quota (TRQ) on imports of wire rod for three years and one day. This was modified on November 21, 2001, to re-allocate the shares of the TRQ among four country groups. This relief ended on March 1, 2003. The petitioners in the current case report that these measures were not effective.[11] The

[6] Conference transcript, p. 86 (Kurtz).

[7] Conference transcript, pp. 23-24 (Kurtz).

[8] Conference transcript, pp. 28, 32, 72-73, 100 (Martin).

[9] Conference transcript, p. 187 (Shor).

[10] Conference transcript, pp. 187 (Shor), 188 (Downes)

[11] Conference transcript, pp. 95-97 (Rosenthal, Porter).

respondents report that the tariff-rate quota created a situation where all imports were rushed to port at the beginning of the period so that the material would be available.[12]

In August 2001, wire rod producers filed an antidumping/countervailing duty petition against Brazil, Canada, Egypt, Germany, Indonesia, Mexico, Moldova, South Africa, Turkey, Trinidad and Tobago, Ukraine, and Venezuela. In 2002, antidumping and/or countervailing duty orders were issued on wire rod from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine. In addition, an investigation was instituted in July 2001 to determine if a surge of imports from Canada and/or Mexico had undermined the effectiveness of the U.S. safeguard measure's import relief. The Commission made an affirmative determination, but the President declined to extend the safeguard measures to Canada and Mexico.

Data provided by foreign producers' questionnaires suggest that wire rod producers in the subject countries are operating at moderate to high levels of capacity utilization, with all subject countries reporting capacity utilization rates higher than those reported by the U.S. producers. This would restrict the foreign producers' ability to increase output to the U.S. market. Since most subject foreign producers ship only a small-to-moderate percentage of their production to the United States, they may have the flexibility to shift shipments between other markets (including their home markets) and the U.S. market.

China

Available information suggests that Chinese producers have limited flexibility to shift sales to the U.S. market and greater ability to shift away from the U.S. market. Available data indicate that China has a large home market, high capacity utilization rates, small third-country markets, and low inventories, all of which would make it difficult to shift sales to the United States. However, overall Chinese exports rose markedly between 2002 and 2004 from 4.6 percent of shipments to 10.5 percent, a trend that might reflect rapid growth in China's ability to export to the United States. Five Chinese producers account for the bulk of all Chinese product sold in the United States.[13] Reported Chinese wire rod capacity grew from 17.7 million tons in 2002 to 21.2 million tons in 2004, while production also rose steadily from 16.0 milling tons in 2002 to 19.2 million tons in 2004. Reported capacity utilization rates were relatively high (90.3 percent in 2002, 95.0 percent in 2003, and 90.6 percent in 2004), which would limit Chinese producers' ability to increase shipments to the U.S. market.

The home market and internal consumption combined accounted for the vast majority of Chinese sales, although these shares fell from 95.4 percent in 2002 to 89.6 percent in 2004. The U.S. market accounted for a small percentage of the total quantity of reported Chinese shipments of wire rod, 2.5 percent in 2002 and 4.1 percent in 2004. A similar share of shipments were exported to other countries increasing steadily from 2.2 percent to 6.4 percent. Inventories were equivalent to between 1.1 and 1.9 percent of Chinese producers' total shipments.

Germany

Available information suggests that German producers would have some flexibility to shift sales to or from the U.S. market due to low, but steadily rising, exports to the United States and high levels of exports to other countries. German capacity was steady at 4.8 million tons per year throughout the period for which data were collected, while production ranged from 3.8 million tons in 2003 to 4.2 million tons in 2004. The reported capacity utilization rates were moderately high (84.4 percent in 2002, 79.4 percent in 2003, and 87.3 percent in 2004), which would probably not limit the ability to increase shipments to the U.S. market.

---

[12] Conference transcript, pp. 216-217 (Korbel).

[13] Conference transcript, p. 53 (Porter).

The U.S. market accounted for a small but increasing percentage of the total quantity of German shipments of wire rod, accounting for only 0.9 percent in 2002 and 5.2 percent in 2004. German home market sales and internal consumption combined accounted for under half of German shipments, ranging from 43.4 percent in 2003 and 46.9 percent in 2002. Shipments to third countries as a percentage of the total quantity of German wire rod shipments ranged from a high of 53.2 percent in 2003 to a low of 49.7 percent in 2004. Inventories rose from 2.9 percent of the German producers' total shipments in 2002 to 4.6 percent in 2004.

Turkey

Available information suggests that Turkish producers would have some flexibility to shift sales to or from the U.S. market due to a moderate to high share of wire rod shipments sold in the United States, relatively high exports to other countries, and moderately high capacity utilization rates. Reported Turkish capacity rose slightly from 2.2 million tons in 2002 to 2.3 million tons in 2004. Reported capacity utilization rates were moderately high and rose from 82.6 percent in 2002 to 86.4 percent in 2004.

The U.S. market accounted for 29.4 percent of the total quantity of Turkish wire rod shipments in 2002, increasing to 36.2 percent in 2004. Turkey consumed 30.7 percent of total wire rod shipments in internal and home market shipments in 2002, decreasing to 28.4 percent in 2004. Over one-third of Turkish wire rod shipments were sold to countries other than the United States, ranging from 47.6 percent in 2003 to 35.4 percent in 2004. Inventories were low, ranging from 4.8 percent of Turkish producers' total shipments in 2003 to 2.7 percent in 2004.

U.S. Demand

Demand Characteristics

The majority of wire rod is sold to wire drawers; these firms draw wire rod into wire that is used in a large variety of products. Demand for wire rod depends on the demand for these many different products. Since a relatively large proportion of wire rod sold in the U.S. market is ultimately used for construction and automobile applications, the demand for wire rod tends to be cyclical and follows trends in these industries. U.S. producers and importers did not agree about demand trends in the United States; four out the of nine responding producers reported that demand for wire rod had fallen since 2002, while most importers (15 of 24) reported that demand had increased. Two producers reported U.S. demand had increased, two reported that U.S. demand was unchanged, and one reported demand increased and then decreased. Six importers stated that demand was unchanged and six reported demand had fallen.[14] Producers and importers who reported that demand has fallen reported that this was the result, at least in part, of increased imports of either wire rod (mainly reported by U.S. producers) and/or downstream products (reported by both importers and U.S. producers). The importers reporting that demand increased typically attributed this to economic growth, and one producer reported that its market share was growing because of problems faced by other producers.[15]

[14] In addition, one importer reported that demand was unchanged or had fallen as a result of consolidation and imports and one importer reported that demand had both increased and decreased, increasing in 2004 and falling in 2005.

[15] One producer reporting increased demand did give a reason.

Demand is reported to be improving, with wire rod producers reported to have announced a $40 per ton across the board increase in prices in September of 2005.[16] [17] Purchasers report that recently shipments had been late, and that prices have increased with increases remaining firm.[18] Petitioners expect that recent hurricanes and the recent highway bill will increase demand but are uncertain how much and report little impact so far.[19]

Based on available information, the overall demand for wire rod is likely to change moderately in response to changes in price. The main factors increasing price sensitivity are the high cost of wire rod in downstream products combined with the ease of importing downstream products to replace U.S. wire rod consumption. On the other hand, price sensitivity is limited by the very limited range of substitute products and the small share of the total cost of steel wire in most finished products.

Substitute Products

All five responding U.S. producers and 11 of 14 responding importers reported that there were no substitutes for wire rod. Three importers reported substitutes including wire, nonferrous steel, bar, rebar, plastic, finished goods, aluminum, and powdered metals.

Cost Share

The cost share of wire rod varies widely due to the wide range of products in which it is used. The cost share of wire rod is higher in products requiring little additional manufacturing and lower in products with more manufacturing processes and more value added. Therefore changes in wire rod will have a greater impact on lower value added applications than in applications with more value added. Two producers reported cost share information, reporting that wire rod accounts for between 60 and 75 percent of the total cost of downstream products listed. Twelve importers provided cost share information, reporting that wire rod's share of cost of downstream products ranged from 14 percent to 90 percent.

SUBSTITUTABILITY ISSUES

Based on available information in this preliminary phase of the investigations, staff believes that, where there are identical forms of wire rod, there is a high degree of substitution between domestic wire rod and subject imports. In commodity grades, product typically will be highly substitutable with other product of the same specification even when the products may not be identical, although there may be a need for retooling of the process to adjust to small differences. For specialty grades, differences between product with the same specifications from different sources may prevent the products from being used as substitutes.

The degree of substitution between domestic and imported wire rod depends upon such factors as relative prices, quality, conditions of sale, availability of wire rod grades and "Buy American"

---

[16] "Wire Rod Makers Upbeat as $40-a-ton Hike Sought" *American Metal Market*, http://www.amm.com/news-2005-09-06_14-46-49.html, retrieved December 13, 2005.

[17] One union official speculated that the end of the Beaumont work stoppage was because Gerdau Ameristeel "needs business now (December 2005)." "No Deal Yet, but Beaumont Mill is Set to Restart" *American Metal Market*, http://www.amm.com/news-2005-11-30_15-26-28.html, retrieved December 13, 2005.

[18] Conference transcript, pp. 132-133 (Johnson).

[19] Conference transcript, pp. 105-106 (Martin, Kurtz).

programs.[20] Wire rod comes with many different specifications for particular uses.[21] While most of these specifications are industry standards, some are proprietary. Firms typically cannot substitute between wire rod with different specifications, although firms sometimes substitute different specifications in less critical applications.[22] Even within grades, product differences may make substitution difficult.[23]

Producers and importers were requested to provide information regarding the interchangeability of domestic, subject, and nonsubject wire rod and discuss differences between these products (table II-2). All eight responding producers reported that Chinese and Turkish products were always interchangeable with U.S. product, and seven of the nine responding reported that German product was interchangeable with domestic product. Most importers agreed that subject and U.S.-produced wire rod were at least sometimes interchangeable. However, some importers reported limited interchangeability of imports with U.S. product and with products from other subject countries.

Firms reporting differences between U.S. and Chinese product had a range of responses. Some reported that Chinese wire rod in some cases is perceived as uneven quality or low quality. On the other hand, Lincoln Electric, an importer of wire rod ***, reported that it could not get the type of product it purchased from China from a U.S. producer and reported that the relatively new facilities in China could be of advantage in producing some specialty product.[24] According to respondents, some Chinese producers had an advantage in producing sophisticated material because they had the most modern, recently built plants. The Chinese respondents reported that a modest share of U.S. imports of wire rod from China was specialty product.

Two importers reported that product they import from Germany is not produced in the United States or not produced in sufficient quantity in the United States or the other subject countries. Likewise, representatives of tire manufacturers reported that German firms produced tire cord product which U.S. producers could not produce.[25] German respondents reported that about 30 percent of the product exported to the United States during the period for which data were collected was not produced by U.S. firms.[26]

---

[20] Producers report that “Buy American” programs cover about 10 percent of product sold. “Buy American” programs are particularly important in road construction. Conference transcript, p. 206 (Johnson).

[21] Conference transcript, p. 197 (Korbel).

[22] Conference transcript, pp. 198-199 (Moffitt).

[23] “And I can use Georgetown as an example. When Mr. Kurtz says that he can produce tire cord grade rod, technically, that's a true statement; practically, it's not. Technically, he can produce a rod that in a lab is a 1080 carbon rod, high carbon rod, that could be used to produce tire cord. I can tell you that at Goodyear, we have tried and failed, many, many times, to process material through our plant, because it doesn't have the processability that we require to run our plant efficiency levels that we require to keep our cost base under control.” Conference transcript, p. 174 (Simon). The large majority of tire cord wire rod and tire bead wire rod produced in the United States is tire bead wire rod. Only one U.S. producer has produced tire cord wire rod since 2002. Mittal reported *** production of tire cord wire rod in 2004, but did produce *** short tons in January-September 2005. As Georgetown Steel, the company had produced as much as *** short tons in 2002.

[24] Conference transcript, p. 191 (Porter).

[25] Conference transcript, pp. 148-150 (Hoeferlin).

[26] Conference transcript, p. 164 (Blakeslee).

Table II-2
Wire rod: Perceived degree of interchangeability of wire rod produced in the United States and in other countries, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. China	8	0	0	0	6	5	7	1
U.S. vs. Germany	7	2	0	0	6	7	2	3
U.S. vs. Turkey	8	0	0	0	4	7	4	0
U.S. vs. other	7	1	0	0	5	8	4	2
China vs. Germany	7	1	0	0	3	5	3	3
China vs. Turkey	8	0	0	0	3	6	5	0
China vs. other	7	1	0	0	4	7	4	0
Germany vs. Turkey	8	0	0	0	4	5	3	1
Germany vs. other	8	0	0	0	5	5	3	0
Turkey vs. other	8	0	0	0	4	6	4	0

A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

The quality of Turkish product was reportedly poor and the product was available in only a limited range. Representatives of the Turkish producers reported that no specialty product was imported into the United States from Turkey.[27]

Other than price, most domestic producers reported few differences between domestic and subject imported wire rod (table II-3). Importers were more likely to report differences between domestic and imported wire rod. Reported differences between U.S. product and product from other countries included shorter lead times for U.S. product; Chinese product perceived as poor quality; U.S. producers cannot produce some of the same specifications as imported product; U.S. producers do not produce product with low levels of non-metallic inclusions and this can lead to problems with metal fatigue; U.S. producers do not make consistent enough product; limited U.S. supply or difficulty finding adequate domestic material; and differences in product range.

[27] Conference transcript, p. 191 (Shor).

Table II-3
Wire rod: Perceived importance of differences in factors other than price between wire rod produced in the United States and in other countries in purchases of wire rod in the U.S. market, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. China	0	0	0	7	3	2	5	2
U.S. vs. Germany	0	0	1	7	4	1	5	3
U.S. vs. Turkey	0	0	0	7	1	2	5	2
U.S. vs. other	0	0	0	7	2	6	3	2
China vs. Germany	0	0	0	7	2	2	5	2
China vs. Turkey	0	0	0	7	0	3	4	2
China vs. other	0	0	0	7	0	5	3	2
Germany vs. Turkey	0	0	0	7	1	1	4	2
Germany vs. other	0	0	0	7	0	5	2	3
Turkey vs. other	0	0	0	7	0	3	3	2

A = Always, F = Frequently, S = Sometimes, N = Never.

Source: Compiled from data submitted in response to Commission questionnaires.

PART III: U.S. PRODUCERS' PRODUCTION, SHIPMENTS, AND EMPLOYMENT

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged margins of dumping was presented earlier in this report and information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V. Information on the other factors specified is presented in this section and/or Part VI and (except as noted) is based on the questionnaire responses of 10 firms that accounted for all known U.S. production of wire rod during 2004.

U.S. PRODUCERS

The Commission sent producer questionnaires to 10 firms. All 10 firms provided responses to the Commission's producer questionnaire and are believed to have accounted for 100 percent of U.S. production of wire rod in 2004.

U.S. wire rod producers are located throughout the United States; however, the west coast is home to only one facility, Cascade Steel's McMinnville, OR, facility. North Star had a facility in Kingman, AZ, but ceased its wire rod operations at that facility in December 2000.[1] Firms tend to serve regional markets with commodity wire rod, but higher end wire rod tends to be shipped further.[2] Approximately 22 percent of U.S. producers' domestic shipments in 2004 were for internal consumption or transfers to related firms. In addition to selling wire rod on the open markets, two firms, ***, both internally consumed wire rod and transferred it to related firms. In addition, *** transferred wire rod to related firms and *** produced wire rod for internal consumption. U.S. producers' positions on the petition, plant locations, and shares of U.S. production in 2004 are presented in table III-1.

Table III-1
Wire rod: U.S. producers, positions on petition, plant locations, and shares of U.S. production in 2004

Firm name	Position on petition	Plant locations	Parent company	Share of reported U.S. production (*percent*)
Cascade Steel	***	McMinnville, OR	***% Schnitzer Steel, Inc., Portland, OR	***
Charter	***	Milwaukee, WI (two locations) and Saukville, WI	None	***
Connecticut	Support	Wallingford, CT	None	***
Gerdau	Support	Beaumont, TX; Perth Amboy, NJ; and Jacksonville, FL	***% Gerdau Ameristeel Corp., Toronto, Canada	***

Table continued on next page.

[1] For a review of events involving the Kingman facility, *see* *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine, Inv. Nos. 701-TA-417-421 and 731-TA-953, 954, 956-959, 961, and 962 (Final),* USITC Publication 3546 (October 2002), p. III-3.

[2] Conference transcript, p. 87 (Simon).

Table III-1--*Continued*
Wire rod: U.S. producers, positions on petition, plant locations, and shares of U.S. production in 2004

Firm name	Position on petition	Plant locations	Parent company	Share of reported U.S. production (*percent*)
Keystone	Support	Peoria, IL	***% Contran Corp., Dallas, TX	***
Mittal	Support	Georgetown, SC	***% Mittal Steel,NV, Rotterdam, The Netherlands	***
Nucor	Support	Charlotte, NC	None	***
Republic	Support	Akron, OH	***% Grupo Simes, Mexico and ***% Industrias CH, Mexico	***
Rocky Mountain	Support	Pueblo, CO	***% Oregon Steel, Portland, OR	***
Sterling	Oppose	Sterling, IL	***% Leggett & Platt, Carthage, MO	***

Source: Compiled from data submitted in response to Commissioner questionnaires.

Table III-2 presents the share of other products produced on the same production equipment used to produce wire rod.

Table III-2
Wire rod: U.S. producers, production of other products on the same equipment used to produce wire rod, 2004

Company	Equipment capacity allocated to other products (*percent*)		
	Coiled rebar	SBQ/CHQ	Wire rod > 0.75"
Cascade	***	([1])	([1])
Charter	([1])	***	***
Connecticut	***	([1])	([1])
Gerdau	***	([1])	([1])
Rocky Mountain	***	([1])	([1])
Nucor	([1])	***	([1])

[1] Not applicable.

Source: Compiled from data submitted in response to Commission questionnaires.

The 13 months immediately prior to the period for which data were collected for these investigations was a tumultuous period for the domestic wire rod industry. North Star Steel ceased production in Kingman, AZ, in December 2000. GS Industries declared bankruptcy in February 2001 and ceased production in Kansas City, MO. Republic Steel declared bankruptcy in April 2001. Northwestern Steel and Wire suspended operations in May 2001. Birmingham Steel closed its American Steel and

Wire ("AS&W") plant in June 2001.[3] Since 2001, the domestic industry has undergone additional restructuring. Table III-3 summarizes important industry events that contributed to shifts in domestic production and capacity during the period for which data were collected in these investigations.

Table III-3
Wire rod: Survey of industry events, 2002-05

Month and year	Company	Description of event (Acquisition, bankruptcy, merger, shutdown)
March 2002	Charter Steel	**Acquisition:** Charter Steel acquired Birmingham Steel's Cleveland, OH, rolling mill that produces special quality bar products, wire rod, and wire.
July 2002	Leggett and Platt	**Acquisition:** Leggett and Platt acquired the rod-producing assets of Northwestern Steel & Wire. Restarted operations February 2003.
July 2002	Georgetown Steel	**Acquisition:** Georgetown Steel Co. LLC acquired the assets of Georgetown Steel Corp.
August 2002	Republic Engineered Products	**Acquisition:** Republic Engineered Products acquired most of the assets of Republic Technologies International.
October 2002	Gerdau AmeriSteel	**Merger:** Gerdau, a Brazilian firm with both Canadian and U.S. minimills, merged with Co-Steel Inc., a Canadian firm also having both Canadian and U.S. minimills. The merged firm, Gerdau Ameristeel Corp., operates 11 minimills in the United States and Canada.
March 2003	Nucor	**Shutdown:** Nucor acquired the assets of the Kingman, AZ, rebar and wire rod minimill from North Star Steel. The Kingman melt operation has not operated since January 2000 and the rolling mill has been idle since March 2003.
October 2003	Georgetown Steel	**Bankruptcy**: Shut down. Chapter 11 (reorganization) filing. Purchased by ISG in June 2004. Restarted operations in July 2004
February 2004	Keystone Consolidated	**Bankruptcy**: Normal operations continued. Chapter 11 (reorganization) filing. Emerged from bankruptcy in August 2005.
May 2005	Gerdau AmeriSteel	**Shutdown:** Beaumont, TX, wire rod mill idled pending new labor agreement.

Source: *Steel: Monitoring Developments in the Domestic Industry (Investigation No. TA-204-9)*, USITC Publication 3632 (September 2003), various articles in the trade press, and conference transcript.

Since 2002, most U.S. producers reported changes to their wire rod production operations. In February 2002, Charter Steel acquired the assets of AS&W in Cleveland, OH. Charter also ***. In ***, Charter will begin *** to supply ***. *** is expected by ***. This facility will have *** for facilities outside of its *** location.[4] In addition, *** plans to produce *** at the *** facility, contingent on billet production.[5] Gerdau acquired Cargill's Beaumont, TX, facility in 2004, but since May 26, 2005, has experienced a lockout and work stoppage at this facility. On May 29, 2002, Leggett and Platt acquired the assets of Northwestern Steel & Wire. Prior to the acquisition the facility was not in operation. Both

[3] *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine, Inv. Nos. 701-TA-417-421 and 731-TA-953, 954, 956-959, 961, and 962 (Final),* USITC Publication 3546 (October 2002), pp II-2-3.

[4] Staff interview with *** on December 12, 2005.

[5] Staff interview with *** on December 15, 2005.

*** have experienced prolonged shutdowns. *** experienced production curtailments during the first 10 months of 2005, due to a lack of orders in five of those months. Likewise, *** experienced reduced hours of operations, when it ***. *** attributed these incidents to strong imports, and a decline in demand due to inflated inventories held by customers.[6] Other changes that affected firms' capacity are addressed in the following section.

The history of Mittal's Georgetown facility deserves attention. GS Industries, Inc. (GSI) was formed in 1995 by the merger of two minimill steel producers - Georgetown Industries of Charlotte, NC, and GS Technologies of Kansas City, MO. When it filed for Chapter 11 bankruptcy in February 2001, GSI was the largest producer of steel wire rod in North America.[7] According to GSI management, "the voluntary bankruptcy filing was triggered by the combination of soaring imports of wire rod products into the U.S., skyrocketing costs for electricity and natural gas, and the critical need to restructure the company's liabilities."[8] GSI closed the former GS Technologies wire rod plant in Kansas City, MO (750,000 ton annual capacity) in February 2001. GSI continued to operate Georgetown Steel, Georgetown, SC (1 million tons annual melt capacity, 750,000 tons annual wire rod capacity) until it was sold to Midcoast Industries, LLC, in July 2002 for $53 million in cash as well as assumed liabilities.[9] Midcoast subsequently filed for Chapter 11 bankruptcy and shut down the plant in October 2003, blaming "higher costs of natural gas and scrap metal and the continued flow of subsidized foreign steel."[10] International Steel Group Inc. (ISG) bought Georgetown Steel for $18 million in cash and approximately $4 million in assumed liabilities in June 2004, and restarted production in July 2004.[11] Mittal Steel acquired ISG, including its Georgetown assets, in April 2005.[12]

U.S. CAPACITY, PRODUCTION, AND CAPACITY UTILIZATION

Data regarding U.S. capacity, production, and capacity utilization for wire rod are summarized in table III-4. Capacity fluctuated somewhat during the period for which data were collected. Leggett and Platt reopened Northwestern's shuttered Sterling facility in February 2003. *** reported year-to-year increases in capacity, but at an industry-wide level, these increases were more than offset by *** decreases in capacity. No greenfield development or expansions occurred during the period for which

---

[6] ***.

[7] "Georgetown Steel and GS Industries News Releases, January-December 2001," (Steel News, The Association for Iron and Steel Technology, 2004) retrieved December 8, 2005, found at http://www.steelnews.com/companies/archives/georgetown/georgetown01.htm.

[8] Ibid.

[9] "ISG agrees to purchase S. Carolina steel plant," (The Plain Dealer, May 05, 2004), retrieved December 8, 2005, found at http://www.cleveland.com/indepth/steel/index.ssf?/indepth/steel/more/108374941841071.html.

[10] "Steel plant to go on block," (Associated Press, February 13, 2004), retrieved December 8, 2005, found at http://64.233.161.104/search?q=cache:-CpFLN3EKooJ:charleston.net/stories/021304/bus_13steel.shtml+midcoast+industries+bankruptcy&hl=en.

[11] "ISG agrees to purchase S. Carolina steel plant," (The Plain Dealer, May 05, 2004), retrieved December 8, 2005, found at http://www.cleveland.com/indepth/steel/index.ssf?/indepth/steel/more/108374941841071.html and "ISG buys Georgetown for $18M," (Pittsburgh Business Times, June 21, 2004), retrieved December 8, 2005, found at http://pittsburgh.bizjournals.com/pittsburgh/stories/2004/06/21/daily2.html.

[12] "Mittal Steel Company N.V. and International Steel Group Inc. Announce Completion of Merger and Final Exchange Ratio and Election Deadline,"(Mittal Steel Press Release, 15 April, 2005), retrieved December 8, 2005, found at http://www.mittalsteel.com/NR/rdonlyres/37F870AA-DE6B-402F-85A7-7FDDD3333F59/386/2005AprilMITTALandISGannouncecompletionofmerger.pdf.

data were collected. Capacity was 6.1 percent higher in January-September 2005 than in January-September 2004.

Table III-4
Wire rod: Reported U.S. production capacity, production, capacity utilization, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003[1]	2004[1]	2004[1]	2005[1]
Capacity (*1,000 pounds*)	5,848,522	6,183,062	5,789,946	4,260,999	4,522,915
Production (*1,000 pounds*)	4,055,307	4,054,534	3,987,952	3,099,680	2,611,079
Capacity utilization (*percent*)	69.3	65.6	68.9	72.7	57.7

[1] Republic reported an outage of *** short tons in 2003; Gerdau's production was curtailed at its Beaumont facility from May 26, 2005 through December 2005, reducing available capacity in interim 2005 by at least *** tons; Keystone reported a number of shutdowns during 2003 and 2005 ***.

Source: Compiled from data submitted in response to Commission questionnaires, staff telephone interviews, conference testimony, and the petition.

Like capacity, U.S. production of wire rod decreased between 2002 and 2004, declining by 1.7 percent. Production was lower in January-September 2005 than in January-September 2004 by 15.8 percent. From 2002 through 2004, and in the January through September periods, capacity utilization fluctuated, with a low of 57.7 percent in January-September 2005 and a high of 72.7 percent in January-September 2004.

Reported capacity utilization, however, should be viewed in the context of events that affected domestic producers' operations. *** reported that its blast furnace was down from mid-August 2003 to early-October 2003. This shutdown led to a reduction in capacity of about *** short tons during this period.[13] *** reported prolonged shutdowns due to ***.[14] Since 2002, *** production has not approached its production capacity. The number of operating turns decreased from *** per week to *** per week. During the fourth quarter of 2003 and the first quarter of 2004, *** produced on *** basis. ***.[15] Georgetown declared bankruptcy and closed on October 31, 2003. ISG acquired the facility and reopened it on June 20, 2004. Production of wire rod was down through July, but started up again by July 31, 2004, and rod was being shipped from the facility in August.[16] ISG reported an annual production capacity of *** short tons. During the period when the facility was closed, from November 2003 through July 2004, overall lost capacity was about *** short tons. Since May 26, 2005, Gerdau has experienced a work stoppage at its Beaumont, TX, facility when it locked its employees out due to an impasse in labor negotiations. Gerdau called for workers to return on December 12, but according to USW it faces a potential work stoppage.[17] The amount of capacity lost due to the closure of this facility is about *** short tons (the Beaumont facility has a monthly capacity of *** short tons). Gerdau reported that *** have continued, and as of the staff conference, it intends to resume operations fully.[18] Charter did not begin producing wire rod at the AS&W facility it acquired from Birmingham in February 2002 until May

[13] Staff interview with *** on December 8, 2005.

[14] ***.

[15] E-mail ***.

[16] Conference transcript, p. 24 (Kurtz).

[17] "USW may ring in New Year with Ameristeel job actions," AMM, Maria Guzzo, December 5, 2005.

[18] Conference transcript, p. 33 (Martin).

2002. Charter explained that capacity utilization for the AS&W facility ***.[19] Table III-5 shows individual producers' capacity utilization for the period during which data was collected.

Table III-5
Wire rod: Reported individual U.S. producers' capacity utilization, 2002-04, January-September 2004, and January-September 2005

* * * * * * *

U.S. PRODUCERS' DOMESTIC SHIPMENTS AND EXPORT SHIPMENTS

The quantity of U.S. producers' U.S. shipments declined by 0.4 percent between 2002 and 2004 and was 15.8 percent lower in January-September 2005 than in January-September 2004 (table III-6). From 2002 through 2004, the value of wire rod shipments by U.S. producers increased by 58.1 percent. Likewise, the unit value increased by 58.7 percent, reaching $514 in 2004. Comparing the interim periods January-September 2004 and January-September 2005, the overall value of U.S. shipments decreased by 6.7 percent, but average unit values were $554 per short ton in January-September 2005, 10.7 percent higher than in January-September 2004.

Commercial shipments of wire rod from U.S. producers ranged from *** percent to *** percent of total wire rod shipments from 2002 through 2004, and were at their lowest levels in January through September 2005 at *** percent. Exports represented no more than *** percent of total shipments during the period for which data were collected. Internal consumption and transfers to related firms, by quantity, rose throughout the period, from 12.4 percent of total shipments in 2002 to 24.7 percent in January through September 2005.

Four domestic producers reported internal consumption and/or the transfer of wire rod to related firms during the period for which information was collected in these investigations. Three domestic producers, ***, reported internal consumption of wire rod, accounting for *** percent, *** percent, and *** percent of internal consumption, respectively. *** reported transfers to related firms, accounting for *** percent, *** percent, and *** percent of these transfers, respectively. *** transfers wire rod to ***. The transactions are priced at market value. Other inputs used by *** are imports. *** transfers are to *** and both transfers are valued at cost plus. *** transfers to ***, are at market value. *** transfers wire rod to a sister division at market value.

No domestic producer reported differences, including quality and end uses, between the wire rod that they internally consumed or transferred to related firms, and the wire rod that they sold to the merchant market.

[19] Staff interview with *** on December 15, 2005.

Table III-6
Wire rod: U.S. producers' shipments, by types, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-March	
	2002	2003	2004	2004	2005
			Quantity (*1,000 short tons*)		
Commercial shipments	3,500,624	3,396,387	3,119,647	2,415,420	1,958,448
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments[1]	3,998,454	4,153,548	3,982,828	3,091,489	2,603,801
Export shipments	***	***	***	***	***
Total	***	***	***	***	***
			Value (*$1,000*)		
Commercial shipments	1,150,615	1,142,100	1,595,491	1,203,020	1,102,951
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	1,295,808	1,381,405	2,049,005	1,547,355	1,443,225
Export shipments[1]	***	***	***	***	***
Total	***	***	***	***	***
			Unit value (*per short ton*)		
Commercial shipments	$329	$336	$511	$498	$563
Internal consumption	***	***	***	***	***
Transfers to related firms	***	***	***	***	***
U.S. shipments	324	333	514	501	554
Export shipments[1]	***	***	***	***	***
Total	***	***	***	***	***

[1] In 2004, *** accounted for virtually all U.S. exports of wire rod. *** were toll converted at *** per-short-ton, suppressing the overall export AUV. The remaining *** short tons *** exported had an AUV of *** per short ton. The overall AUV for U.S. exports of non-tolled wire rod in 2004 was *** per short ton.

Note.–Because of rounding, figures may not add to the totals shown.

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCERS' DIRECT IMPORTS AND PURCHASES

Data on U.S. producers' purchases (other than direct imports) are presented in table III-7. In addition, U.S. producer Sterling's parent company, Leggett and Platt, reported imports ***. Leggett and Platt reported that it imported wire rod because its internal production can not meet internal consumption

demand, and that ***.[20] Petitioners argued that appropriate circumstances exist to exclude Sterling from the U.S. industry.[21]

***, the only other direct importer of wire rod, purchased wire rod from ***, a nonsubject country, for products that *** could not produce internally. *** reported that it purchased wire rod imports to supply its ***. *** purchases from *** were for product sizes that it could not produce internally. *** reported that imports were ***.

Table III-7
Wire rod: Reported U.S. producers' imports and purchases, 2002-04, January-September 2004, and January-September 2005

* * * * * * *

U.S. PRODUCERS' INVENTORIES

As presented in table III-8, end-of-period inventories for U.S. producers during 2002-04 ranged from a low of 3.2 percent of production in 2004 to a high of 6.1 percent in 2002. Because production is mostly on a made-to-order basis, shipments reflect production, and similar inventory ratios were evident for U.S. shipments and total shipments.

Table III-8
Wire rod: U.S. producers' end-of-period inventories, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
Inventories (*short tons*)	248,410	134,716	127,616	135,158	124,220
Ratio to production (*percent*)	6.1	3.3	3.2	3.3	3.6
Ratio to U.S. shipments (*percent*)	6.2	3.2	3.2	3.3	3.6
Ratio to total shipments (*percent*)	***	***	***	***	***

Source: Compiled from data submitted in response to Commission questionnaires.

[20] ***. *See also* conference transcript, pp. 133-141 (Downes).

[21] Petitioners' postconference brief, p. 5. Appendix C, table C-2 presents summary data that exclude *** from the domestic industry.

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

The number of production and related workers fluctuated from 2002 through January through September 2005 (table III-9). Employment increased between 2002 and 2003 by 5.4 percent, then decreased by 3.4 percent in 2004, and by 5.8 percent from January-September 2005 compared to the same period in 2004. Hourly wages remained relatively constant, ranging from a low of $25.87 in 2002 to a high of $27.59 in January-September 2005. Productivity peaked in January-September 2004 at 812.6 short tons per hour, but fell to a period low in January-September 2005 of 741.2. Unit labor costs ranged from $32.11 in January-September 2004 to $37.22 during the same period in 2005.

Table III-9
Wire rod: Average number of production and related workers, hours worked, wages paid, hourly wages, productivity, and unit labor costs, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
PRWs (*number*)	2,514	2,649	2,558	2,470	2,327
Hours worked (*1,000*)	5,141	5,244	5,069	3,815	3,523
Wages paid (*$1,000*)	132,979	138,065	133,648	99,545	97,185
Hourly wages	$25.87	$26.33	$26.37	$26.10	$27.59
Productivity (*short tons per hour*)	788.8	773.1	786.8	812.6	741.2
Unit labor costs (*per short ton*)	$32.79	$34.05	$33.51	$32.11	$37.22

Source: Compiled from data submitted in response to Commission questionnaires.

PART IV: U.S. IMPORTS, APPARENT U.S. CONSUMPTION, AND MARKET SHARES

In response to questionnaires sent to importers by the Commission in the preliminary phase of these investigations, 37 firms supplied usable data. Based on a comparison of Commerce import statistics for 2004 with importer questionnaire responses, responding U.S. importers of wire rod accounted for 74.2 percent of subject imports of wire rod from China, 48.4 percent from Germany, 53.8 percent from Turkey, and 70.6 percent from all other sources.

Of the firms responding, 21 firms imported wire rod from China during the period for which data were collected, 8 from Germany, 13 from Turkey, and 25 from all other sources.

U.S. IMPORTS

Table IV-1 presents imports of the subject wire rod based on Commerce statistics.[1] Combined wire rod imports from the three countries subject to investigation increased as a share of total imports throughout the period for which data were collected. Nonsubject imports, while remaining a majority of total imports, decreased noticeably as a share of total imports after 2002. In October 2002, the Commission determined that the domestic wire rod industry was materially injured by reason of subsidized imports from Brazil and Canada, and dumped imports from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine, resulting in the issuance of countervailing duty and antidumping duty orders.[2] Table IV-2 presents U.S. import data for these countries.

---

[1] In this report, import statistics presented for subject wire rod were based on HTSUS statistical reporting numbers as follows:

- For 2002: 7213.91.3010, 7213.91.3090, 7213.91.4510, 7213.91.4590, 7213.91.6010, 7213.91.6090, 7213.99.0031, 7213.99.0038, 7213.99.0090, 7227.20.0010, 7227.20.0020, 7227.20.0095, 7227.90.6051, 7227.90.6053, and 7227.90.6059.
- For 2003: 7213.91.3010, 7213.91.3090, 7213.91.4510, 7213.91.4590, 7213.91.6010, 7213.91.6090, 7213.99.0031, 7213.99.0038, 7213.99.0090, 7227.20.0010, 7227.20.0020, 7227.20.0095, 7227.90.6051, 7227.90.6053, and 7227.90.6059.
- For 2004: 7213.91.3011, 7213.91.3091, 7213.91.4500, 7213.91.6000, 7213.99.0030, 7213.99.0090, 7227.20.0000, and 7227.90.6050.
- For 2005: 7213.91.3011, 7213.91.3015, 7213.91.3092, 7213.91.4500, 7213.91.6000, 7213.99.0030, 7213.99.0090, 7227.20.0000, and 7227.90.6050.

Certain U.S. imports of wire rod remained subject to a tariff-rate quota ("TRQ") in 2002 and into 2003. U.S. imports of wire rod (excluding certain varieties specified by the President and imports from Canada and Mexico) were subject to a TRQ of 1,580,000 short tons in quota year one (March 1, 2000 through February 28, 2001); 1,611,600 short tons in quota year two (March 1, 2001 through February 28, 2002); and 1,643,832 short tons in quota year three (March 1, 2002 through March 1, 2003); additional duties were 10.0 percent; 7.5 percent; and 5.0 percent in the three respective quota years. *Certain Steel Wire Rod: Evaluation of the Effectiveness of Import Relief, Investigation No. TA-204-11*, USITC Publication 3629 (August 2003), pp. I-7 through I-8.

[2] *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine, Inv. Nos. 701-TA-417-421 and 731-TA-953, 954, 956-959, 961, and 962 (Final)*, USITC Publication 3546 (October 2002).

Table IV-1
Wire rod: U.S. imports, by sources, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
Quantity (*short tons*)					
China	410,926	269,328	770,773	499,654	593,006
Germany	55,861	108,518	255,478	203,690	175,436
Turkey	491,010	416,370	781,648	646,179	291,364
Subject countries	957,796	794,216	1,807,899	1,349,523	1,059,807
All other sources	2,807,251	1,618,804	2,194,108	1,740,523	1,129,035
Total	3,765,047	2,413,020	4,002,006	3,090,047	2,188,841
Value (*1,000 dollars*)					
China	99,442	68,621	340,877	219,127	267,522
Germany	22,876	40,883	127,456	94,864	101,845
Turkey	120,857	108,270	332,694	270,123	124,586
Subject countries	243,176	217,775	801,027	584,114	493,953
All other sources	878,605	552,524	1,111,379	831,654	686,072
Total	1,121,780	770,299	1,912,406	1,415,768	1,180,025
Unit value (*per short ton*)					
China	$242	$255	$442	$439	$451
Germany	410	377	499	466	581
Turkey	246	260	426	418	428
Subject countries	254	274	443	433	466
All other sources	313	341	507	478	608
Total	298	319	478	458	539

Table continued on next page.

Table IV-1--*Continued*
Wire rod: U.S. imports, by sources, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
Share of quantity (*percent*)					
China	10.9	11.2	19.3	16.2	27.1
Germany	1.5	4.5	6.4	6.6	8.0
Turkey	13.0	17.3	19.5	20.9	13.3
Subject countries	25.4	32.9	45.2	43.7	48.4
All other sources	74.6	67.1	54.8	56.3	51.6
Total	100.0	100.0	100.0	100.0	100.0
Share of value (*percent*)					
China	8.9	8.9	17.8	15.5	22.7
Germany	2.0	5.3	6.7	6.7	8.6
Turkey	10.8	14.1	17.4	19.1	10.6
Subject countries	21.7	28.3	41.9	41.3	41.9
All other sources	78.3	71.73	58.1	58.7	58.1
Total	100.0	100.0	100.0	100.0	100.0
Ratio of imports to U.S. production (*percent*)					
China	10.1	6.6	19.3	16.1	22.7
Germany	1.4	2.7	6.4	6.6	6.7
Turkey	12.1	10.3	19.6	20.8	11.2
Subject countries	23.6	19.6	45.3	43.5	40.6
All other sources	69.2	39.9	55.0	56.2	43.2
Total	92.8	59.5	100.4	99.7	83.8

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Nineteen importers reported the arrangement of 305,419 short tons of subject imports for delivery after September 30, 2005. Imports from China account for the largest amount with 102,775 short tons, followed by imports from Turkey with 23,331 short tons, and German imports with 15,000 short tons.[3]

[3] The remaining 164,313 short tons of subject imports arranged for delivery after September 30, 2005 were not attributed to specific subject countries.

Table IV-2
Wire rod: U.S. imports from countries covered by antidumping and countervailing duty orders imposed in 2002,[1] 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
Countries under order (2002-05)	Quantity (*short tons*)				
	1,502,741	907,836	1,142,517	907,072	564,386
Countries under order (2002-05)	Value (*$1,000*)				
	499,420	307,376	604,166	453,558	347,801
Countries under order (2002-05)	Unit value (*per short ton*)				
	$332	$339	$529	$500	$616

[1] Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine.

Source: Compiled from official Commerce statistics.

NEGLIGIBILITY

The statute provides that imports from a subject country that are less than three percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or self-initiation, as the case may be, shall be deemed negligible. The statute further provides, however, that imports from a single country which comprise less than 3 percent of total imports of the product may not be considered negligible if there are several countries subject to investigation with negligible imports and the sum of such imports from all those countries collectively accounts for more than 7 percent of the volume of all such merchandise imported into the United States.[4]

U.S. import statistics for the most recent 12-month period prior to the filing of the petition for which data are available (November 2004-October 2005) indicate that imports from each of the subject countries exceeded three percent of total imports. During that period, the quantity of U.S. imports of wire rod from China, Germany, and Turkey accounted for 25.9, 8.4, and 14.4 percent of total wire rod imports, respectively.[5]

CUMULATION CONSIDERATIONS

In assessing whether subject imports compete with each other and with the domestic like product with respect to cumulation, the Commission generally has considered the following four factors: (1) the degree of fungibility, including specific customer requirements and other quality-related questions; (2) presence of sales or offers to sell in the same geographical markets; (3) common channels of distribution; and (4) simultaneous presence in the market. Channels of distribution and fungibility (interchangeability) are discussed in Parts I and II of this report. Additional information concerning fungibility, geographical markets, and simultaneous presence in the market is presented below.

[4] 19 U.S.C. § 1677(24)(A)(ii).

[5] Monthly import data appear in table IV-4.

Fungibility

Different countries sell different ranges of grades into the United States. Table IV-3 shows U.S. shipments by grade and source by quantity and share. The first two categories, low and medium-low carbon industrial and standard quality wire rod, and high and medium-high carbon industrial and standard quality wire rod (other than tire cord and tire bead) are typically classified as commodity grades or industrial grades. The next three categories, tire cord wire rod and tire bead, weld quality wire rod, and cold heading and other specialty carbon and alloy quality wire rod are considered specialty quality or specialty grades. The remaining "all other" category includes specialty grades, but it may also include misclassified standard grades, particularly in the case of Turkey. In each of the years and in the interim periods, just over three-quarters of U.S. producers' total U.S. shipments were in the standard grades; the specialty grades ranged from 19.0 percent of total U.S. shipments in interim 2005 to 17.0 percent in interim 2004. Most Chinese product (consistently more than 90 percent) was in the standard grades, with the vast majority in low to medium carbon product. In contrast, the majority of shipments of German product was sold in speciality grades, ranging from a low of *** percent in 2002 *** percent in interim 2005. Much of the Turkish product classified as "all other" may be commodity grade product that has been incorrectly classified.[6]

Table IV-3
Wire rod: U.S. producers' and U.S. importers' shipments, by product type, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
	Quantity (*short tons*)				
U.S. producers' U.S. shipments					
Low and medium-low carbon industrial and standard quality wire rods	1,949,377	2,035,760	2,043,820	1,625,845	1,237,594
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	711,386	848,873	1,073,690	802,201	743,352
Tire cord wire rod and tire bead wire rod	180,626	148,847	103,955	82,735	99,991
Welding quality wire rod	64,481	41,576	23,452	9,959	48,114
Cold heading and other specialty carbon and alloy quality wire rods	490,979	513,171	571,966	441,386	368,652
All other	80,931	90,106	189,202	163,408	105,134
Total	3,477,780	3,678,333	4,006,085	3,125,534	2,602,837

Table continued on next page.

[6] As reported in part V of this report, price data reported for Turkish import accounted for 80 percent of all the Turkish imports between January 2002 and September 2005. All of this was in pricing products 1 through 4 which are commodity grade products. Thus, it is likely that most of the product classified as "all other" in the Turkish questionnaires should have been classified as commodity grade product.

Table IV-3--*Continued*
Wire rod: U.S. producers' and U.S. importers' shipments, by product type, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
	Quantity (*short tons*)				
U.S. importers' U.S. shipments of imports from China					
Low and medium-low carbon industrial and standard quality wire rods	220,814	368,802	495,779	336,068	453,171
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	20,932	23,639	24,487	12,678	64,981
Tire cord wire rod and tire bead wire rod	***	***	***	***	***
Welding quality wire rod	***	***	***	***	***
Cold heading and other specialty carbon and alloy quality wire rods	***	***	***	***	***
All other	17,968	0	15,944	15,471	12,244
Total	259,714	392,441	539,828	364,219	539,218
U.S. importers' U.S. shipments of imports from Germany					
Low and medium-low carbon industrial and standard quality wire rods	***	***	***	***	***
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	***	***	***	***	***
Tire cord wire rod and tire bead wire rod	***	***	***	***	***
Welding quality wire rod	***	***	***	***	***
Cold heading and other specialty carbon and alloy quality wire rods	***	***	***	***	***
All other	***	***	***	***	***
Total	61,747	78,797	129,665	101,417	59,090
U.S. importers' U.S. shipments of imports from Turkey					
Low and medium-low carbon industrial and standard quality wire rods	***	***	***	***	***
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	***	***	***	***	***
Tire cord wire rod and tire bead wire rod	0	0	0	0	0
Welding quality wire rod	0	0	0	0	0
Cold heading and other specialty carbon and alloy quality wire rods	0	0	0	0	0
All other	***	***	***	***	***
Total	246,891	253,627	324,022	281,610	150,628

Table continued on next page.

Table IV-3--*Continued*
Wire rod: U.S. producers' and U.S. importers' shipments, by product type, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
	Quantity (*short tons*)				
U.S. importers' U.S. shipments of imports from all other sources					
Low and medium-low carbon industrial and standard quality wire rods	618,578	421,858	647,769	487,982	372,416
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	622,374	549,338	592,940	480,109	421,714
Tire cord wire rod and tire bead wire rod	111,948	103,976	106,779	78,457	76,264
Welding quality wire rod	13,287	16,100	17,822	12,624	14,141
Cold heading and other specialty carbon and alloy quality wire rods	56,708	68,064	71,074	53,797	46,436
All other	159,293	54,416	19,652	13,759	12,424
Total	1,582,188	1,213,752	1,456,036	1,126,728	943,395
Total U.S. shipments					
Low and medium-low carbon industrial and standard quality wire rods	2,963,368	2,956,991	3,393,588	2,636,861	2,111,767
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	1,389,665	1,440,866	1,710,306	1,310,161	1,238,227
Tire cord wire rod and tire bead wire rod	310,349	291,095	266,343	197,108	223,448
Welding quality wire rod	82,983	58,509	58,307	35,043	66,428
Cold heading and other specialty carbon and alloy quality wire rods	657,675	722,243	852,560	646,273	554,582
All other	353,258	330,687	423,330	353,813	258,504
Total	5,757,298	5,800,391	6,704,434	5,179,259	4,452,957
	Share (*percent*)				
U.S. producers' U.S. shipments					
Low and medium-low carbon industrial and standard quality wire rods	58.5	56.7	51.9	52.6	47.9
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	20.9	24.0	27.0	25.9	28.5
Tire cord wire rod and tire bead wire rod	4.6	3.8	2.6	2.7	3.8
Welding quality wire rod	1.6	1.0	0.6	0.3	1.8
Cold heading and other specialty carbon and alloy quality wire rods	12.3	12.4	14.4	14.3	14.2
All other	2.0	2.2	3.6	4.2	3.7
Total	100.0	100.0	100.0	100.0	100.0

Table continued on next page.

Table IV-3--*Continued*
Wire rod: U.S. producers' and U.S. importers' shipments, by product type, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
	Share (*percent*)				
U.S. importers' U.S. shipments of imports from China					
Low and medium-low carbon industrial and standard quality wire rods	85.0	94.0	91.8	92.3	84.0
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	8.1	6.0	4.5	3.5	12.1
Tire cord wire rod and tire bead wire rod	***	***	***	***	***
Welding quality wire rod	***	***	***	***	***
Cold heading and other specialty carbon and alloy quality wire rods	***	***	***	***	***
All other	6.9	0.0	3.0	4.2	2.3
Total	100.0	100.0	100.0	100.0	100.0
U.S. importers' U.S. shipments of imports from Germany					
Low and medium-low carbon industrial and standard quality wire rods	***	***	***	***	***
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	***	***	***	***	***
Tire cord wire rod and tire bead wire rod	***	***	***	***	***
Welding quality wire rod	***	***	***	***	***
Cold heading and other specialty carbon and alloy quality wire rods	***	***	***	***	***
All other	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0
U.S. importers' U.S. shipments of imports from Turkey					
Low and medium-low carbon industrial and standard quality wire rods	***	***	***	***	***
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	***	***	***	***	***
Tire cord wire rod and tire bead wire rod	0.0	0.0	0.0	0.0	0.0
Welding quality wire rod	0.0	0.0	0.0	0.0	0.0
Cold heading and other specialty carbon and alloy quality wire rods	0.0	0.0	0.0	0.0	0.0
All other	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0

Table continued on next page.

Table IV-3--*Continued*
Wire rod: U.S. producers' and U.S. importers' shipments, by product type, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
	Share (*percent*)				
U.S. importers' U.S. shipments of imports from all other sources					
Low and medium-low carbon industrial and standard quality wire rods	39.1	34.8	44.5	43.3	39.5
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	39.3	45.3	40.7	42.6	44.7
Tire cord wire rod and tire bead wire rod	7.1	8.6	7.3	7.0	8.1
Welding quality wire rod	0.8	1.3	1.2	1.1	1.5
Cold heading and other specialty carbon and alloy quality wire rods	3.6	5.6	4.9	4.8	4.9
All other	10.1	4.5	1.3	1.2	1.3
Total	100.0	100.0	100.0	100.0	100.0
Total U.S. shipments					
Low and medium-low carbon industrial and standard quality wire rods	54.4	53.5	52.9	52.9	49.2
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	24.5	25.8	26.4	26.2	28.7
Tire cord wire rod and tire bead wire rod	5.1	4.9	4.1	4.0	5.2
Welding quality wire rod	1.3	1.0	0.9	0.7	1.5
Cold heading and other specialty carbon and alloy quality wire rods	9.1	9.8	10.2	10.2	9.8
All other	5.5	5.0	5.5	6.1	5.6
Total	100.0	100.0	100.0	100.0	100.0

Source: Compiled from data submitted in response to Commission questionnaires.

Geographic Markets

As noted previously, wire rod production occurs throughout the United States, but is less prevalent in the Western portion of the country. Information summarizing national and regional markets and the shipment of wire rod is presented in Part II. Of the wire rod imported into the United States from the subject countries from January 2002 through September 2005, the top ten Customs districts accounted for 94.5 percent of the product's entry into the United States (table IV-4).

A preponderance of subject wire rod imports enter the United States through the Southeast. The New Orleans, LA, Customs district alone accounted for 40.7 percent, and Houston-Galveston, TX, accounted for an additional 19.9 percent. The three largest Customs districts outside of the Southeast (Los Angeles, CA; Philadelphia, PA; and Cleveland, OH), accounted for a combined 13.9 percent of subject import entries into the United States.

Presence in the Market

Table IV-5 presents monthly data on the quantity of U.S. imports of wire rod entering the United States, by source, during the period for which data were collected. Wire rod produced in China, Germany, and Turkey was present virtually throughout the period for which data were collected. Entries of subject imports occurred in all of the months of the period examined, except for three months for imports from China in 2003, and two months for imports from Turkey in 2002.

APPARENT U.S. CONSUMPTION

Data on apparent U.S. consumption of wire rod, as shown in table IV-6, are based on U.S. producers' shipments and official Commerce import statistics. On an annual basis, apparent U.S. consumption peaked in 2004, as did U.S. imports from each of the three subject countries. U.S. producers' shipments, however, were lower in 2004 than in 2003, and imports from nonsubject countries, while increasing in 2004 relative to 2003, were lower than in 2002. Apparent U.S. consumption was markedly lower in January-September 2005 than in January-September 2004. Similarly, the quantity of U.S. producers' U.S. shipments was lower, as were imports from Germany, Turkey, and nonsubject countries, while U.S. imports from China were higher.

U.S. MARKET SHARES

Market shares for wire rod are presented in table IV-7. U.S. producers' market share ranged from a low of 49.9 percent in 2004 to a high of 63.3 percent in 2003. The market share held by the combined imports from the three subject countries increased from 12.3 percent in 2002 and 12.1 percent in 2003 to 22.6 percent in 2004. The market share held by the combined imports from the three subject countries in January-September 2005 was 22.1 percent, compared to 21.8 percent in January-September 2004. Imports from all other sources declined from a high of 36.2 percent of the U.S. market in 2002 to a low of 23.6 percent in January-September 2005.

Table IV-4
Wire rod: U.S. imports from subject countries, by Customs district, January 2002-September 2005

Customs district	China	Germany	Turkey	Total	Share of total
New Orleans, LA	1,096,444	208,442	573,069	1,877,955	40.7
Houston-Galveston, TX	290,510	77,350	551,185	919,045	19.9
Los Angeles, CA	359,059	35,811	0	394,870	8.5
Tampa, FL	54,775	26,091	277,826	358,692	7.8
Mobile, AL	19,792	31,920	195,591	247,303	5.4
Charleston, SC	79,349	8,404	79,275	167,028	3.6
Philadelphia, PA	0	43,231	111,537	154,768	3.4
Cleveland, OH	30,043	41,589	19,914	91,546	2.0
Port Arthur, TX	22,730	5,657	59,023	87,410	1.9
Savannah, GA	9,118	49,459	6,677	65,254	1.4
Charlotte, NC	5,482	25,745	13,544	44,771	1.0
Baltimore, MD	0	18,633	23,741	42,374	0.9
Chicago, IL	23,107	6,698	4,693	34,498	0.7
Miami, FL	0	4,848	23,551	28,399	0.6
Boston, MA	0	12	22,683	22,695	0.5
Columbia-Snake, OR	20,011	0	0	20,011	0.4
Detroit, MI	0	8,410	6,891	15,301	0.3
San Francisco, CA	11,424	0	0	11,424	0.2
San Juan, PR	0	0	9,798	9,798	0.2
Seattle, WA	9,679	0	0	9,679	0.2
Dallas-Fort Worth, TX	7,945	0	0	7,945	0.2
St. Louis, MO	2,880	106	1,307	4,293	0.1
San Diego, CA	0	2,215	0	2,215	0.0
Laredo, TX	1,635	0	0	1,635	0.0
Portland, ME	0	574	0	574	0.0
Norfolk, VA	46	44	0	90	0.0
Buffalo, NY	0	22	66	88	0.0
New York, NY	0	11	21	32	0.0
Ogdensburg, NY	0	21	0	21	0.0
Total	**2,044,029**	**595,293**	**1,980,392**	**4,619,714**	**100.0**

Source: Compiled from official Commerce statistics.

Table IV-5
Wire rod: U.S. imports, monthly entries into the United States, by source, 2002-04, and January-October 2005

Year/month	January	February	March	April	May	June	July	August	September	October	November	December	Total
						Quantity (*short tons*)							
2002:													
China	10,035	11	17,126	34,902	3,277	23,275	9,227	4,720	148,113	17,378	6,024	136,837	410,926
Germany	3,029	7,806	7,412	1,529	6,124	1,347	5,758	3,230	6,874	2,128	4,677	5,946	55,861
Turkey	0	3,337	0	26,236	3,042	62,299	40,986	24,965	194,902	39,226	479	95,538	491,010
Subtotal	13,064	11,154	24,537	62,668	12,442	86,921	55,971	32,915	349,890	58,733	11,180	238,321	957,796
All other	193,460	131,805	318,251	255,731	159,541	384,511	216,211	200,124	341,141	209,088	149,667	247,718	2,807,251
Total	206,525	142,959	342,789	318,398	171,984	471,431	272,182	233,039	691,031	267,821	160,848	486,040	3,765,047
2003:													
China	6,675	0	91,043	11,706	26,300	7,077	45,743	0	34,234	0	41,806	4,744	269,328
Germany	3,681	5,629	2,757	14,256	13,670	5,272	6,467	4,014	2,280	16,857	2,797	30,837	108,518
Turkey	2,517	11,443	125,844	101	3,250	55,276	26,635	33,279	52,929	44,164	36,499	24,433	416,370
Subtotal	12,873	17,072	219,644	26,063	43,220	67,625	78,844	37,293	89,444	61,022	81,103	60,014	794,216
All other	182,880	76,582	140,704	159,493	107,915	120,888	131,513	152,496	147,293	141,881	133,306	123,853	1,618,804
Total	195,753	93,654	360,348	185,556	151,135	188,514	210,358	189,788	236,737	202,902	214,409	183,867	2,413,020
2004:													
China	56,106	18,612	434	28,896	15,691	51,055	62,467	124,573	141,820	115,366	36,145	119,608	770,773
Germany	7,097	45,381	28,349	6,161	40,571	15,115	20,206	8,749	32,061	14,225	14,817	22,745	255,478
Turkey	77,736	26,434	110,008	111,979	64,968	78,777	88,580	22,169	65,527	34,447	60,049	40,973	781,648
Subtotal	140,940	90,427	138,791	147,036	121,229	144,947	171,253	155,491	239,408	164,038	111,011	183,326	1,807,899
All other	172,589	152,962	267,140	190,054	171,675	219,689	171,200	187,999	207,216	189,942	132,102	131,541	2,194,108
Total	313,528	243,389	405,931	337,090	292,904	364,637	342,454	343,490	446,624	353,980	243,113	314,866	4,002,006

Table continued on next page.

Table IV-5--*Continued*
Wire rod: U.S. imports, monthly entries into the United States, by source, 2002-04, and January-October 2005

Year/month	January	February	March	April	May	June	July	August	September	October	November	December	Total
						Quantity (*short tons*)							
2005:													
China	77,644	99,529	45,613	62,703	100,731	51,508	83,922	35,363	35,993	18,002	([1])	([1])	611,008
Germany	41,249	5,291	18,158	16,040	44,207	5,348	19,500	14,439	11,204	34,910	([1])	([1])	210,346
Turkey	27,570	50,302	5,786	18,263	66,182	36,599	37,051	11,833	37,778	34,891	([1])	([1])	326,255
Subtotal	146,463	155,121	69,558	97,007	211,119	93,456	140,473	61,635	84,975	87,803	([1])	([1])	1,147,610
All other	138,490	110,054	136,261	134,839	93,038	143,444	121,326	129,437	122,146	122,923	([1])	([1])	1,251,958
Total	284,952	265,175	205,818	231,846	304,157	236,899	261,799	191,073	207,121	210,726	([1])	([1])	2,399,567

[1] Not available.

Source: Complied from official Commerce statistics.

Table IV-6
Wire rod: U.S. producers' U.S. shipments, U.S. imports, and apparent U.S. consumption, by sources, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
			Quantity (*short tons*)		
U.S. producers' shipments	3,998,454	4,153,548	3,982,828	3,091,489	2,603,801
U.S. imports from--					
China	410,926	269,328	770,773	499,654	593,006
Germany	55,861	108,518	255,478	203,690	175,436
Turkey	491,010	416,370	781,648	646,179	291,364
Subject countries	957,796	794,216	1,807,899	1,349,523	1,059,807
All other sources	2,807,251	1,618,804	2,194,108	1,740,523	1,129,035
Total	3,765,047	2,413,020	4,002,006	3,090,047	2,188,841
Apparent U.S. consumption	7,763,501	6,566,568	7,984,834	6,181,536	4,792,642
			Value (*$1,000*)		
U.S. producers' shipments	1,295,808	1,381,405	2,049,005	1,547,355	1,443,225
U.S. imports from--					
China	99,442	68,621	340,877	219,127	267,522
Germany	22,876	40,883	127,456	94,864	101,845
Turkey	120,857	108,270	332,694	270,123	124,586
Subject countries	243,176	217,775	801,027	584,114	493,953
All other sources	878,605	552,524	1,111,379	831,654	686,072
Total	1,121,780	770,299	1,912,406	1,415,768	1,180,025
Apparent U.S. consumption	2,417,588	2,151,704	3,961,411	2,963,123	2,623,250

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table IV-7
Wire rod: Apparent U.S. consumption and market shares, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
			Quantity (*short tons*)		
Apparent U.S. consumption	7,763,501	6,566,568	7,984,834	6,181,536	4,792,642
			Value ($1,000)		
Apparent U.S. consumption	2,417,588	2,151,704	3,961,411	2,963,123	2,623,250
			Share of quantity (*percent*)		
U.S. producers' shipments	51.5	63.3	49.9	50.0	54.3
U.S. imports from:					
China	5.3	4.1	9.7	8.1	12.4
Germany	0.7	1.7	3.2	3.3	3.7
Turkey	6.3	6.3	9.8	10.5	6.1
Subtotal	12.3	12.1	22.6	21.8	22.1
All other sources	36.2	24.7	27.5	28.2	23.6
Total U.S. imports	48.5	36.7	50.1	50.0	45.7
			Share of value (*percent*)		
U.S. producers' shipments	53.6	64.2	51.7	52.2	55.0
U.S. imports from:					
China	4.1	3.2	8.6	7.4	10.2
Germany	0.9	1.9	3.2	3.2	3.9
Turkey	5.0	5.0	8.4	9.1	4.7
Subtotal	10.1	10.1	20.2	19.7	18.8
All other sources	36.3	25.7	28.1	28.1	26.2
Total U.S. imports	46.4	35.8	48.3	47.8	45.0

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

PART V: PRICING AND RELATED INFORMATION

FACTORS AFFECTING PRICES

Raw Material and Energy Costs

The main raw materials used in the production of wire rod by U.S. minimills are scrap metal, natural gas, and electricity. Connecticut Steel purchases billet which it rolls into rod.[1] Republic is an integrated mill ***. The price of scrap metal quadrupled between January 2002 and October 2005, although it has fluctuated a great deal (figure V-1). Natural gas prices have also increased dramatically, while electricity prices vary from location to location, although a number of producers reported increases in their electricity prices (table V-1).[2] Raw material costs are discussed further in Part VI.

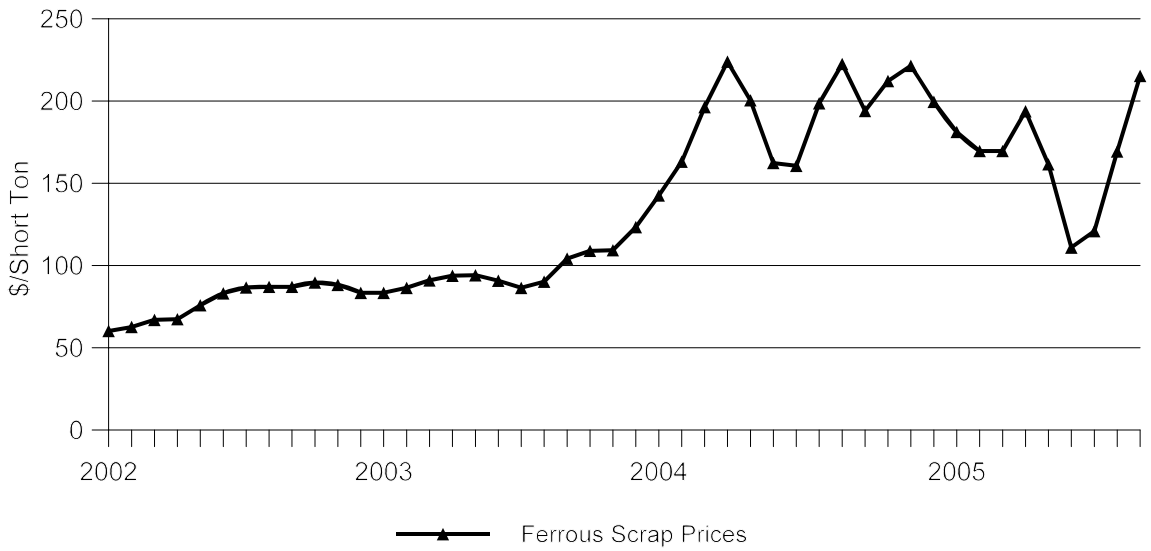
Table V-1
U.S. natural gas and electricity prices for industrial customers, 2002-05

Item	2002	2003	2004	2005[1]
U.S. natural gas industrial price[2]	$4.02	$5.81	$6.41	$7.48
Electricity industrial price[3]	4.91	5.12	5.27	5.45

[1] Monthly average for January through September.
[2] In dollars per thousand cubic feet.
[3] In cents per kilowatt-hour.

Sources: U.S. Energy Information Administration, http://www.eia.doe.gov.

Figure V-1
Ferrous scrap prices: No. 1 heavy melt, Chicago consumer prices, monthly, January 2002-September 2005



Source: American Metal Market LLC.

[1] Conference transcript, p. 82 (Porter).

[2] Conference transcript, p. 59 (Kurtz, Simon).

U.S. Inland Transportation Costs

Transportation costs from the subject countries to the U.S. market, as a percent of the total delivered value of wire rod, are estimated to be as follows: China–12.3 percent, Germany–18.0 percent, and Turkey–9.2 percent. U.S. producers reported that U.S. inland transportation costs accounted for 3 to 9 percent of the total delivered value of wire rod with six of the nine responding producers reporting costs between 5 and 6 percent. At the staff conference, U.S. producers reported that transportation costs had increased recently.[3] Seventeen importers reported U.S. inland transportation costs ranging from 1 to 18 percent; ten of these reported that they accounted for 1 to 5 percent of the total delivered value of wire rod,[4] two reported that transportation costs were zero, and the remaining five reported that transportation costs were 8 percent or higher.

Exchange Rates

Quarterly exchange rates reported by the International Monetary Fund for the three subject countries during the period January 2002-September 2005 are shown in figure V-2.[5]

PRICING PRACTICES

Pricing Methods

Wire rod sales in the United States typically involve either short term contracts or spot sales. Only three producers reported any long term contracts, and only one U.S. producer, ***, reporting the sale of the majority of its product on long term contracts.[6] No importer reported using long term contracts. Three of the eight responding U.S. producers sold the majority of their product using short term contracts, while the remaining four sold the majority of their product on a spot basis. Short term contracts were typically three months or less, and typically set price and quantity. Of the four firms reporting short term contracts, three reported that both price and quantity were fixed, while the other reported fixed prices; two reported that prices could not be changed during the contract term while the others reported that they could be changed at least sometimes.[7] A meet-or-release clause was reported only by one producer, who reported that sometimes it was used.

Ten of 14 responding importers reported only selling on the spot market; one sold 90 percent on the spot market, and the remaining three firms sold mainly by short term contract. Nine importers reported the conditions of contract that they used, these include some importers that reported selling only on a spot basis. Importers may have a difficult time distinguishing between spot sales and short-term contract sales because the product is typically made to order and actual delivery takes months. In a sale, the importer and purchaser must agree on the specific product, quantity, and price (or at least how price is to be determined). A considerable length of time (typically at least three months)[8] elapses prior to product actually being shipped to the purchaser.

---

[3] Conference transcript, p. 40 (Porter).

[4] One of the importers reported a range of 1 to 7 percent; it has been included in those with an average of 5 or less.

[5] The Chinese yuan was pegged to the U.S. dollar until the third quarter of 2005.

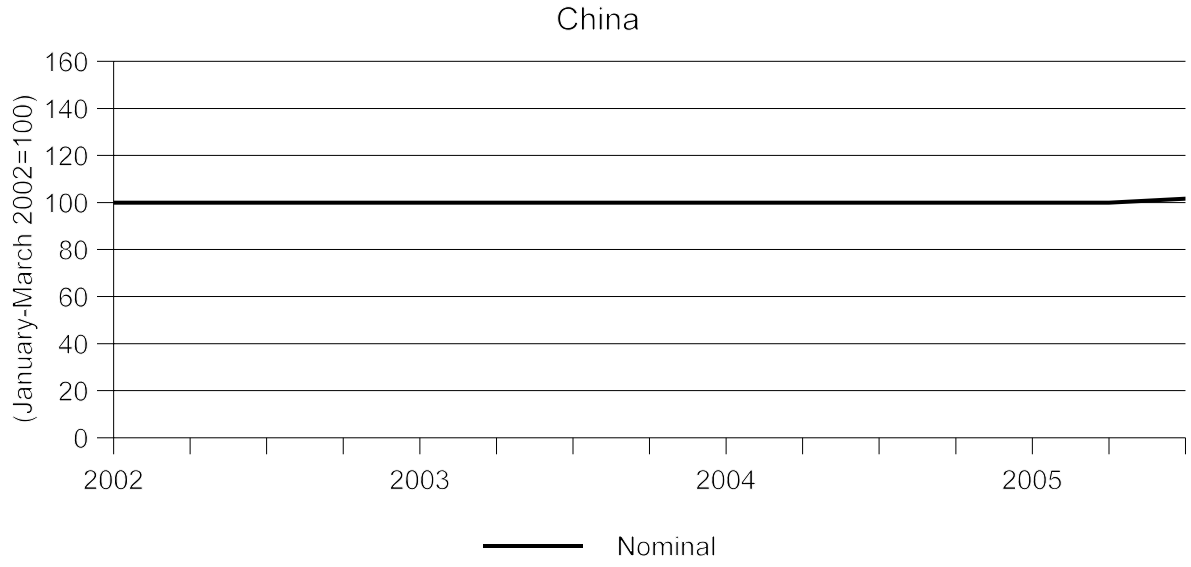
[6] *** reported that its contracts were price letter agreements, not legally binding contracts; prices were typically fixed but there were commodity surcharges, and volume targets.

[7] *** did not provide details about its short term contracts.

[8] Conference transcript, p. 157 (Shor).

Figure V-2
Exchange rates: Indices of the nominal and real exchange rates (when available) of the subject countries relative to the U.S. dollar, by quarters, January 2002-September 2005

Figure continued.



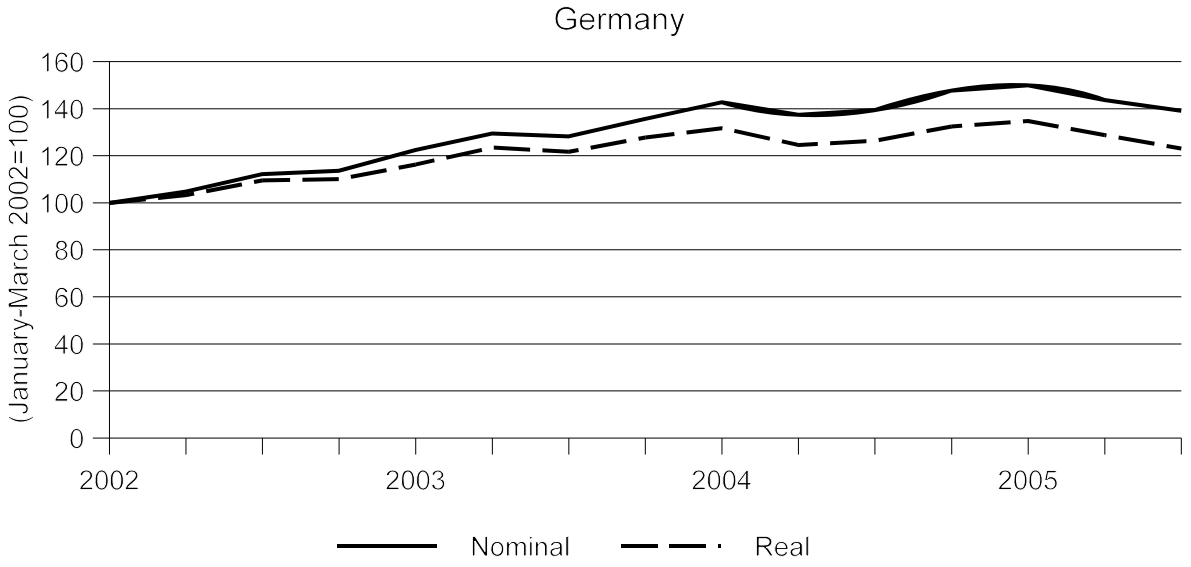
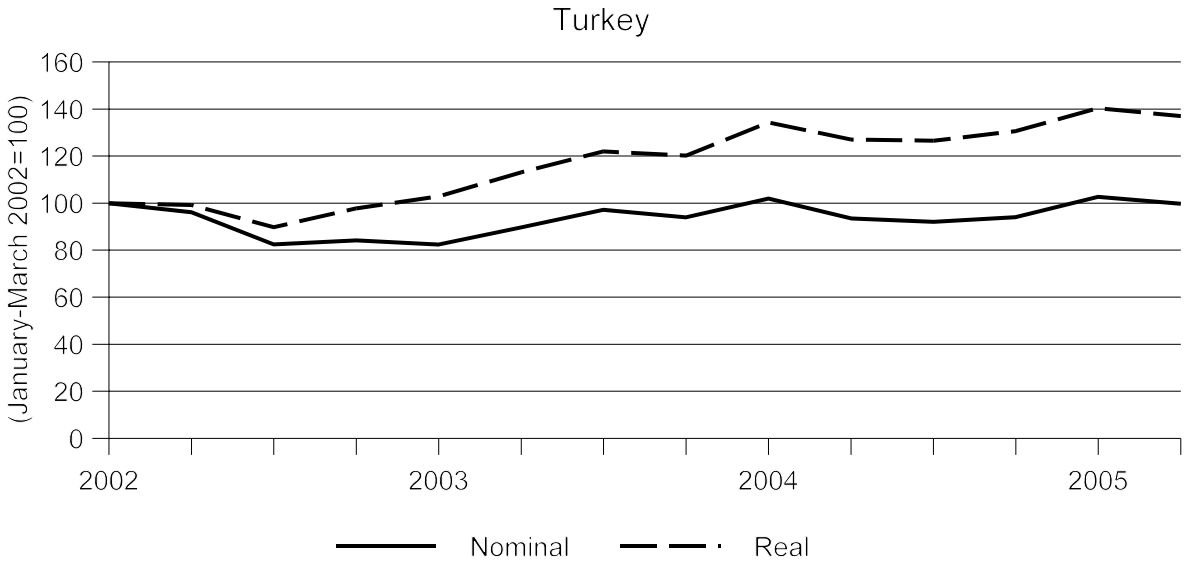


Figure V-2--*Continued*
Exchange rates: Indices of the nominal and real exchange rates (when available) of the subject countries relative to the U.S. dollar, by quarters, January 2002-September 2005



Source: International Monetary Fund, *International Financial Statistics*, http://ifs.apdi.net/imf, retrieved Dec. 7, 2005.

Three importers reported quarterly contracts; three reported contracts of 3 to 6 months; two reported year-long contracts; and one reported contracts of 3 months to a year. Seven of eight responding importers reported that both prices and quantities were fixed in the contract, with six of nine reporting price could not be renegotiated during the contract; only one of the eight responding importers reported a meet-or-release clause.

Sales Terms and Discounts

Three of the ten responding producers reported transaction-by-transaction prices; three used market based prices; one negotiated price for multiple shipments; one used a price list; one changed its price according to the production cycle; and one used price letter agreements or priced based on the price in effect at time of shipment. Five of the ten responding producers reported no volume discounts; two reported that there were occasionally volume discounts; two reported that they normally had volume discounts; and one reported quantity threshold incentives. Eight of 22 responding importers reported transaction-by-transaction negotiations to set price; three reported negotiating prices with customers but did not report how frequently;[9] three reported using both transaction-by-transaction negotiations and contracts; two sold on a cost plus basis; two reported competitive market pricing; one set prices based on a profit criteria; one negotiated price with its parent company; and one reported that it pre-sold all its product.[10] Only one of the 19 responding importers reported any volume discount policy; that importer reported no fixed volume discount but used discounts based on its relationship with the purchaser.

[9] One of these firms reported that prices were negotiated when suppliers' prices increase.

[10] One firm reported that it no longer imported wire rod, but that it had used contracts for multiple shipments.

Seven of eight responding producers reported sales terms of net 30 days. The remaining producer reported sales terms of net 30 for truck and net 40 for rail. Six of 14 responding importers reported sales terms of net 30 days; five sold both net 30 and net 60; two required letters of credit; and one sold C.O.D. net 10. Four of eight responding producers reported mainly f.o.b. sales; one reported mainly delivered sales; while three reported selling both f.o.b. and delivered. Six of 14 responding importers sold wire rod on a delivered basis; two sold f.o.b.; two sold ex-dock duty paid; and four used other methods or a combination of methods.

Most wire rod is produced to order rather than sold out of inventory. All ten responding U.S. producers reported that 95 percent or more of their sales were produced to order. Most responding importers (14 of 17) produced all their wire rod to order; two produced 90 percent or more to order; and one importer made 50 percent of its sales from inventories. The delivery time for U.S. producers' produced-to-order wire rod ranged from one week to 3 months; six of 10 responding U.S. producers reported lead times of one month or more. One producer reported that lead times varied with demand. Lead times for importers' produced-to-order wire rod were much longer, ranging from 2 weeks to 6 months. Fifteen of 17 responding importers reported lead times of three months or more, with 11 of these firms reporting lead times of 3 to 4 months.[11]

PRICE DATA

The Commission requested that U.S. producers and importers provide quarterly data for their sales of five wire rod products during January 2002 - September 2005. The products for which pricing data were requested are as follows:

Product 1.–Industrial quality wire rod, grade C1006, 5.5 mm (7/32 inch) through 12 mm (15/32 inch) in diameter, for hangers, chain link fencing, collated nails and staples, rates, and other formed products (in green condition, e.g., not cleaned, coated, etc.);

Product 2.--Industrial quality wire rod, grade C1008 through C1010, 5.5 mm (7/32 inch) through 12 mm (15/32 inch) in diameter, for hangers, chain link fencing, collated nails and staples, rates, and other formed products (in green condition, e.g., not cleaned, coated, etc.);

Product 3.–Mesh quality wire rod, grades C1006 through C1015, 5.5 mm (7/32 inch) through 14 mm (9/16 inch) in diameter, for manufacturing of concrete reinforcement products such as wire for A-82 applications (in green condition, e.g. not cleaned, coated, etc.);

Product 4.–Grades C1050 through C1070, 5.5 mm (7/32 inch) through 6.5 mm (1/4 inch) in diameter, for spring applications excluding valve spring (in green condition, e.g. not cleaned, coated, etc.); and

Product 5.–Cold-heading quality wire rod, grades C1006 through C1008, 5.5 mm (7/32 inch) through 14 mm (9/16 inch) in diameter, for the manufacturing of mechanical fasteners (in green condition, e.g. not cleaned, coated, etc.).

[11] Purchasers reported that recently shipments from U.S. mills had been late. Conference transcript, pp. 132-133 (Johnson).

Ten U.S. producers and 16 importers (specifically 13 importers of Chinese product, 4 importers of German product, and 10 importers of Turkish product) provided usable pricing data for sales of the requested products in the U.S. market, although these firms did not necessarily report pricing data for all products or for all quarters. Selling price data reported by U.S. producers and importers accounted for 43.3 percent of the quantity of U.S. producers' commercial shipments of wire rod during January 2002-September 2005, 70.5 percent of imports from China, 24.6 percent of imports from Germany, and 82.2 percent of imports from Turkey.

Data on U.S. producers' and importers' selling prices and quantities of products 1 through 5 are presented in tables V-2 through V-6 and figure V-3. Table V-7 summarizes the pricing data and table V-8 summarizes the data on margins of under/(over) selling.

LOST SALES AND LOST REVENUES

Petitioners provided 63 allegations of lost sales and 2 allegations of lost revenues due to imports of wire rod from China, Germany, and Turkey.[12] Purchasers were contacted on 54 of the allegations; responses were received for one lost revenue and 38 lost sales allegations. One lost revenue and 11 lost sales allegations were confirmed by purchasers, and no lost revenue and 25 lost sales allegations were denied by purchasers. Purchasers neither agreed nor disagreed with six of the lost sales allegations. The reported allegations of lost sales totaled $126.41 million, and alleged lost revenues totaled $30,000. The lost revenues and lost sales allegations are reported in tables V-9 and V-10, respectively. [13]

A number of purchasers provided additional information regarding the lost sales/lost revenue allegations.

*** was cited in two *** allegations. It disagreed with the *** allegation but reported that "because of a lack of specific information it can not respond." It also disagreed with the *** allegation, reporting that material was sourced domestically during this period.

*** was cited in one *** allegation. It reported that "We have never received a domestic quote for the product listed. ***.

***."

*** was cited in three *** allegations. It reported that *** cannot respond.

*** was cited in one *** allegations. *** agreed with the ***.

*** was cited in two *** allegations, ***[14] ***. It reported that in September it had reduced its purchases from all sources for October through December because of high inventories. This reduced the quantity it purchased ***.

[12] In addition to the lost sales and lost revenue allegations listed, the U.S. producers reported a lost sale to ***, which they report is no longer in business and therefore there was no contact information. This lost sale was for *** on *** for *** tons of wire rod at *** and it was reported that this firm purchased Chinese product at *** per ton. Producer questionnaires also provided some incomplete lost sales allegations. This information was not included in the table.

[13] When producers provided lost sales in terms of a quantity per month, the loss of sales was assumed to be through November 2005. In order to determine the value of lost sales if firms provided a range of amounts, the lower end of the range was used.

[14] ***.

Table V-2
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 1[1] and margins of underselling/(overselling), by quarters, January 2002-September 2005

Period	United States		China			Germany		
	Price (*per ton*)	Quantity (*tons*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)
2002:								
Jan.-Mar.	$280.30	46,724	$***	***	***	$***	***	***
Apr.-June	290.06	56,240	***	***	***	***	***	***
July-Sept.	304.09	47,137	***	***	***	-	0	-
Oct.-Dec.	292.97	36,661	264.47	12,740	9.7	-	0	-
2003:								
Jan.-Mar.	290.83	53,605	269.82	8,354	7.2	-	0	-
Apr.-June	305.22	75,302	***	***	***	***	***	***
July-Sept.	300.48	81,260	***	***	***	-	0	-
Oct.-Dec.	313.34	68,383	308.68	14,568	1.5	***	***	***
2004:								
Jan.-Mar.	385.32	70,697	***	***	***	***	***	***
Apr.-June	527.73	63,751	***	***	***	***	***	***
July-Sept.	567.08	68,089	***	***	***	***	***	***
Oct.-Dec.	566.57	51,811	***	***	***	-	0	-
2005:								
Jan.-Mar.	554.77	75,090	***	***	***	***	***	***
Apr.-June	522.36	67,259	***	***	***	***	***	***
July-Sept.	424.94	67,303	***	***	***	-	0	-

Table continued.

Table V-2--*Continued*
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 1[1] and margins of underselling/(overselling), by quarters, January 2002-September 2005

Period	United States		Turkey			Total subject		
	Price (*per ton*)	Quantity (*tons*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)
2002:								
Jan.-Mar.	$280.30	46,724	$***	***	***	$***	***	***
Apr.-June	290.06	56,240	264.91	45,382	8.7	***	***	***
July-Sept.	304.09	47,137	269.78	48,916	11.3	***	***	***
Oct.-Dec.	292.97	36,661	***	***	***	***	***	***
2003:								
Jan.-Mar.	290.83	53,605	***	***	***	***	***	***
Apr.-June	305.22	75,302	***	***	***	***	***	***
July-Sept.	300.48	81,260	***	***	***	***	***	***
Oct.-Dec.	313.34	68,383	***	***	***	***	***	***
2004:								
Jan.-Mar.	385.32	70,697	***	***	***	***	***	***
Apr.-June	527.73	63,751	***	***	***	***	***	***
July-Sept.	567.08	68,089	524.68	101,131	7.5	***	***	***
Oct.-Dec.	566.57	51,811	***	***	***	***	***	***
2005:								
Jan.-Mar.	554.77	75,090	***	***	***	***	***	***
Apr.-June	522.36	67,259	***	***	***	***	***	***
July-Sept.	424.94	67,303	***	***	***	***	***	***

[1] Industrial quality wire rod, grade C1006, 5.5 mm (7/32 inch) through 12 mm (15/32 inch) in diameter, for hangers, chain link fencing, collated nails and staples, rates, and other formed products (in green condition, e.g., not cleaned, coated, etc.).

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-3
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 2[1] and margins of underselling/(overselling), by quarters, January 2002-September 2005

Period	United States		China			Germany		
	Price (*per ton*)	Quantity (*tons*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)
2002:								
Jan.-Mar.	$275.11	101,308	$***	***	***	-	0	-
Apr.-June	286.37	112,193	***	***	***	$***	***	***
July-Sept.	296.86	95,632	250.79	89,954	15.5	-	0	-
Oct.-Dec.	294.27	81,268	253.40	52,396	13.9	-	0	-
2003:								
Jan.-Mar.	291.40	74,783	263.44	45,602	9.6	-	0	-
Apr.-June	302.19	109,104	***	***	***	***	***	***
July-Sept.	298.84	128,984	***	***	***	-	0	-
Oct.-Dec.	310.07	107,229	***	***	***	***	***	***
2004:								
Jan.-Mar.	368.90	121,243	***	***	***	***	***	***
Apr.-June	503.49	114,700	***	***	***	-	0	-
July-Sept.	549.32	118,799	***	***	***	***	***	***
Oct.-Dec.	561.12	100,382	474.91	85,538	15.4	-	0	-
2005:								
Jan.-Mar.	539.28	93,029	492.11	78,742	8.7	-	0	-
Apr.-June	512.98	98,535	474.10	106,593	7.6	-	0	-
July-Sept.	464.19	101,133	***	***	***	-	0	-

Table continued.

Table V-3--*Continued*
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 2[1] and margins of underselling/(overselling), by quarters, January 2002-September 2005

Period	United States		Turkey			Total subject		
	Price (*per ton*)	Quantity (*tons*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)
2002:								
Jan.-Mar.	$275.11	101,308	$***	***	***	$***	***	***
Apr.-June	286.37	112,193	***	***	***	***	***	***
July-Sept.	296.86	95,632	***	***	***	***	***	***
Oct.-Dec.	294.27	81,268	***	***	***	***	***	***
2003:								
Jan.-Mar.	291.40	74,783	***	***	***	***	***	***
Apr.-June	302.19	109,104	***	***	***	***	***	***
July-Sept.	298.84	128,984	***	***	***	***	***	***
Oct.-Dec.	310.07	107,229	***	***	***	***	***	***
2004:								
Jan.-Mar.	368.90	121,243	***	***	***	***	***	***
Apr.-June	503.49	114,700	***	***	***	***	***	***
July-Sept.	549.32	118,799	***	***	***	***	***	***
Oct.-Dec.	561.12	100,382	***	***	***	***	***	***
2005:								
Jan.-Mar.	539.28	93,029	***	***	***	***	***	***
Apr.-June	512.98	98,535	508.61	9,001	0.9	476.79	115,594	7.1
July-Sept.	464.19	101,133	***	***	***	***	***	***

[1] Industrial quality wire rod, grade C1008 through C1010, 5.5 mm (7/32 inch) through 12 mm (15/32 inch) in diameter, for hangers, chain link fencing, collated nails and staples, rates, and other formed products (in green condition, e.g., not cleaned, coated, etc.).

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-4
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by quarters, January 2002-September 2005

Period	United States		China			Germany		
	Price (*per ton*)	Quantity (*tons*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)
2002:								
Jan.-Mar.	$282.10	38,583	$***	***	***	-	0	-
Apr.-June	286.44	49,742	244.17	7,898	14.8	-	0	-
July-Sept.	299.61	44,661	255.64	17,523	14.7	-	0	-
Oct.-Dec.	282.78	36,094	***	***	***	-	0	-
2003:								
Jan.-Mar.	284.98	37,350	***	***	***	-	0	-
Apr.-June	299.86	55,289	***	***	***	-	0	-
July-Sept.	289.24	98,111	***	***	***	-	0	-
Oct.-Dec.	256.70	92,259	***	***	***	$***	***	***
2004:								
Jan.-Mar.	370.42	75,089	***	***	***	***	***	***
Apr.-June	510.91	59,863	***	***	***	-	0	-
July-Sept.	552.63	75,983	506.35	41,916	8.4	***	***	***
Oct.-Dec.	566.23	56,418	477.60	27,210	15.7	-	0	-
2005:								
Jan.-Mar.	539.86	100,529	***	***	***	***	***	***
Apr.-June	503.06	94,789	475.07	19,351	5.6	***	***	***
July-Sept.	457.04	68,040	***	***	***	***	***	***

Table continued.

Table V-4--*Continued*
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by quarters, January 2002-September 2005

Period	United States		Turkey			Total subject		
	Price (*per ton*)	Quantity (*tons*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)
2002:								
Jan.-Mar.	$282.10	38,583	$***	***	***	$***	***	***
Apr.-June	286.44	49,742	233.46	51,101	18.5	234.89	58,999	18.0
July-Sept.	299.61	44,661	244.54	61,177	18.4	247.01	78,700	17.6
Oct.-Dec.	282.78	36,094	***	***	***	***	***	***
2003:								
Jan.-Mar.	284.98	37,350	***	***	***	***	***	***
Apr.-June	299.86	55,289	***	***	***	***	***	***
July-Sept.	289.24	98,111	282.58	51,339	2.3	***	***	***
Oct.-Dec.	256.70	92,259	***	***	***	***	***	***
2004:								
Jan.-Mar.	370.42	75,089	***	***	***	***	***	***
Apr.-June	510.91	59,863	460.76	34,090	9.8	***	***	***
July-Sept.	552.63	75,983	***	***	***	***	***	***
Oct.-Dec.	566.23	56,418	502.51	32,551	11.3	491.16	59,761	13.3
2005:								
Jan.-Mar.	539.86	100,529	502.69	43,679	6.9	***	***	***
Apr.-June	503.06	94,789	***	***	***	***	***	***
July-Sept.	457.04	68,040	***	***	***	***	***	***

[1] Mesh quality wire rod, grades C1006 through C1015, 5.5 mm (7/32 inch) through 14 mm (9/16 inch) in diameter, for manufacturing of concrete reinforcement products such as wire for A-82 applications (in green condition, e.g. not cleaned, coated, etc.).

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-5
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 4[1] and margins of underselling/(overselling), by quarters, January 2002-September 2005

Period	United States		China			Germany		
	Price (*per ton*)	Quantity (*tons*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)
2002:								
Jan.-Mar.	$***	***	-	0	-	-	0	-
Apr.-June	***	***	-	0	-	-	0	-
July-Sept.	***	***	$***	***	***	-	0	-
Oct.-Dec.	***	***	-	0	-	-	0	-
2003:								
Jan.-Mar.	306.20	65,208	-	0	-	-	0	-
Apr.-June	312.92	130,107	***	***	***	-	0	-
July-Sept.	318.09	128,612	***	***	***	-	0	-
Oct.-Dec.	345.08	125,528	***	***	***	-	0	-
2004:								
Jan.-Mar.	439.52	124,016	***	***	***	-	0	-
Apr.-June	559.10	137,240	-	0	-	$***	***	***
July-Sept.	622.78	150,930	***	***	***	-	0	-
Oct.-Dec.	618.48	133,914	-	0	-	***	***	***
2005:								
Jan.-Mar.	582.18	162,376	-	0	-	-	0	-
Apr.-June	560.09	162,294	***	***	***	-	0	-
July-Sept.	519.69	133,694	***	***	***	-	0	-

Table continued.

Table V-5--*Continued*
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 4[1] and margins of underselling/(overselling), by quarters, January 2002-September 2005

Period	United States		Turkey			Total subject		
	Price (*per ton*)	Quantity (*tons*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)
2002:								
Jan.-Mar.	$***	***	-	0	-	-	0	-
Apr.-June	***	***	-	0	-	-	0	-
July-Sept.	***	***	-	0	-	$***	***	***
Oct.-Dec.	***	***	-	0	-	-	0	-
2003:								
Jan.-Mar.	306.20	65,208	-	0	-	-	0	-
Apr.-June	312.92	130,107	-	0	-	***	***	***
July-Sept.	318.09	128,612	$***	***	***	***	***	***
Oct.-Dec.	345.08	125,528	-	0	-	***	***	***
2004:								
Jan.-Mar.	439.52	124,016	-	0	-	***	***	***
Apr.-June	559.10	137,240	***	***	***	***	***	***
July-Sept.	622.78	150,930	-	0	-	***	***	***
Oct.-Dec.	618.48	133,914	-	0	-	***	***	***
2005:								
Jan.-Mar.	582.18	162,376	-	0	-	-	0	-
Apr.-June	560.09	162,294	-	0	-	***	***	***
July-Sept.	519.69	133,694	-	0	-	***	***	***

[1] Grades C1050 through C1070, 5.5 mm (7/32 inch) through 6.5 mm (1/4 inch) in diameter, for spring applications excluding valve spring (in green condition, e.g. not cleaned, coated, etc.).

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-6
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 5[1] and margins of underselling/(overselling), by quarters, January 2002-September 2005

Period	United States		China			Germany		
	Price (*per ton*)	Quantity (*tons*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)
2002:								
Jan.-Mar.	$***	***	-	0	-	$***	***	***
Apr.-June	***	***	-	0	-	***	***	***
July-Sept.	***	***	-	0	-	***	***	***
Oct.-Dec.	386.68	1,496	-	0	-	***	***	***
2003:								
Jan.-Mar.	367.15	2,274	-	0	-	***	***	***
Apr.-June	430.75	1,280	-	0	-	***	***	***
July-Sept.	407.51	1,979	-	0	-	***	***	***
Oct.-Dec.	390.52	1,773	-	0	-	***	***	***
2004:								
Jan.-Mar.	***	***	-	0	-	***	***	***
Apr.-June	***	***	-	0	-	***	***	***
July-Sept.	***	***	-	0	-	***	***	***
Oct.-Dec.	610.25	3,712	-	0	-	***	***	***
2005:								
Jan.-Mar.	594.92	2,980	-	0	-	***	***	***
Apr.-June	***	***	$***	***	***	***	***	***
July-Sept.	***	***	-	0	-	-	0	-

Table continued.

Table V-6--*Continued*
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 5[1] and margins of underselling/(overselling), by quarters, January 2002-September 2005

Period	United States		Total subject		
	Price (*per ton*)	Quantity (*tons*)	Price (*per ton*)	Quantity (*tons*)	Margin (*percent*)
2002:					
Jan.-Mar.	$***	***	$***	***	***
Apr.-June	***	***	***	***	***
July-Sept.	***	***	***	***	***
Oct.-Dec.	386.68	1,496	***	***	***
2003:					
Jan.-Mar.	367.15	2,274	***	***	***
Apr.-June	430.75	1,280	***	***	***
July-Sept.	407.51	1,979	***	***	***
Oct.-Dec.	390.52	1,773	***	***	***
2004:					
Jan.-Mar.	***		***	***	***
Apr.-June	***		***	***	***
July-Sept.	***		***	***	***
Oct.-Dec.	610.25	3,712	***	***	***
2005:					
Jan.-Mar.	594.92	2,980	***	***	***
Apr.-June	***		***	***	***
July-Sept.	***		-	0	-

[1] Cold-heading quality wire rod, grades C1006 through C1008, 5.5 mm (7/32 inch) through 14 mm (9/16 inch) in diameter, for the manufacturing of mechanical fasteners (in green condition, e.g. not cleaned, coated, etc.).

Source: Compiled from data submitted in response to Commission questionnaires.

Figure V-3
Wire rod: Weighted-average f.o.b. prices of domestic and imported products 1-5

* * * * * * *

Table V-7
Wire rod: Summary of weighted-average f.o.b. prices for products 1 through 5, by countries

Country	Number of quarters	Highest price	Lowest price	Percentage change in price[1]
		Per ton	*Per ton*	*Percent*
	Product 1			
United States	15	$567.08	$280.30	51.6
China	15	***	***	94.7
Germany	9	***	***	***
Turkey	15	***	264.91	97.3
	Product 2			
United States	15	561.12	275.11	68.7
China	15	***	***	74.7
Germany	5	***	***	***
Turkey	15	***	***	100.4
	Product 3			
United States	15	566.23	256.70	62.0
China	15	506.35	***	88.0
Germany	6	***	***	***
Turkey	15	***	***	101.8
	Product 4			
United States	15	622.78	***	***
China	8	***	***	***
Germany	2	***	***	***
Turkey	2	***	***	***
	Product 5			
United States	15	610.25	***	41.6
China	1	***	***	-
Germany	14	***	***	***

[1] Percentage change from the first quarter in which price data were available to the last quarter in which price data were available.

Note: Only countries where price data were reported are listed.

Source: Compiled from data submitted in response to Commission questionnaires.

Table V-8
Wire rod: Summary of underselling/overselling

Country/period	Number of quarters of underselling	Number of quarters of overselling	Average margin of underselling/ (overselling)
China:			
2002	13	0	11.2
2003	10	5	(9.0)
2004	11	3	8.3
2005 (January-September)	7	5	0.2
Germany:			
2002	7	0	19.5
2003	6	3	1.4
2004	9	4	7.3
2005 (January-September)	3	4	(5.0)
Turkey:			
2002	12	0	12.3
2003	7	6	0.3
2004	12	1	8.9
2005 (January-September)	6	3	(0.9)
Total:			
2002	32	0	15.3
2003	23	14	(8.2)
2004	32	8	6.0
2005 (January-September)	16	12	(3.2)
Source: Compiled from data submitted in response to Commission questionnaires.			

Table V-9
Wire rod: Lost revenue allegations

* * * * * * *

Table V-10
Wire rod: Lost sales allegations

* * * * * * *

*** was cited in one *** allegation. It disagreed with the allegation, reporting that it did not place any import orders in that time frame. It reported that ***.

*** was cited in *** allegations, ***. It disagreed with all allegations but reported that it did purchase product from China and other countries in these periods. It reported that U.S. mills did not have enough capacity to meet market needs in 2004. It reported that lost sales from domestic producers in 2005 resulted mainly from excess inventories due to overbuying in 2004 because of the domestic shortfall. In addition, it reported that in 2004 prices fell worldwide due to lack of demand and that the "domestic mills (were) attempting to hold prices at contrived high level even though domestic capacity utilization (was) less than 70 percent." In addition, it reported that, "History shows that wire rod prices go up when tariffs (are) applied - both domestic and international suppliers raise their prices while users of wire rod cannot raise prices due to import product competition. To preserve domestic jobs (firms) must compete against import product with lowest cost steel available in the world. Domestic manufacturers of wire rod still cannot meet all tonnage requirements of a normal U.S. market. Wire rod from China sells for higher prices in the U.S. than it does in China."

*** was cited in one *** allegation. *** disagreed with this allegation. It reported that *** "***."

*** was cited in one *** allegation. *** disagreed with the allegation. *** reported that "the numbers do not agree with any of my notes. I further disagree with the statement because ***." In addition, he reported that "***" ***. "We are doing this by servicing our customers with both domestic product and foreign product. You may feel that you are protecting American jobs by protecting the steel mills but you are dead wrong. If the domestic industry cannot get competitively priced raw materials, they will be forced to put the jobs offshore either by setting up mills or by buying finished product like *** does. I have been told that the domestic consuming industry should seek protection using trade laws. Wire rod is a common raw material for many manufacturers. Those manufacturers make thousands and thousands for finished products, none of which are similar enough to make a critical mass quantity that would justify the time, expense and effort of a trade case. These products range from Christmas trees to spiral notebook binding wires to nails to industrial belting."

*** was cited in three *** allegations. It responded, "The allegation appears to relate to ***."

*** was cited in two *** allegations. *** disagreed with both allegations. Regarding the *** allegation it reported that ***. This included *** from Poland at *** and ***. In reference to the *** allegation, *** reported that it did not have adequate details to match the purchase but could not find any purchases ***. It reported that pricing changed weekly during the 2004 shortage, in the rising price environment.

*** was named in one *** allegation. *** reported that the quoted domestic price is $50 to $60 per ton higher than transaction prices from various domestic rod suppliers during the period. Although it did not have specific knowledge of the quote reported in the *** allegation, it reported that the sale would have been lost to another domestic rod mill. "The domestic rod mills do not solicit orders for certain low carbon, low quality rods, such as building mesh rods, which we need. Due to the inability of the domestic mills to supply all of our required rod products, ***. The competition for that business is between rod mills from various foreign countries including but not limited to the three countries under investigation."

*** was named in one *** allegation. It basically agreed with the allegation. It reported that, ***. However, it reported that at that time it was not even talking with U.S. producers because its price typically is not competitive with the price of ***.

*** was named in one *** allegation. It reported purchasing the product in the allegation came from nonsubject countries.[15] It also reported that there was limited availability of domestic rod due to the closings of KS&W and ISG, and ***. In addition, it reported that the "foreign rod was purchased due to availability of domestic wire rod. It was procured at a lower cost than domestic."

*** was cited in one *** allegation. It reported only that "we know of no ***."

[15] ***.

*** was cited in one *** allegation. It denied the allegation, reporting that ***. "Our purchase decisions *** did not cause a domestic mill to lose business due to lower priced imports."

*** was cited in three *** allegations. It neither agreed nor disagreed with the allegations. It reported that "If tariffs are imposed on rod imports and no tariffs are imposed on steel rod finished products such as nails, screws, racking etc. you will destroy the wire industry in the U.S. affecting many more workers than steel melters employ."

*** was cited in two *** allegations. It disagreed with both allegations. Regarding the first allegation *** reported that it had "never been offered or bought ***." Regarding the second allegation *** we bought everything we could domestic. *** "*** our inventory was high and we placed no orders domestic or foreign."

*** was cited in one *** allegation. It did not agree or disagree with the allegation but reported it did not receive any ***.

*** was cited in one *** allegation. It disagreed with the allegation, reporting that the ***, well above the alleged rejected U.S. quote. It reported that the purchase order was placed with a broker ***.

Purchasers responding to lost sales and lost revenue allegations were also asked whether they shifted their purchases of wire rod from U.S. producers to suppliers of such products from China, Germany, or Turkey. In addition, they were asked whether U.S. producers reduced their prices in order to compete with suppliers of subject imports. Purchasers' responses to these questions are shown in table V-11.[16] Nine of 16 responding purchasers reported that since January 2002 they shifted purchases from U.S. producers to subject imports. Seven of the nine firms reported shifting to Chinese product, one of the nine reported shifting to German product, and six of the nine reported shifting to Turkish product. Five of eight responding purchasers stated that price was the reason for the shift. Seven of 14 responding purchasers stated that since January 2002 U.S. producers reduced their prices in order to compete with prices of Chinese, German, or Turkish imports. Four of these firms reported that Chinese imports were the reason for the reduction in prices, three reported Turkish imports were the reason for the reduction, and no firms reported that German imports were the reason for the reduction in prices.

Table V-11
Wire rod: Purchaser responses

* * * * * * *

[16] ***.

PART VI: FINANCIAL EXPERIENCE OF THE U.S. PRODUCERS

BACKGROUND

Ten U.S. producers reported their wire rod financial results as presented in this section of the report. The financial results are based on U.S. generally accepted accounting principles ("GAAP") and represent primarily calendar-year periods.[1] While commercial sales, internal consumption, and transfers are reflected in the financial results, the majority of reported wire rod activity represents commercial sales of wire rod.[2]

OPERATIONS ON WIRE ROD

Income-and-loss data for producers of wire rod are presented in table VI-1 and on an average unit basis in table VI-2. Table VI-3 presents selected company-specific financial information. Figures VI-1, VI-2, VI-3, and VI-4 present graphs of the quarterly average per short ton purchase cost of scrap, pig iron, purchased billets, and hot-briquetted iron ("HBI"), respectively. Table VI-4 presents a variance analysis of the financial results.

As discussed in more detail in parts II and III of this report, period-to-period sales volume, in addition to market conditions, was affected by plant closures and re-openings during the period. Despite lower volume in full-year 2004 compared to 2002, total revenue in 2004 was higher due to increases in average sales values which generally more than offset corresponding increases in average raw material costs. This combination resulted in the period's highest level of profitability on both an absolute basis and as a percentage of sales.[3]

With the exception of Connecticut, which purchases its entire billet requirement, U.S. producers are for the most part integrated in the sense that they produce rod from basic raw materials such as scrap, pig iron, and HBI.[4] [5] As shown in figures VI-1 through VI-4, average raw material costs increased substantially in 2004. This is generally consistent with changes in the average raw material component of cost of goods sold ("COGS") shown in table VI-2.[6]

As shown in table VI-3, producers reported somewhat different patterns in terms of changes in sales value and COGS. When aggregated, however, the reduction in interim 2005 profitability compared to interim 2004 was due to the contraction of the industry's gross margin and a reduction in volume.

---

[1] Cascade reported its full-year financial results on a fiscal year basis ending August 31, 2002 through 2004.

[2] Most of the reported transfers reflect ***. ***.

[3] ***.

[4] As a share of the value of the industry's total reported primary raw material input purchases, scrap was by far the most significant, representing *** percent followed by purchased billets, *** percent, pig iron, *** percent, and HBI, *** percent. Relatively small volumes of ***. Mittal USA has a DRI plant on site at the Georgetown facility which is no longer operational. An affiliated plant in Trinidad reportedly now supplies HBI to the Georgetown facility. *Deja vu: Georgetown is back on alternative iron diet*, American Metal Market (June 17, 2005).

[5] ***. At the staff conference, Gerdau indicated that it also purchases billets as a way of broadening the scope of its production. Conference transcript, p. 62 (Martin). Rocky Mountain also purchased billets during the period examined. *Steelmaking crew outproduce forecasts*, Pueblo Chieftain (January 23, 2005). News article attached to Appendix E of Turkish respondent's December 6, 2005 postconference brief.

[6] Figures VI-1 through VI-4 present average per short ton raw material purchase costs. These costs do not directly correspond to the raw material component of COGS which would generally reflect yield factors in production, time between purchase and actual consumption, and inventory valuation methods. Most companies specified that energy costs are included separately in other factory costs and are therefore not included in raw material. The time between purchase and sale of further processed inputs ranges from ***.

Table VI-1
Wire rod: Results of operations, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
	Quantity (*short tons*)				
Net sales quantity:					
Commercial sales	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers	***	***	***	***	***
Total net sales quantity	4,005,118	4,168,228	3,993,517	3,099,524	2,616,084
	Value (*$1,000*)				
Net sales value:					
Commercial sales	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers	***	***	***	***	***
Total net sales value	1,297,634	1,386,830	2,050,640	1,549,417	1,449,920
Cost of goods sold:					
Raw material	541,707	660,474	1,034,237	748,303	725,927
Direct labor	113,470	116,057	108,599	80,887	76,872
Other factory costs	556,840	592,817	557,169	433,757	465,866
Total cost of goods sold	1,212,017	1,369,348	1,700,005	1,262,947	1,268,665
Gross profit	85,617	17,482	350,635	286,470	181,255
SG&A expenses	43,246	44,258	56,855	39,359	48,077
Operating income or (loss)	42,371	(26,776)	293,780	247,111	133,178
Interest expense	17,370	17,839	17,402	13,588	11,102
Other expenses	6,169	10,649	7,611	5,974	4,647
Other income items	115	3,829	1,851	988	6,100
Net income or (loss)	18,947	(51,435)	270,618	228,537	123,529
Depreciation/amortization	49,584	45,397	42,177	31,113	34,171
Estimated cash flow	68,531	(6,038)	312,795	259,650	157,700

Continued on following page.

Table VI-1-*Continued*
Wire rod: Results of operations, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
			Ratio to net sales (*percent*)		
Raw material	41.7	47.6	50.4	48.3	50.1
Direct labor	8.7	8.4	5.3	5.2	5.3
Other factory costs	42.9	42.7	27.2	28.0	32.1
Cost of goods sold	93.4	98.7	82.9	81.5	87.5
Gross profit	6.6	1.3	17.1	18.5	12.5
SG&A expenses	3.3	3.2	2.8	2.5	3.3
Operating income or (loss)	3.3	(1.9)	14.3	15.9	9.2
Net income or (loss)	1.5	(3.7)	13.2	14.8	8.5
			Number of producers reporting		
Operating losses	4	8	2	1	0
Data[1]	10	10	10	10	10

[1] ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-2
Wire rod: Results of operations (*per short ton*), 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002[1]	2003	2004	2004	2005
			Unit value (*dollars per short ton*)		
Commercial sales	***	***	***	***	***
Internal consumption	***	***	***	***	***
Transfers	***	***	***	***	***
Total net sales	324	333	513	500	554
Cost of goods sold:					
Raw material	135	158	259	241	277
Direct labor	28	28	27	26	29
Other factory costs	138	142	140	140	178
Total cost of goods sold	302	329	426	407	485
Gross profit	22	4	88	92	69
SG&A expenses	11	11	14	13	18
Operating income or (loss)	12	(6)	74	80	51

[1] ***.

Source: Compiled from data submitted in response to Commission questionnaires.

Table VI-3
Wire rod: Results of operations by firm, 2002-04, January-September 2004, and January-September 2005

* * * * * * *

Figure VI-1
Wire rod: Cost of purchased scrap

* * * * * * *

Figure VI-2
Wire rod: Cost of purchased billets

* * * * * * *

Figure VI-3
Wire rod: Cost of purchased pig iron

* * * * * * *

Figure VI-4
Wire rod: Cost of hot briqueted iron

* * * * * * *

While average interim 2005 sales value increased by an amount greater than the increase in average raw material cost (e.g., most companies, as shown in table VI-3, reported an increase in their interim 2005 average metal margin compared to interim 2004), this positive effect was more than offset by higher average other factory costs, and to a lesser extent by higher average direct labor.

*** reported lower profitability at the end of the period.

Although ***,[7] reduced the company's ***.[8] In addition to relatively large increases in average other factory costs, *** reported declines in their respective metal margins.[9] In contrast, *** on a unit basis in interim 2005. As such, ***.[10]

---

[7] ***. In its 2nd quarter 2005 quarterly report, the company noted that "{d}emand for wire rod has decreased {in 2005} as a result of high inventory levels at our customers and higher levels of imported rod into the North American market." Gerdau 2nd quarter 2005 quarterly report, p. 3. ***.

[8] ***. For external financial reporting purposes, Gerdau included the primarily fixed costs associated with the idled Beaumont, TX, facility in other operating expenses. Gerdau 2nd quarter 2005 financial results, p. 3. ***.

[9] ***.
***.
***.

[10] Republic ". . . commenced operations in August 2002 after it acquired a substantial portion of the operating assets of Republic Technologies . . . in a sale of assets under section 363 of the United States Bankruptcy code." 2002 10-K (transition report), Republic, p. 3. Although Republic did not respond to specific Commission questions regarding ***. At the beginning of the period, Republic described itself as ". . . the largest domestic producer of specialty bar quality steel products ("SBQ"). Special bar quality steel products are high quality hot-rolled and cold-finished carbon and alloy steel bar and rod used primarily in critical applications in automotive and industrial equipment." Ibid.

Table VI-4
Wire rod: Variance analysis of financial results, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September
	2002-04	2002-03	2003-04	2004-05
	Value (*$1,000*)			
Net sales:				
Trade:				
Price variance	***	***	***	***
Volume variance	***	***	***	***
Trade sales variance	***	***	***	***
Internal consumption:				
Price variance	***	***	***	***
Volume variance	***	***	***	***
Internal consumption variance	***	***	***	***
Transfers:				
Price variance	***	***	***	***
Volume variance	***	***	***	***
Transfer variance	***	***	***	***
Total net sales:				
Price variance	766,547	42,186	724,039	139,481
Volume variance	(13,541)	47,010	(60,229)	(238,978)
Total net sales variance	753,006	89,196	663,810	(99,497)
Cost of sales:				
Cost variance	(491,499)	(107,971)	(388,053)	(202,703)
Volume variance	3,511	(49,360)	57,396	196,985
Total cost variance	(487,988)	(157,331)	(330,657)	(5,718)
Gross profit variance	265,018	(68,135)	333,153	(105,215)
SG&A expenses:				
Expense variance	(13,734)	749	(14,452)	(14,857)
Volume variance	125	(1,761)	1,855	6,139
Total SG&A variance	(13,609)	(1,012)	(12,597)	(8,718)
Operating income variance	251,409	(69,147)	320,556	(113,933)
Summarized as:				
Price variance	766,547	42,186	724,039	139,481
Net cost/expense variance	(505,233)	(107,222)	(402,505)	(217,560)
Net volume variance	(9,905)	(4,111)	(978)	(35,855)

Source: Compiled from data submitted in response to Commission questionnaires.

*** reported higher profit in interim 2005 compared to interim 2004. Despite a relatively large increase in ***. As indicated previously, *** in each of the full-year periods.[11] In addition to generally higher base prices, the increase in ***.[12] The most significant factor in ***.[13] Because it did ***.[14] ***.[15] Transfers reported by Sterling represent about half of the wire rod consumed by related Leggett & Platt companies.[16] ***'s improved financial results in interim 2005 appear to be due to a relatively large decline in its average other factory costs.[17]

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Data on capital expenditures and research and development ("R&D") expenses are shown in table VI-5. Cumulatively, *** reported the largest amount of capital expenditures during the period examined, followed by ***. According to ***.[18] ***.[19] Collectively, the industry's reported capital expenditures in each year were somewhat less than total depreciation expense as reported in table VI-1.

Table VI-5
Wire rod: Capital expenditures and R&D expenses, 2002-04, January-September 2004, and January-September 2005

* * * * * * *

[11] With respect to sales volume, Schnitzer Steel Industries, Cascade's parent company, noted in its 2005 10-K that ". . . lower sales volume was primarily due to abnormally high inventory levels held by fabricators and distributors of steel during the first half of fiscal 2005. Many of the company's customers used the normal seasonal decline in consumption during the winter months to reduce their inventory levels." 2005 10-K, Schnitzer Steel Industries, p. 33. This statement was referring generally to Schnitzer's Steel Manufacturing Business segment which includes wire rod. With respect to FY 2005 profitability, "{t}he average cost of goods sold per ton increased $76 per ton or 20 percent compared to the prior year . . . {t}he increase in cost of sales was more than offset by the $108 per ton increase in average selling price." Ibid.

[12] Staff telephone interview with ***. ***. According to its website and in addition to other products, Charter ". . . has achieved a significant position in special bar quality (SBQ) bar, rod and wire. . ." Retrieved from http://www.chartermfg.com/display/router.asp?DocID=133, December 19, 2005.

[13] ***.

[14] In June 2004, Mittal USA purchased the Georgetown wire rod mill which had been idled since its bankruptcy in late 2003. The Georgetown mill was previously purchased out of bankruptcy by Mid-Coast Industries in 2002.

[15] The reporting company, Sterling, is part of Leggett and Platt's Industrial Materials segment and operates a wire rod mill purchased in 2002. Under previous ownership, the mill had supplied a portion of Leggett and Platt's wire rod through 2001 until its bankruptcy. The mill had no production or sales in 2002. Conference transcript, pp. 200-2001 (Downes). According to Leggett and Platt's 2004 annual report, "{e}arnings benefitted from full production at our steel rod mill. Efficiency improved significantly year-over-year, since we were ramping up production in 2003. In addition, we benefitted from an above-average scrap-to-rod price spread." Leggett and Platt 2004 annual report, pp. 23-24.

***. With respect to the end of the period, the company noted that "{s}ince early 2004, the price of certain types of steel has nearly doubled. The unprecedented price increases in the steel market have led to a higher scrap-to-rod market price spread which has continued to enhance the results generated by our steel rod mill." Leggett and Platt 3rd quarter 2005 10-Q, p. 13.

[16] Leggett and Platt 3rd quarter 2005 10-Q, p. 15. For specific information regarding the sourcing of wire rod by Leggett & Platt, see Part III of this report.

[17] ***.

[18] ***.

[19] ***.

ASSETS AND RETURN ON INVESTMENT

The reported value of assets (related to the production of wire rod) and calculated return on investment are shown in table VI-6.

Table VI-6
Wire rod: Value of assets and return on investment, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
	Value (*$1,000*)				
Total assets	779,876	725,424	961,125	909,559	948,583
	Ratio of operating income to assets (*percent*)				
Return on investment	5.4	(3.7)	30.6	27.2	14.0
Source: Compiled from data submitted in response to Commission questionnaires.					

CAPITAL AND INVESTMENT

The Commission requested U.S. producers to describe any actual or anticipated negative effects of imports of wire rod from China, Germany, and Turkey on their firms' growth, investment, and ability to raise capital or development and production efforts (including efforts to develop a derivative or more advanced version of the product).

Actual Negative Effects

Cascade	***.
Charter	***.
Connecticut	***.
Gerdau	***.
Keystone	***.
Mittal USA	***.
Nucor	***.
Republic	***.
Rocky Mountain	***.
Sterling	***.

Anticipated Negative Effects

Cascade	***.
Charter	***.
Connecticut	***.
Gerdau	***.
Keystone	***.
Mittal USA	***.
Nucor	***.
Republic	***.
Rocky Mountain	***.
Sterling	***.

PART VII: THREAT CONSIDERATIONS

The Commission analyzes a number of factors in making threat determinations (see 19 U.S.C. § 1677(7)(F)(i)). Information on the volume and pricing of imports of the subject merchandise is presented in Parts IV and V; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in Part VI. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows.

THE INDUSTRY IN CHINA

In the preliminary phase of these investigations, 15 Chinese producers/exporters of wire rod provided responses to the Commission's request for information.[1] The firms that responded are Angang, Baoshan, He Nan, Hunan Valin, Jiangsu Shagang, Jiangsu Su, Maanshan, Nanjing, PingXiang, Qingdao, Shougang, Taiyuan, Tangshan, Wuhan, and Xuanhua. Responding Chinese wire rod producers' production in 2004 accounts for 43.8 percent of wire rod produced in China, as reported by ***.[2] Reported exports to the United States in 2004 exceed U.S. imports of wire rod from China.

The largest producers of wire rod in China among the responding firms are Hunan Valin, Jiangsu Shagang, Shougang, and Tangshan. Of these firms, Shougang[3] produced approximately 9.4 million tons of crude steel in 2004,[4] some of which was used to produce carbon steel wire rod.[5] Jiangsu Shagang, which produced 8.4 million tons of crude steel in 2004,[6] produced an estimated 1.3 million tons of carbon steel wire rod in 2001 and announced plans to increase wire rod production capacity to more than 3 million tons by 2005.[7] Tangshan and Hunan Valin each produced an estimated 7.8 million tons of crude steel in 2004.[8] Table VII-1 presents data compiled from the responding wire rod producers in China.

---

[1] Four Chinese recipients of Commission questionnaires responded that they had not produced wire rod.

[2] ***.

[3] Shougang also does business as Shoudu Iron and Steel and as Capital Iron and Steel.

[4] *World Steel in Figures*, International Iron and Steel Institute (Brussels, 2005).

[5] Wire rod production estimates are not available. *** estimate annual wire rod capacity of *** tons.

[6] *World Steel in Figures*, International Iron and Steel Institute (Brussels, 2005).

[7] *Iron and Steel Works of the World*, 14th Edition, Metal Bulletin Books (London, 2001). *** estimate annual wire rod capacity of *** tons.

[8] *World Steel in Figures*, International Iron and Steel Institute (Brussels, 2005). Wire rod production estimates are not available for these firms.

Table VII-1
Wire rod: Chinese production capacity, production, shipments, and inventories, 2002-04, January-September 2004, January-September 2005, and projected 2005-06

Item	Actual experience					Projections	
	Calendar year			January-September			
	2002	2003	2004	2004	2005	2005	2006
	Quantity (*short tons*)						
Capacity	17,708,179	17,915,557	21,183,211	16,075,849	17,127,268	22,301,316	22,050,119
Production	15,997,437	17,026,359	19,186,770	14,309,372	16,042,966	20,532,524	20,324,099
End of period inventories	252,547	184,943	355,360	473,547	375,991	336,851	330,523
Shipments: Internal consumption	***	***	***	***	***	***	***
Home market	***	***	***	***	***	***	***
Exports to--							
United States	392,351	302,003	771,139	535,126	511,933	711,272	536,805
All other markets	342,098	822,921	1,218,545	770,826	1,177,188	1,562,908	1,596,911
Total exports	734,449	1,124,924	1,989,684	1,305,952	1,689,121	2,274,180	2,133,716
Total shipments	15,859,393	17,094,031	19,022,752	14,053,000	16,014,114	20,551,032	20,327,427
	Ratios and shares (*percent*)						
Capacity utilization	90.3	95.0	90.6	89.0	93.7	92.1	92.2
Inventories to production	1.6	1.1	1.9	2.5	1.8	1.6	1.6
End of period inventories	1.6	1.1	1.9	2.5	1.8	1.6	1.6
Shipments: Internal consumption	***	***	***	***	***	***	***
Home market	***	***	***	***	***	***	***
Exports to--							
United States	2.5	1.8	4.1	3.8	3.2	3.5	2.6
All other markets	2.2	4.8	6.4	5.5	7.4	7.6	7.9
All export markets	4.6	6.6	10.5	9.3	10.5	11.1	10.5

Source: Compiled from data submitted in response to Commission questionnaires.

No Chinese producer of wire rod reported having the capability or plans to produce wire rod in the United States or other countries. In addition, no firm reported being related to an importer of wire rod into the United States or maintaining inventories of wire rod in the United States.

Sales of wire rod as a share of total sales by wire rod producers in China ranged from 4 percent for *** to 90 percent for ***. For the producers of wire rod in China that produced more than a million short tons in 2004, sales of wire rod as a share of total sales ranged from *** to ***. Six responding Chinese producers of wire rod reported the use of shared equipment in the manufacture of wire rod. Table VII-2 presents data on products produced by these companies on the same equipment used to produce wire rod.

Table VII-2
Wire rod: Chinese producers, production of other products on the same equipment, and shares of firms' total sales represented by other products, 2004

Company	Other products, share of total sales (*percent*)			
	Rebar/deformed bar in coil	Ball bearing steel	HRB400	SS wire rod
Shougang	***	([1])	([1])	([1])
Jiangsu Shang	***	([1])	([1])	([1])
Nanjing	([1])	***	([1])	([1])
Jiangus	([1])	([1])	***	([1])
Taiyuan	([1])	([1])	([1])	***
Tangshan	***	([1])	([1])	([1])

[1] Not applicable.

Source: Compiled from data submitted in response to Commission questionnaires.

Ten of the 15 responding Chinese producers reported that they do not have any plans to make production capacity changes to their operations. *** reported plans to add *** short tons of capacity to meet growing demand in what it considers to be its main market, China's 10 Southeast provinces. In late 2005 *** reported that it approved a plan which will shift from wire rod production to higher value-added products like heavy plate, but reported no time frame for such shift. *** is the only Chinese producer that reported an expected decrease in production. It expects wire rod production to decrease by *** metric tons after the Beijing 2008 Olympics.

Table VII-3 presents data on Chinese wire rod producers' product mix during the period for which data were collected. Relative shares of specified products remained constant, with low and medium-low grade wire rod representing between 60.5 and 67.3 percent of production. The only company that reported shifting its product mix was ***. However, that company reported that it shifts production according to customer orders, as its wire rod is made to order.

Table VII-3
Wire rod: Chinese producers' shipments, by product type, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
			Quantity (*short tons*)		
Low and medium-low carbon industrial and standard quality wire rods	10,668,554	11,078,080	11,978,263	8,880,694	9,677,451
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	3,594,015	3,749,079	4,211,369	3,070,267	3,641,343
Tire cord wire rod and tire bead wire rod	85,810	105,502	143,971	98,922	265,940
Welding quality wire rod	918,441	1,363,158	1,520,948	1,117,358	1,287,014
Cold heading and other specialty carbon and alloy quality wire rods	472,097	670,661	994,393	773,349	1,005,784
All other	120,476	127,552	123,781	112,410	110,016
Total	15,859,393	17,094,032	18,972,725	14,053,000	15,987,548
			Share (*percent*)		
Low and medium-low carbon industrial and standard quality wire rods	67.3	64.8	63.1	63.2	60.5
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	22.7	21.9	22.2	21.8	22.8
Tire cord wire rod and tire bead wire rod	0.5	0.6	0.8	0.7	1.7
Welding quality wire rod	5.8	8.0	8.0	8.0	8.1
Cold heading and other specialty carbon and alloy quality wire rods	3.0	3.9	5.2	5.5	6.3
All other	0.8	0.7	0.7	0.8	0.7
Total	100.0	100.0	100.0	100.0	100.0

Source: Complied from data submitted in response to Commission questionnaires.

THE INDUSTRY IN GERMANY

In the preliminary phase of these investigations, three German producers/exporters of wire rod provided responses to the Commission's request for information. The firms that responded are Saarstahl, Riva Stahl, and Mittal.[9] German respondents' production of wire rod accounts for 70.7 percent of wire rod produced in Germany, as reported by ***.[10] Reported German exports to the United States in 2004 were equivalent to 84.8 percent of imports of wire rod from Germany according to official Commerce statistics.

Mittal Steel, headquartered in the Netherlands, is the world's largest steel manufacturer, with steel-making facilities in 14 countries.[11] Mittal produces wire rod at two facilities in Germany - Hamburg and Hochfeld. Mittal Steel Hamburg is Germany's fourth largest wire rod producer,[12] with an estimated annual capacity of one million tons.[13] Mittal Steel Hochfeld, which has no melt capability, produces specialty grades of wire rod.[14] Riva Stahl is a subsidiary of the Riva Group, the fourth largest steel manufacturer in Europe and the eleventh largest in the world.[15] Riva, which is headquartered in Italy and privately owned, acquired Brandenburger Elektrostahlwerke (BES) and Hennigsdorfer Elektrostahlwerke (HES) in 1991.[16] BES, which produces carbon steel wire rod along with other products, has an annual melt capacity of 2.2 million tons. HES, which produces carbon and alloy wire rod along with other products, has an annual melt capacity of 1.3 million tons.[17] Saarstahl, a German manufacturer, produces carbon and alloy wire rod at facilities in Burbach and Neunkirchen.[18] These facilities, which have no melt capacity and are supplied by the Saarstahl steel plant in Völklingen, have an estimated annual rolling capacity of 1.5 million tons.[19] Table VII-4 presents data representing responding wire rod producers in Germany. No German firm reported plans to change production capacity of wire rod.

---

[9] Mittal reported separately for its facilities in Hamburg and Hochfeld.

[10] ***.

[11] Mittal Steel official website, *www.mittalsteel.com*.

[12] Ibid.

[13] Iron and Steel Works of the World, 14th Edition, Metal Bulletin Books (London, 2001). Estimate is for Ispat Hamburger (now Mittal Steel Hamburg) which was a subsidiary of Ispat International, a predecessor firm of Mittal Steel.

[14] Mittal Steel official website. Wire rod production estimates are not available. *** estimate annual wire rod capacity of *** tons.

[15] *World Steel in Figures*, International Iron and Steel Institute (Brussels, 2005).

[16] The Riva Group official website, *www.rivagroup.com*.

[17] *Iron and Steel Works of the World*, 16th Edition, Metal Bulletin Books (London, 2004). Wire rod production estimates are not available.

[18] Saarstahl AG official website, *www.saarstahl.com*.

[19] Saarstahl AG official website and *Iron and Steel Works of the World*, 16th Edition, Metal Bulletin Books (London, 2004).

Table VII-4
Wire rod: German production capacity, production, shipments, and inventories, 2002-04, January-September 2004, January-September 2005, and projected 2005-06

Item	Actual experience					Projections	
	Calendar year			January-September			
	2002	2003	2004	2004	2005	2005	2006
	Quantity (*short tons*)						
Capacity	4,759,000	4,759,000	4,759,000	3,569,250	3,569,250	4,759,000	4,759,000
Production	4,018,822	3,779,777	4,152,604	3,177,544	2,529,667	3,474,962	3,684,195
End of period inventories	117,178	167,223	189,484	128,361	131,800	140,434	99,044
Shipments: Internal consumption	***	***	***	***	***	***	***
Home market	***	***	***	***	***	***	***
Exports to--							
United States	38,215	130,066	216,744	149,182	146,035	206,495	208,372
All other markets	2,112,432	1,983,235	2,052,454	1,600,189	1,343,912	1,791,304	1,864,643
Total exports	2,150,647	2,113,301	2,269,198	1,749,371	1,489,947	1,997,799	2,073,015
Total shipments	4,047,450	3,729,402	4,132,919	3,213,528	2,592,521	3,526,269	3,725,585
	Ratios and shares (*percent*)						
Capacity utilization	84.4	79.4	87.3	89.0	70.9	73.0	77.4
Inventories to production	2.9	4.4	4.6	3.0	3.9	4.0	2.7
End of period inventories	2.9	4.5	4.6	3.0	3.8	4.0	2.7
Shipments: Internal consumption	***	***	***	***	***	***	***
Home market	***	***	***	***	***	***	***
Exports to--							
United States	0.9	3.5	5.2	4.6	5.6	5.9	5.6
All other markets	52.2	53.2	49.7	49.8	51.8	50.8	50.1
All export markets	53.1	56.7	54.9	54.4	57.5	56.7	55.6

Source: Compiled from data submitted in response to Commission questionnaires.

Overall, sales of wire rod as a percentage of German wire rod producers' total sales were *** percent for ***, *** percent for ***, *** percent for ***, and *** percent for ***. Three of the four responding German wire rod producers reported the use of shared equipment in the manufacture of wire rod. Table VII-5 presents those firms' production of other products on equipment and machinery used in the production of wire rod.

Table VII-5
Wire rod: German producers, production of other products on the same equipment, and shares of firms' total sales represented by other products, 2004

Company	Other products, share of total sales (*percent*)			
	Ball bearing/free machining/free cutting	Product group greater 19mm diameter and downgraded	Rebar	Product group II A
Saarstahl	***	([1])	([1])	([1])
Riva	([1])	([1])	([1])	([1])
Mittal Hochfield	***	***	([1])	***
Mittal Hamburg	([1])	([1])	***	([1])

[1] Not applicable.

Source: Compiled from data submitted in response to Commission questionnaires.

Mittal is the only German producer of wire rod that is related to a producer of wire rod in the United States. Mittal has one facility that produces wire rod in the United States, ISG Georgetown, a petitioner in these investigations. All other Mittal wire rod facilities are in nonsubject countries. Riva reported being related to several firms that produce wire rod in nonsubject countries. Saarstahl reported no such relationships, but is related to Saarssteel Inc., a U.S. importer of wire rod. Both of Mittal's facilities, in addition to operations in nonsubject countries, reported having plans to import wire rod into the United States.

Table VII-6 presents data on German wire rod producers' product mix. Low and medium-low grade wire rod as a share of total shipments declined from *** percent in 2002 to *** percent in 2004. Other specified products, excluding the "all other" category, each experienced slight increases in their share of shipments of wire rod during this period.

Table VII-6
Wire rod: German producers' shipments, by product type, 2002-04, January-September 2004, and January-September 2005

* * * * * * *

THE INDUSTRY IN TURKEY

In the preliminary phase of these investigations, four Turkish producers/exporters of wire rod provided responses to the Commission's request for information. The firms that responded are Habas, Icdas, Cloakaglu, and Ege Celik. Coverage for the Turkish wire rod industry is 71.3 percent according to ***.[20] Exports to the United States in 2004 were equivalent to 92.3 percent of U.S. imports as reported by official Commerce statistics.

All four responding producers are headquartered, and have steel-making facilities, in Turkey. Colakoglu has the capacity to produce approximately 700,000 tons of carbon steel wire rod each year.[21] Ege has the annual capacity to produce approximately 550,000 tons of wire rod, including specialty grades.[22] Habas has the capacity to produce approximately 550,000 tons of carbon steel wire rod each year.[23] Icdas has an estimated annual melt capacity of approximately 2 million tons,[24] and produces commercial and specialty grades of carbon steel wire rod.[25] Table VII-7 presents data representing responding wire rod producers in Turkey.

Based on 2004 relative production values, *** percent of *** wire rod production-related equipment is used for wire rod with the remaining *** percent used to produce ***. Less than *** percent of *** wire rod production-related equipment is used to produce products other than wire rod, which, like ***, is used to produce ***. Less than *** percent of *** production-related equipment for wire rod was also used to produce ***. *** did not produce other products on the same production equipment used to produce wire rod.

Sales of wire rod as a percentage of Turkish wire rod producers' total sales were *** percent for ***, *** percent for ***, *** percent for ***, and *** percent for ***. No Turkish firm, nor any related firm, reported having the capability to produce, or plans to produce, wire rod in the United States or other countries. One Turkish firm, ***, reported being related to ***, an importer of wire rod into the United States.

There were no responses indicating that wire rod producers in Turkey plan to add, expand, curtail, or shut down wire rod production capacity in any subject country. In addition, no Turkish producer reported maintaining wire rod inventories in the United States since 2002.

Table VII-8 presents data on Turkish wire rod producers' product mix. Commodity grade wire rod as a share of total shipments remained above 90 percent throughout the period for which data were collected. Wire rod producers in Turkey began producing tire cord wire rod and tire bead wire rod in small quantities in 2004.

---

[20] ***.

[21] *Iron and Steel Works of the World*, 15th Edition, Metal Bulletin Books (London, 2002).

[22] Ege Celik official website, *www.egecelik.com* and *Iron and Steel Works of the World*, 16th Edition, Metal Bulletin Books (London, 2004).

[23] *Iron and Steel Works of the World*, 14th Edition, Metal Bulletin Books (London, 2001).

[24] *Iron and Steel Works of the World*, 14th Edition, Metal Bulletin Books (London, 2001). Wire rod production estimates are not available.

[25] Icdas official website, *www.icdas.com.*

Table VII-7
Wire rod: Turkish production capacity, production, shipments, and inventories, 2002-04, January-September 2004, January-September 2005, and projected 2005-06

Item	Actual experience					Projections	
	Calendar year			January-September			
	2002	2003	2004	2004	2005	2005	2006
	Quantity (*short tons*)						
Capacity	2,197,944	2,235,241	2,263,663	1,635,512	1,758,652	2,445,714	2,414,803
Production	1,815,853	1,865,502	1,956,462	1,448,887	1,444,493	1,962,729	1,966,101
End of period inventories	53,365	87,909	53,261	75,350	77,739	49,676	29,266
Shipments: Internal consumption	***	***	***	***	***	***	***
Home market	***	***	***	***	***	***	***
Exports to--							
United States	529,176	421,586	721,179	609,361	291,361	418,034	328,811
All other markets	711,608	871,251	704,110	426,028	534,518	783,470	827,852
Total exports	1,240,784	1,292,837	1,425,289	1,035,389	825,879	1,201,504	1,156,663
Total shipments	1,800,646	1,830,957	1,991,109	1,461,446	1,420,014	1,978,596	1,986,510
	Ratios and shares (*percent*)						
Capacity utilization	82.6	83.5	86.4	88.6	82.1	80.3	81.4
Inventories to production	2.9	4.7	2.7	3.9	4.0	2.5	1.5
End of period inventories	3.0	4.8	2.7	3.9	4.1	2.5	1.5
Shipments: Internal consumption	***	***	***	***	***	***	***
Home market	***	***	***	***	***	***	***
Exports to--							
United States	29.4	23.0	36.2	41.7	20.5	21.1	16.6
All other markets	39.5	47.6	35.4	29.2	37.6	39.6	41.7
All export markets	68.9	70.6	71.6	70.8	58.2	60.7	58.2

Source: Compiled from data submitted in response to Commission questionnaires.

Table VII-8
Wire rod: Turkish producers' shipments, by product type, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
			Quantity (*short tons*)		
Low and medium-low carbon industrial and standard quality wire rods	1,703,344	1,734,358	1,861,198	1,364,381	1,286,252
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	***	***	***	***	***
Tire cord wire rod and tire bead wire rod	***	***	***	***	***
Welding quality wire rod	***	***	***	***	***
Cold heading and other specialty carbon and alloy quality wire rods	***	***	***	***	***
All other	***	***	***	***	***
Total	1,798,791	1,829,178	1,988,658	1,460,081	1,417,784
			Share (*percent*)		
Low and medium-low carbon industrial and standard quality wire rods	94.7	94.8	93.6	93.4	90.7
High and medium-high carbon industrial and standard quality wire rods (other than tire cord and tire bead)	***	***	***	***	***
Tire cord wire rod and tire bead wire rod	***	***	***	***	***
Welding quality wire rod	***	***	***	***	***
Cold heading and other specialty carbon and alloy quality wire rods	***	***	***	***	***
All other	***	***	***	***	***
Total	100.0	100.0	100.0	100.0	100.0

Source: Complied from data submitted in response to Commission questionnaires.

SUBJECT COUNTRIES COMBINED

Table VII-9 presents aggregated data representing wire rod producers from China, Germany, and Turkey.

Table VII-9
Wire rod: All subject countries' production capacity, production, shipments, and inventories, 2002-04, January-September 2004, January-September 2005, and projected 2005-06

Item	Actual experience					Projections	
	Calendar year			January-September			
	2002	2003	2004	2004	2005	2005	2006
	Quantity (*short tons*)						
Capacity	24,665,123	24,909,798	28,205,874	21,280,611	22,455,170	29,506,030	29,223,922
Production	21,832,112	22,671,638	25,295,836	18,935,803	20,017,126	25,970,215	25,974,395
End of period inventories	423,090	440,075	598,105	677,258	585,530	526,961	458,833
Shipments:							
Internal consumption	302,758	305,595	461,238	339,437	311,484	395,859	369,652
Home market	17,278,851	17,817,733	19,001,371	14,297,825	15,710,218	20,186,555	20,306,476
Exports to--							
United States	959,742	853,655	1,709,062	1,293,669	949,329	1,335,801	1,073,988
All other markets	3,166,138	3,677,407	3,975,109	2,797,043	3,055,618	4,137,682	4,289,406
Total exports	4,125,880	4,531,062	5,684,171	4,090,712	4,004,947	5,473,483	5,363,394
Total shipments	21,707,489	22,654,390	25,146,780	18,727,974	20,026,649	26,055,897	26,039,522
	Ratios and shares (*percent*)						
Capacity utilization	88.5	91.0	89.7	89.0	89.1	88.0	88.9
Inventories to production	1.9	1.9	2.4	2.7	2.2	2.0	1.8
End of period inventories	1.9	1.9	2.4	2.7	2.2	2.0	1.8
Shipments:							
Internal consumption	1.4	1.3	1.8	1.8	1.6	1.5	1.4
Home market	79.6	78.7	75.6	76.3	78.4	77.5	78.0
Exports to--							
United States	4.4	3.8	6.8	6.9	4.7	5.1	4.1
All other markets	14.6	16.2	15.8	14.9	15.3	15.9	16.5
All export markets	19.0	20.0	22.6	21.8	20.0	21.0	20.6

Source: Compiled from data submitted in response to Commission questionnaires.

U.S. IMPORTERS' INVENTORIES

U.S. importers' inventories of wire rod are presented in table VII-10. Inventories in the U.S. wire rod market are typically held by end users.

Table VII-10
Wire rod: U.S. importers' end-of-period inventories of imports, 2002-04, January-September 2004, and January-September 2005

Item	Calendar year			January-September	
	2002	2003	2004	2004	2005
Imports from China:					
Inventories (short tons)	***	***	***	***	***
Ratio to imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Imports from Germany:					
Inventories (short tons)	***	***	***	***	***
Ratio to imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Imports from Turkey:					
Inventories (short tons)	***	***	***	***	***
Ratio to imports (percent)	***	***	***	***	***
Ratio to U.S. shipments of imports (percent)	***	***	***	***	***
Imports from subject countries:					
Inventories (short tons)	143,124	51,645	91,049	58,271	74,819
Ratio to imports (percent)	16.3	7.7	8.2	5.3	6.5
Ratio to U.S. shipments of imports (percent)	19.2	6.8	8.5	5.4	6.6
Imports from all other sources:					
Inventories (short tons)	205,555	168,245	171,982	147,156	154,184
Ratio to imports (percent)	11.8	12.5	11.1	9.6	11.9
Ratio to U.S. shipments of imports (percent)	11.3	12.1	11.0	9.5	11.7
Imports from all other sources:					
Inventories (short tons)	348,679	219,890	263,031	205,427	229,003
Ratio to imports (percent)	13.3	10.9	9.9	7.8	9.3
Ratio to U.S. shipments of imports (percent)	13.6	10.2	10.0	7.8	9.3

Source: Compiled from data submitted in response to Commission questionnaires.

DUMPING IN THIRD-COUNTRY MARKETS

According to responses from wire rod producers in China, Germany, and Turkey, no exports are subject to antidumping findings or remedies in any WTO-member countries. Petitioners made no claim of wire rod from subject countries being subject to antidumping findings or remedies in any WTO-member countries.

GLOBAL MARKETS

Global production and consumption of wire rod is estimated by published sources to exceed 100 million metric tons. According to ***, 2004 production and consumption reached *** metric tons, an increase of *** percent from the levels of 2003. Production and consumption for the first half of 2005 was estimated to be *** percent higher than in the first half of 2004.[26]

Table VII-11 presents data on wire rod transaction prices for the United States, China, and Germany, as compiled by MEPS. Equivalent data for Turkey are not available.

Table VII-11
Wire rod: Transaction prices (including raw material surcharges) for wire rod sold in the United States, China, and Germany, by month, January-November 2005

Month	Wire rod transaction prices (*dollars per short ton*)			
	United States	China	Germany	Turkey
2005:				
January	***	***	***	([2])
February	***	***	***	([2])
March	***	***	***	([2])
April	***	***	***	([2])
May	***	***	***	([2])
June	***	***	***	([2])
July	***	***	***	([2])
August	***	***	***	([2])
September	***	***	***	([2])
October	***	***	***	([2])
November	***	***	***	([2])

[1] Mesh quality, 8-12 mm diameter, except in the United States (0.31-0.5 inch).
[2] Not available.

Note.–Transaction prices are negotiated in the current month for future delivery, and include all extras for the lowest grade of steel, sold ex-mill.

Source: MEPS, International Steel Review, January-November 2005.

[26] ***.

APPENDIX A

FEDERAL REGISTER NOTICES

INTERNATIONAL TRADE COMMISSION

[Investigation Nos. 731–TA–1099–1101 (Preliminary)]

Carbon and Certain Alloy Steel Wire Rod From China, Germany, and Turkey

AGENCY: United States International Trade Commission.

ACTION: Institution of antidumping investigations and scheduling of preliminary phase investigations.

SUMMARY: The Commission hereby gives notice of the institution of an investigations and commencement of preliminary phase antidumping investigation Nos. 731–TA–1099–1101 (Preliminary) under section 733(a) of the Tariff Act of 1930 (19 U.S.C. 1673b(a)) (the Act) to determine whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded, by reason of imports from China, Germany, and Turkey of carbon and certain alloy steel wire rod, provided for in subheadings 7213.91.30, 7213.91.45, 7213.91.60, 7213.99.00, 7227.20.00, and 7227.90.60 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value. Unless the Department of Commerce extends the time for initiation pursuant to section 732(c)(1)(B) of the Act (19 U.S.C. 1673a(c)(1)(B)), the Commission must reach a preliminary determination in antidumping investigations in 45 days, or in this case by December 27, 2005. The Commission's views are due at Commerce within five business days thereafter, or by January 4, 2006.

For further information concerning the conduct of these investigations and rules of general application, consult the Commission's Rules of Practice and Procedure, part 201, subparts A through E (19 CFR part 201), and part 207, subparts A and B (19 CFR part 207).

EFFECTIVE DATE: November 10, 2005.

FOR FURTHER INFORMATION CONTACT: Michael Szustakowski (202–205–3188), Office of Investigations, U.S. International Trade Commission, 500 E Street SW., Washington, DC 20436. Hearing-impaired persons can obtain information on this matter by contacting the Commission's TDD terminal on 202–205–1810. Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Office of the Secretary at 202–205–2000. General information concerning the Commission may also be obtained by accessing its internet server (*http://www.usitc.gov*). The public record for these investigations may be viewed on the Commission's electronic docket (EDIS) at *http://edis.usitc.gov.*

SUPPLEMENTARY INFORMATION:

Background. The investigations are being instituted in response to a petition filed on November 10, 2005, by Connecticut Steel Corp., Wallingford, CT; Gerdau AmeriSteel U.S. Inc., Tampa, FL; Keystone Steel & Wire Company, Peoria, IL; Mittal Steel USA Georgetown, Georgetown, SC; and Rocky Mountain Steel Mills, Pueblo, CO.

Participation in the investigations and public service list. Persons (other than petitioners) wishing to participate in the investigations as parties must file an entry of appearance with the Secretary to the Commission, as provided in sections 201.11 and 207.10 of the Commission's rules, not later than seven days after publication of this notice in the **Federal Register.** Industrial users and (if the merchandise under investigation is sold at the retail level) representative consumer organizations have the right to appear as parties in Commission antidumping investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to this investigation upon the expiration of the period for filing entries of appearance.

Limited disclosure of business proprietary information (BPI) under an administrative protective order (APO) and BPI service list. Pursuant to section 207.7(a) of the Commission's rules, the Secretary will make BPI gathered in this investigation available to authorized applicants representing interested parties (as defined in 19 U.S.C. § 1677(9)) who are parties to the investigations under the APO issued in the investigations, provided that the application is made not later than seven days after the publication of this notice in the **Federal Register.** A separate service list will be maintained by the Secretary for those parties authorized to receive BPI under the APO.

Conference. The Commission's Director of Operations has scheduled a conference in connection with these investigations for 9:15 a.m. on December 1, 2005, at the U.S. International Trade Commission Building, 500 E Street SW., Washington, DC. Parties wishing to participate in the conference should contact Michael Szustakowski (202–205–3188) not later than November 28, 2005, to arrange for their appearance. Parties in support of the imposition of antidumping duties in these investigations and parties in opposition to the imposition of such duties will each be collectively allocated one hour within which to make an oral presentation at the conference. A nonparty who has testimony that may aid the Commission's deliberations may request permission to present a short statement at the conference.

Written submissions. As provided in sections 201.8 and 207.15 of the Commission's rules, any person may submit to the Commission on or before December 6, 2005, a written brief containing information and arguments pertinent to the subject matter of the investigations. Parties may file written testimony in connection with their presentation at the conference no later than three days before the conference. If briefs or written testimony contain BPI, they must conform with the requirements of sections 201.6, 207.3, and 207.7 of the Commission's rules. The Commission's rules do not authorize filing of submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the Commission's rules, as amended, 67 FR 68036 (November 8, 2002). Even where electronic filing of a document is permitted, certain documents must also be filed in paper form, as specified in II(C) of the Commission's Handbook on Electronic Filing Procedures, 67 FR 68168, 68173 (November 8, 2002).

In accordance with sections 201.16(c) and 207.3 of the rules, each document filed by a party to the investigations must be served on all other parties to the investigations (as identified by either the public or BPI service list), and a certificate of service must be timely filed. The Secretary will not accept a document for filing without a certificate of service.

Authority: These investigations are being conducted under authority of title VII of the Tariff Act of 1930; this notice is published pursuant to section 207.12 of the Commission's rules.

Issued: November 14, 2005.

By order of the Commission.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05–22831 Filed 11–17–05; 8:45 am]

BILLING CODE 7020–02–P

DEPARTMENT OF COMMERCE

International Trade Administration

A–428–839
A–489–814
A–570–902

Initiation of Antidumping Duty Investigations: Carbon and Certain Alloy Steel Wire Rod from Germany, Turkey, and the People's Republic of China

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: December 7, 2005.

FOR FURTHER INFORMATION CONTACT: Tyler Weinhold (Germany), John Drury (Turkey), or Matthew Renkey (People's Republic of China), AD/CVD Operations, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482–1121, (202) 482–0195 and (202) 482–2312, respectively.

SUPPLEMENTARY INFORMATION:

INITIATION OF INVESTIGATIONS

The Petitions

On November 10, 2005, the Department of Commerce (''the Department'') received Petitions (''the Petitions'') concerning imports of carbon and certain alloy steel wire rod (''CASWR'') from Germany (''German Petition''), Turkey (''Turkish Petition''), and the People's Republic of China (''PRC'')(''PRC Petition'') filed in proper form by Connecticut Steel Corp., Gerdau Ameristeel U.S. Inc., Keystone Consolidated Industries, Inc., ISG Georgetown, Inc. (Mittal Steel U.S.A. Georgetown), and Rocky Mountain Steel Mills (''Petitioners'') on behalf of the domestic industry producing CASWR. The period of investigation (''POI'') for Germany and Turkey is October 1, 2004, through September 30, 2005. The POI for the PRC is April 1, 2005, through September 30, 2005.

In accordance with section 732(b) of the Tariff Act of 1930, as amended (''the Act''), Petitioners alleged that imports of CASWR from Germany, Turkey and the PRC are being, or are likely to be, sold in the United States at less than fair value within the meaning of section 731 of the Act, and that such imports are materially injuring and threaten to injure an industry in the United States.

Scope of Investigations

The merchandise subject to this scope is certain hot–rolled products of carbon steel and alloy steel, in coils, of

approximately circular cross section, 4.75 mm or more, but less than 19.00 mm, in solid cross–sectional diameter. Specifically excluded are steel products possessing the above–noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (''HTSUS'') definitions for (a) stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; and (e) concrete reinforcing bars. Also excluded are free machining steel products (*i.e.*, products that contain by weight one or more of the following elements: 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.04 percent of phosphorus, more than 0.05 percent of selenium, or more than 0.01 percent of tellurium).

All products meeting the physical description of subject merchandise that are not specifically excluded are included in this scope. The products under review are currently classifiable under subheadings 7213.91.3011, 7213.91.3015, 7213.91.3092, 7213.91.4500, 7213.91.6000, 7213.99.0030, 7213.99.0090, 7227.20.0000, and 7227.90.6050 of the HTSUS. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this proceeding is dispositive.

Comments on Scope of Investigations

During our review of the Petitions, we discussed the scope with Petitioners to ensure that it accurately reflects the product for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the Department's regulations, we are setting aside a period for interested parties to raise issues regarding product coverage. *See Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997). The Department encourages all interested parties to submit such comments within 20 calendar days of publication of this initiation notice. Comments should be addressed to Import Administration's Central Records Unit in Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230 - Attention: Robert James. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and consult with interested parties prior to the issuance of the preliminary determinations.

Determination of Industry Support for the Petitions

Section 732(b)(1) of the Act requires that a petition be filed by or on behalf of the domestic industry. In order to determine whether a petition has been filed by or on behalf of the industry, the Department, pursuant to section 732(c)(4)(A) of the Act, determines whether a minimum percentage of the relevant industry supports the petition. A petition meets this requirement if the domestic producers or workers who support the petition account for: (i) at least 25 percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A), or (ii) determine industry support using a statistically valid sampling method.

Section 771(4)(A) of the Act defines the ''industry'' as the producers of a domestic like product. Thus, to determine whether a petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission (''ITC''), which is responsible for determining whether the domestic industry has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to a separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to law. *See USEC, Inc. v. United States*, 132 F. Supp. 2d 1, 8 (CIT 2001), *citing Algoma Steel Corp. Ltd. v. United States*, 688 F. Supp. 639, 644 (1988), *aff'd* 865 F.2d 240 (Fed. Cir. 1989), *cert. denied* 492 U.S. 919 (1989).

Section 771(10) of the Act defines the domestic like product as ''a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this title.'' Thus, the reference point from which the domestic like product analysis begins is ''the article subject to an investigation,'' (*i.e.*, the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition).

With regard to the domestic like product, Petitioners do not offer a definition of domestic like product distinct from the scope of the investigation. *See Germany Initiation Checklist, Turkey Initiation Checklist*, and *PRC Initiation Checklist* at Attachment II (Industry Support). Based on our analysis of the information submitted in the Petitions we have determined there is a single domestic like product, carbon and certain alloy steel wire rod, and we have analyzed industry support in terms of that domestic like product.

Our review of the data provided in the Petitions, Supplements to the Petitions, dated November 18, 2005, and November 22, 2005, and other information readily available to the Department indicates that Petitioners have established industry support representing at least 25 percent of the total production of the domestic like product; and more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for or opposition to the Petitions, requiring no further action by the Department pursuant to section 732(c)(4)(D) of the Act. In addition, the Department received no opposition to the Petitions from domestic producers of the like product. Therefore, the domestic producers (or workers) who support the Petitions account for at least 25 percent of the total production of the domestic like product, and the requirements of section 732(c)(4)(A)(i) of the Act are met. Furthermore, the domestic producers who support the Petitions account for more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the Petitions. Thus, the requirements of section 732(c)(4)(A)(ii) of the Act also are met. Accordingly, the Department determines that the Petitions were filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act. *See Germany Initiation Checklist*, *Turkey Initiation Checklist*, and *PRC Initiation Checklist* at Attachment II (Industry Support).

The Department finds that Petitioners filed the Petitions on behalf of the domestic industry because they are interested parties as defined in section 771(9)(E) and (F) of the Act and have demonstrated sufficient industry support with respect to the antidumping investigations that it is requesting the Department initiate. *See Germany*

Initiation Checklist, Turkey Initiation Checklist, and *PRC Initiation Checklist* at Attachment II (Industry Support).

U.S. Price and Normal Value

The following is a description of the allegation of sales at less than fair value upon which the Department based its decision to initiate these investigations on Germany, Turkey, and the PRC. The sources of data for the deductions and adjustments relating to the U.S. price, home–market price (Germany and Turkey), constructed value (Germany and Turkey), and the factors of production (PRC only) are also discussed in the country–specific *Initiation Checklist*. *See Germany Initiation Checklist, Turkey Initiation Checklist*, and *PRC Initiation Checklist*. Should the need arise to use any of this information as facts available under section 776 of the Act in our preliminary or final determinations, we will reexamine the information and revise the margin calculations, if appropriate.

Turkey

Export Price (''EP'')

Petitioners based U.S. price on EP. Petitioners obtained a price for a sale to an end user of the subject merchandise within the POI. Petitioners provided an affidavit with the information. *See* Volume II of the Turkish Petition at Exhibit 5. The price quoted is for a specific grade, quality, and diameter falling within the scope of this petition. Export price was the basis for U.S. price because CASWR was offered for sale to an unaffiliated U.S. purchaser prior to the date of importation. Petitioners deducted from the offer price the expenses associated with exporting and delivering the product: foreign inland freight, foreign brokerage and handling, ocean freight and insurance, U.S. port charges, and a three percent trading company markup, which was based upon research from a market research company as customary for this type of transaction. *See* Volume II of the Turkish Petition at page 5, Exhibit 6, and Exhibit 9. In addition, Petitioners adjusted for differences in imputed credit expenses by subtracting home market credit expenses to the home market price and by adding U.S. imputed credit expenses to the home market price. *See* Volume II of the Turkish Petition at Exhibit 6, and Supplement to the Turkish Petition, dated November 18, 2005, at Revised Exhibit 10, and Supplement to the Turkish Petition, dated November 22, 2005 at 2nd Revised Exhibit 6.

The price quoted was delivered to the customer and included foreign inland freight, and insurance, U.S. import duties and port fees, U.S. inland freight, and an estimated trading company resale markup. *See* Volume II of the Turkish Petition at Exhibit 6, and Supplement to the Turkish Petition, dated November 18, 2005, at Revised Exhibit 10, and Supplement to the Turkish Petition, dated November 22, 2005, at 2nd Revised Exhibit 6.

Normal Value (''NV'')

To calculate NV, Petitioners provided a price quote from Habas Sinai ve Tibbi Galar Istihsal Endustrisi AS (''Habas Sinai''), a Turkish producer of CASWR. The information was obtained from a confidential market research company. The price quote is for a specific grade, quality and diameter falling within the scope of this petition, with FOB mill (*i.e.*, ex–works) delivery terms. *See* Volume II of the Turkish Petition at pages 1–2 and Memorandum to the File, Telephone Call to Market Research Firm Regarding the Antidumping Petition on Carbon and Certain Alloy Steel Wire Rod (CASWR) from Turkey dated November 18, 2005. Petitioners made adjustments for imputed credit expenses. See Volume II of the Turkish Petition at Exhibit 3 and 4, and Supplement to the Turkish Petition, dated November 18, 2005, at Attachment 1 and Revised Exhibit 10. The Turkish HM price per metric ton was converted to short tons using the standard conversion factor. No additional adjustments were made to derive the HM price.

Cost of Production

Petitioners have provided information demonstrating reasonable grounds to believe or suspect that sales of CASWR in the home market were made at prices below the fully absorbed cost of production (''COP''), within the meaning of section 773(b) of the Act, and requested that the Department conduct a country–wide sales–below-cost investigation. Pursuant to section 773(b)(3) of the Act, COP consists of the cost of manufacturing (''COM''); selling, general and administrative (''SG&A'') expenses; financial expenses; and packing expenses. Petitioners calculated COM and packing expenses based on the weighted–averaged production experiences of U.S. CASWR producers during the POI, adjusted for known differences between the costs incurred to manufacture CASWR in the United States and in Turkey using publicly available data. To calculate SG&A and financial expenses, Petitioner relied on the fiscal year 2003 financial statements of Habas Sinai.

Based upon a comparison of the prices of the foreign–like product in the home market to the calculated COP of the product, we find reasonable grounds to believe or suspect that sales of the foreign like product were made below the COP, within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating a country–wide cost investigation. *See Turkey Initiation Checklist*.

Normal Value based on Constructed Value (''CV'')

Pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, Petitioners also based NV on CV. Petitioners calculated CV using the same COM, SG&A, financial and packing figures used to compute the COP. Petitioners then calculated profit based on the FY 2003 financial statements of a Turkish CASWR producer, Habas Sinai. *See Turkey Initiation Checklist*.

Germany

Export Price

To calculate EP, Petitioners obtained a price for a sale of subject merchandise, made within the POI, manufactured by B.E.S. Brandenburger Electrostahlwerke, GmbH (''Brandenburger'') and sold through Brandenburger's affiliated trading company, Riva Stahl. Petitioners provided an affidavit with this information. *See* Volume II of the German Petition at page 2 and Exhibit 5. The price quoted is for a specific grade, quality, and diameter falling within the scope of this petition.

The price quoted was FOB U.S. port, and included foreign inland freight charges, ocean freight and insurance from Germany, and U.S. port fees. See Volume II of the German Petition at pages 2, 3, and 4 and Exhibit 5, and Supplement to the German Petition, dated November 18, 2005, at Attachment 1.

Petitioners deducted a three percent mark–up based upon the actual experience of Stemcor, an international steel trading company, as a publicly available surrogate for Riva's experiences. *See* Volume II of the German Petition at pages 2 and 3 and Exhibit 8 and Supplement to the German Petition, dated November 18, 2005, at Attachment 1.

Normal Value

To calculate NV, Petitioners obtained a price for subject merchandise, as offered for sale by Brandenburger to an unaffiliated customer in the home market. This information was provided by a market researcher. The price quote

is for a specific grade, quality, and diameter falling within the scope of this petition. *See* Supplement to the German Petition, dated November 19, 2005, Foreign Market Research Declaration, and Memorandum to the File, Telephone Call to Market Research Firm Regarding the Antidumping Petition on Carbon and Certain Alloy Steel Wire Rod (CASWR) from Germany dated November 18, 2005.

Petitioners made adjustments to home market gross price for foreign inland freight expense and imputed credit expense. *See* Volume II of the German Petition at pages 1 and 2 and Exhibit 2 and Supplement to the Petition, dated November 15, 2005, Foreign Market Research Declaration at Exhibit 1. To calculate the reported foreign inland freight, petitioners relied on a survey of quotes gathered by the market researcher. *See* Memorandum to the File, Telephone Call to Market Research Firm Regarding the Antidumping Petition on CASWR from Germany dated November 18, 2005.

Cost of Production

Petitioners have provided information demonstrating reasonable grounds to believe or suspect that sales of CASWR in the home market were made at prices below the fully absorbed COP, within the meaning of section 773(b) of the Act, and requested that the Department conduct a country–wide sales–below-cost investigation. Petitioners calculated COM and packing expenses based on the weight–averaged production experiences of certain U.S. CASWR producers during the POI, adjusted for known differences between the costs incurred to manufacture CASWR in the United States and in Germany. To calculate SG&A and financial expenses, Petitioners relied on the fiscal year 2003 financial statements of Brandenburger.

Based upon a comparison of the prices of the foreign like product in the home market to the calculated COP of the product, we find reasonable grounds to believe or suspect that sales of the foreign like product were made below the COP, within the meaning of section 773(b)(2)(A)(i) of the Act. Accordingly, the Department is initiating a country–wide cost investigation. *See Germany Initiation Checklist*.

Normal Value Based on Constructed Value

Pursuant to sections 773(a)(4), 773(b) and 773(e) of the Act, petitioners also based NV on CV. Petitioners calculated CV using the same COM, SG&A, financial, and packing figures used to compute the COP. *See* Volume II of the Petition at page 2 and Exhibit 1. Petitioners then calculated profit based on the FY 2004 financial statements of two German producers of the same general class of merchandise. *See Germany Initiation Checklist*

PRC

Export Price

Petitioners based their U.S. price on information regarding a Chinese quoted offer price as relayed by a U.S. customer. Petitioners based U.S. price on EP because the offer was made by an unidentified trading company to a U.S. customer. The Department deducted from the offer price the expenses associated with exporting and delivering the product: foreign inland freight, foreign brokerage and handling, ocean freight and insurance, U.S. port charges, and trading company markup. *See PRC Initiation Checklist*.

Normal Value

The Petitioners stated that the PRC is a non–market economy (''NME'') and no determination to the contrary has yet been made by the Department. In previous investigations, the Department has determined that the PRC is an NME. *See Notice of Final Determination of Sales at Less Than Fair Value: Chlorinated Isocyanurates From the People's Republic of China*, 70 FR 24502 (May 10, 2005), *Notice of Final Determination of Sales at Less Than Fair Value and Affirmative Critical Circumstances: Magnesium Metal from the People's Republic of China*, 70 FR 9037 (February 24, 2005) and *Notice of Final Determination of Sales at Less Than Fair Value: Certain Tissue Paper Products from the People's Republic of China*, 70 FR 7475 (February 14, 2005). In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and remains in effect for purposes of the initiation of this investigation. Accordingly, because available information does not permit the NV of the merchandise to be determined under section 773(a) of the Act, the NV of the product is appropriately based on factors of production valued in a surrogate market–economy country in accordance with section 773(c) of the Act. In the course of this investigation, all parties will have the opportunity to provide relevant information related to the issues of the PRC's NME status and the granting of separate rates to individual exporters.

The Petitioners identified India as the surrogate country arguing that India is an appropriate surrogate, pursuant to section 773(c)(4) of the Act, because it is a market–economy country that is at a comparable level of economic development to the PRC and is a significant producer and exporter of CASWR. *See* Volume II of the Petition at pages 6–7. Based on the information provided by the Petitioners, we believe that its use of India as a surrogate country is appropriate for purposes of initiating this investigation. After the initiation of the investigation, the Department will solicit comments regarding surrogate country selection. Also, pursuant to 19 CFR 351.301(c)(3)(i), interested parties will be provided an opportunity to submit publicly available information to value factors of production within 40 days after the date of publication of the preliminary determination.

The Petitioners explained that the production process for CASWR occurs in two stages: the melt shop and rolling mill. In the melt shop a furnace melts scrap steel or pig iron. The molten steel then enters a continuous caster which casts the liquid steel into billets. Next, in the rolling mill, the billets are reheated, rolled into CASWR, cooled, coiled and bundled for shipment. *See* Volume II of the Petition at page 9. The Petitioners stated that the manufacturing cost of CASWR in the United States is typical of world–wide steel making costs and, therefore, the use of the U.S. producers' production costs and/or consumption rates represents the best information reasonably available to the Petitioners at this time. *See* Volume II of the Petition at page 8. In building–up the factors of production, the Petitioners started with inputs into the production of billets as the primary input in CASWR.

The Petitioners provided a dumping margin calculation using the Department's NME methodology as required by 19 CFR 351.202(b)(7)(i)(C). *See* Volume II of the Petition at Exhibit 18, and Supplement to the Petition, dated November 18, 2005, at Attachment 3. To determine, for each raw material, the quantities of inputs used by the PRC manufacturers to produce CASWR, the Petitioners relied on the production experience and actual consumption rates of three U.S. CASWR producers. *See PRC Initiation Checklist*.

In accordance with section 773(c)(4) of the Act, the Petitioners valued factors of production, where possible, using reasonably available, public surrogate country data. To value certain factors of production, the Petitioners used *Monthly Statistics of the Foreign Trade of India*, as published by the Directorate General of Commercial Intelligence and

Statistics of the Ministry of Commerce and Industry, Government of India, and compiled by *World Trade Atlas* (''*WTA*''). *See PRC Initiation Checklist.*

For values expressed in Indian rupees, the Department used a simple average of the daily exchange rate for the POI to convert these values from rupees to U.S. dollars in accordance with our standard practice. The Petitioners used a different source for their exchange rates since rates covering the entire POI were not yet available on Import Administration's website at the time that the Petitioners filed the PRC Petition. However, such rates are now available at *ia.ita.doc.gov/exchange/india.txt*, and we have used them in our calculations. *See PRC Initiation Checklist.*

The Department calculates and publishes the surrogate values for labor to be used in NME cases on its website. Therefore, to value labor, the Petitioners used a labor rate of $0.97 per hour, in accordance with the Department's regulations. *See* 19 CFR 351.408(c)(3) and Supplement to the Petition, dated November 18, 2005, at Attachment 3.

The Petitioners calculated surrogate financial ratios (overhead, SG&A, and profit) using information obtained from the Tata Iron and Steel Company Ltd. (''Tata'') 2004–2005 Annual Report. *See* Volume II of the Petition at pages 15–17 and Exhibit 17. Tata is an Indian producer of CASWR. In this case, the Department has accepted the financial information from the Tata 2004–2005 Annual Report for the purposes of initiation, because these data appear to be the best information currently available to the Petitioners. However, the Department has made certain changes to the Petitioners' financial ratio calculations. *See PRC Initiation Checklist.*

Fair Value Comparisons

Based on the data provided by Petitioners, there is reason to believe that imports of CASWR from Germany, Turkey and the PRC are being, or are likely to be, sold in the United States at less than fair value. Based on comparisons of EP to NV, calculated in accordance with section 773(a) of the Act, and of EP to CV, the range of the revised estimated dumping margins for CASWR are 50.25 percent to 81.88 percent for Germany, and 29.23 percent to 77.76 percent for Turkey. Based on comparisons of EP to NV, calculated in accordance with section 773(c) of the Act, the estimated revised weighted–average dumping margin for CASWR from the PRC is 321.76 percent.

Allegations and Evidence of Material Injury and Causation

With regard to Germany, Turkey and the PRC, Petitioners allege that the U.S. industry producing the domestic like product is being materially injured, or is threatened with material injury, by reason of the individual and cumulated imports of the subject merchandise sold at less than NV. Petitioners contend that the industry's injured condition is illustrated by the decline in customer base, lost sales, market share, domestic shipments, prices and profit. We have assessed the allegations and supporting evidence regarding material injury and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. *See Germany Initiation Checklist, Turkey Initiation Checklist, and PRC Initiation Checklist* at Attachment III (Injury).

Initiation of Antidumping Investigations

Based upon our examination of the Petitions on CASWR, we find that these Petitions meet the requirements of section 732 of the Act. Therefore, we are initiating antidumping duty investigations to determine whether imports of CASWR are being, or are likely to be, sold in the United States at less than fair value. Unless postponed, we will make our preliminary determinations no later than 140 days after the date of these initiations.

Separate Rates and Quantity and Value Questionnaire

The Department recently modified the process by which exporters and producers may obtain separate–rate status in NME investigations. *See* Policy Bulletin 05.1: Separate–Rates Practice and Application of Combination Rates in Antidumping Investigations involving Non–Market Economy Countries (*Separate Rates and Combination Rates Bulletin*), (April 5, 2005), available on the Department's Website at *http://ia.ita.doc.gov/policy/bull05–1.pdf.* The process now requires the submission of a separate–rate status application. Based on our experience in processing the separate rates applications in the antidumping duty investigations of *Artists Canvas, Diamond Sawblades* and *CLPP (see Initiation of Antidumping Duty Investigation: Certain Artist Canvas From the People's Republic of China*, 70 FR 21996, 21999 (April 28, 2005), *Initiation of Antidumping Duty Investigations: Diamond Sawblades and Parts Thereof from the People's Republic of China and the Republic of Korea*, 70 FR 35625, 35629 (June 21, 2005), and *Initiation of Antidumping Duty Investigations: Certain Lined Paper Products from India, Indonesia, and the People's Republic of China*, 70 FR 58374, 58379 (October 6, 2005)), we have modified the application for this investigation to make it more administrable and easier for applicants to complete. The specific requirements for submitting the separate–rates application in this investigation are outlined in detail in the application itself, which will be available on the Department's Website at *http://ia.ita.doc.gov* on the date of publication of this initiation notice in the **Federal Register**. Please refer to this application for all instructions.

NME Respondent Selection and Quantity and Value Questionnaire

For NME investigations, it is the Department's practice to request quantity and value information from all known exporters identified in the petition. In addition, the Department typically requests the assistance of the NME government in transmitting the Department's quantity and value questionnaire to all companies who manufacture and export subject merchandise to the United States, as well as to manufacturers who produce the subject merchandise for companies who were engaged in exporting subject merchandise to the United States during the period of investigation. The quantity and value data received from NME exporters is used as the basis to select the mandatory respondents. Although many NME exporters respond to the quantity and value information request, at times some exporters may not have received the quantity and value questionnaire or may not have received it in time to respond by the specified deadline.

The Department is now publicizing its requirement that quantity and value responses must be submitted for both the quantity and value questionnaire and the separate–rates application by the respective deadlines in order to receive consideration for separate–rate status. This new procedure will be applied to all future investigations. Appendix I of this notice contains the quantity and value questionnaire that must be submitted by all NME exporters. In addition, the Department will post the quantity and value questionnaire along with the filing instructions on the IA Website (*http://ia.ita.doc.gov*). This quantity and value questionnaire is due no later than 15 calendar days from the date of publication of this notice. Consistent with Department practice, if a deadline

falls on a weekend, federal holiday, or any other day when the Department is closed, the Department will accept the response on the next business day. *See Notice of Clarification: Application of ''Next Business Day'' rule for Administrative Determination Deadlines Pursuant to the Tariff Act of 1930, as amended*, 70 FR 24533 (May 10, 2005). The Department will continue to send the quantity and value questionnaire to those exporters identified in the Petition and the NME government.

Use of Combination Rates in an NME Investigation

The Department will calculate combination rates for certain respondents that are eligible for a separate rate in this investigation. The *Separate Rates and Combination Rates Bulletin*, states:

> {w}hile continuing the practice of assigning separate rates only to exporters, all separate rates that the Department will now assign in its NME investigations will be specific to those producers that supplied the exporter during the period of investigation. Note, however, that one rate is calculated for the exporter and all of the producers which supplied subject merchandise to it during the period of investigation. This practice applies both to mandatory respondents receiving an individually calculated separate rate as well as the pool of non–investigated firms receiving the weighted–average of the individually calculated rates. This practice is referred to as the application of ''combination rates'' because such rates apply to specific combinations of exporters and one or more producers. The cash–deposit rate assigned to an exporter will apply only to merchandise both exported by the firm in question *and* produced by a firm that supplied the exporter during the period of investigation.

Separate Rates and Combination Rates Bulletin, at page 6.

Distribution of Copies of the Petitions

In accordance with section 732(b)(3)(A) of the Act, copies of the public versions of the Petition has been provided to the Government of Germany, the Government of Turkey, and the Government of the PRC.

International Trade Commission Notification

We have notified the ITC of our initiations, as required by section 732(d) of the Act.

Preliminary Determination by the ITC

The ITC will preliminarily determine, within 25 days after the date on which it receives notice of these initiations, whether there is a reasonable indication that imports of CASWR from Germany, Turkey and the PRC are causing material injury, or threatening to cause material injury, to a U.S. industry. *See* section 733(a)(2) of the Act. A negative ITC determination will result in the investigations being terminated; otherwise, these investigations will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: November 30, 2005.

Stephen J. Claeys,

Acting Assistant Secretary for Import Administration.

ATTACHMENT I

Where it is not practicable to examine all known producers/exporters of subject merchandise, section 777A(c)(2) of the Tariff Act of 1930 (as amended) permits us to investigate 1) a sample of exporters, producers, or types of products that is statistically valid based on the information available at the time of selection, or 2) exporters and producers accounting for the largest volume and value of the subject merchandise that can reasonably be examined.

In the chart provided below, please provide the total quantity and total value of all your sales of merchandise covered by the scope of this investigation (see scope section of this notice), produced in the PRC, and exported/shipped to the United States during the period April 1, 2005, through September 30, 2005.

Market	Total Quantity	Terms of Sale	Total Value
United States.			
1. Export Price Sales. 2.. a. Exporter name. b. Address. c. Contact. d. Phone No.. e. Fax No.. 3. Constructed Export Price Sales. 4. Further Manufactured. **Total Sales**.			

Total Quantity:

- Please report quantity on a short ton basis. If any conversions were used, please provide the conversion formula and source.

Terms of Sales:

- Please report all sales on the same terms (*e.g.*, free on board).

Total Value:

- All sales values should be reported in U.S. Dollars. Please indicate any exchange rates used and their respective dates and sources.

Export Price Sales:

- Generally, a U.S. sale is classified as an export price sale when the first sale to an unaffiliated person occurs before importation into the United States.
- Please include any sales exported by your company directly to the United States;
- Please include any sales exported by your company to a third–country market economy reseller where you had knowledge that the merchandise was destined to be resold to the United States.
- If you are a producer of subject merchandise, please include any sales manufactured by your company that were subsequently exported by an affiliated exporter to the United States.
- Please do not include any sales of merchandise manufactured in Hong Kong in your figures.

Constructed Export Price Sales:

- Generally, a U.S. sale is classified as a constructed export price sale when the first sale to an unaffiliated person occurs after importation. However, if the first sale to the unaffiliated person is made by a person in the United States affiliated with the foreign exporter, constructed export price applies even if the sale occurs prior to importation.
- Please include any sales exported by your company directly to the United States;
- Please include any sales exported by your company to a third–country market economy reseller where you had knowledge that the merchandise was destined to be resold to the United States.
- If you are a producer of subject merchandise, please include any sales manufactured by your company that were subsequently exported by an affiliated exporter to the United States.
- Please do not include any sales of merchandise manufactured in Hong Kong in your figures.

Further Manufactured:

- Further manufacture or assembly costs include amounts incurred for direct materials, labor and overhead, plus amounts for general and administrative expense, interest expense, and additional packing expense incurred in the country of further manufacture, as well as all costs involved in moving the product from the U.S. port of entry to the further manufacturer.

[FR Doc. 05–23738 Filed 12–6–05; 8:45 am]

BILLING CODE 3510–DS–S

APPENDIX B

CONFERENCE WITNESSES

CALENDAR OF PUBLIC STAFF CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's staff conference:

Subject:	Carbon and certain alloy steel wire rod from China, Germany, and Turkey
Inv. Nos.:	731-TA-1099-1101 (Preliminary)
Date and Time:	December 1, 2005 - 9:15 a.m.

Sessions were held in connection with these investigations in Courtroom B, 500 E Street, SW, Washington, D.C.

In Support of Imposition of Antidumping Duty Orders:

Collier Shannon Scott PLLC
Washington, DC
on behalf of

Connecticut Steel Corp.
Gerdau Ameristeel U.S., Inc.
Keystone Consolidated Industries, Inc.
Mittal Steel U.S.A. Georgetown
Rocky Mountain Steel Mills

David Cheek, President, Keystone Consolidated Industries, Inc.
Robert Simon, Vice President and General Manager, Rocky Mountain Steel Mills
Bill Groom, Director of Rod and Bar Sales, Rocky Mountain Steel Mills
Keith Martin, Rod Sales Manager, Gerdau Ameristeel U.S., Inc.
Gus Porter, President, Connecticut Steel Corp.
Brian Kurtz, Vice President and General Manager, ISG Georgetown (Mittal Steel U.S.A. Georgetown)
Patrick Magrath, Georgetown Economic Services
Gina Beck, Georgetown Economic Services

Paul Rosenthal)
Alan Luberda) – OF COUNSEL
Kathleen Cannon)

<u>In Opposition to Imposition of Antidumping Duty Orders</u>:

Willkie Farr & Gallagher
Washington, DC
<u>on behalf of</u>

Group/Shoudu Iron & Steel Company
Anshan Iron & Steel (Group) Corp.
Jiangsu Shagang Group Co. Ltd.
Xiangtan Iron & Steel (Grup) Co. Ltd. (subsidiary of Hunan Valin Iron & Steel Group)
Tangshan Iron & Steel Group Ltd.
Hangzhou Iron & Steel Group Co. Ltd.
Henan Jiyuan Steel & Iron Group Ltd.
Maanshan Iron & Steel Co. Ltd.
Nanjing Iron & Steel United Co., Ltd.
Pingxiang Iron & Steel Co. Ltd.
Qingdao Iron & Steel Group Co.
Shanghai Baosteel Group Corp.
Tianjin Tiangang Steel Group Co. Ltd.

William H. Barringer)
Daniel L. Porter)– OF COUNSEL
Matthew P. McCullough)

Vorys, Sater, Seymour, and Peas LLP
Washington, DC
<u>on behalf of</u>

The American Wire Producers Association (AWPA)

Kimberly A. Korbel, Executive Director, AWPA
Robert Moffitt, Vice President Purchasing, Davis Wire Corporation, and President, AWPA
Joseph Downes, President, Industrial Materials Segment, Leggett & Platt Wire Group
John T. Johnson, Jr., President, Mid South Wire Company

Frederick P. Waite)
Kimberly R. Young)– OF COUNSEL

In Opposition to Imposition of Antidumping Duty Orders:–*Continued*

Arnold & Porter
Washington, DC
on behalf of

ICDAS Celik Enerji Tersame ve Ulasim Sanayi A.S.
Colakoglu Metalurji A.S.
Ege Celik Endustrisi Sanayi ve Ticaret A.S.
Habas Sinai ve Tibbi Gazlar Istihsal Endustrisi A.S.

James Dougan, Senior Economist, Economic Consulting Services

Michael Shor) – OF COUNSEL

Barnes Richardson & Colburn
Washington, DC
on behalf of

Mittal Steel Hamburg
Mittal Steel Hochfeld

Matthew T. McGrath) – OF COUNSEL

DeKieffer & Horgan
Washington, DC
on behalf of

Saarstahl AG and Saarsteel, Inc.

Merritt R. Blakeslee) – OF COUNSEL

Hogan & Hartson
Washington, DC
on behalf of

Michelin North America and Rubber Manufacturers Association

Christian L. Gullot, Director, Government Affairs, Rubber Manufacturers Association
Jim Hoeferlin, Reinforcements Purchasing Manager, Michelin North America, Inc.

Lewis E. Leibowitz)
Helaine R. Perlman) – OF COUNSEL

In Opposition to Imposition of Antidumping Duty Orders:–*Continued*

Covington & Burling
Washington, DC
on behalf of

The Lincoln Electric Company

P. Michael DeShane, Sourcing Manager, Steel and Chemicals, The Lincoln Electric Company

David R. Grace) – OF COUNSEL

McDermott Will & Emery
Washington, DC
on behalf of

Illinois Tool Works Inc.

David Levine) – OF COUNSEL

Akin Gump Strauss Hauer & Feld LLP
Washington, DC
on behalf of

Bridgestone Firestone North American Tire, LLC and Rubber Manufacturers Association

Valerie A. Slater) – OF COUNSEL

Covington & Burling
Washington, DC
on behalf of

The Goodyear Tire and Rubber Company and Rubber Manufacturers Association

Roland Simon, General Manager, Wire Products

Harvey Applebaum) – OF COUNSEL

APPENDIX C

SUMMARY DATA

Table C-1

Steel wire rod: Summary data concerning the U.S. market, 2002-04, January-September 2004, and January-September 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				January-September					Jan.-Sept.
Item	2002	2003	2004	2004	2005	2002-04	2002-03	2003-04	2004-05
U.S. consumption quantity:									
Amount	7,763,501	6,566,568	7,984,834	6,181,536	4,792,642	2.9	-15.4	21.6	-22.5
Producers' share (1)	51.5	63.3	49.9	50.0	54.3	-1.6	11.7	-13.4	4.3
Importers' share (1):									
China	5.3	4.1	9.7	8.1	12.4	4.4	-1.2	5.6	4.3
Germany	0.7	1.7	3.2	3.3	3.7	2.5	0.9	1.5	0.4
Turkey	6.3	6.3	9.8	10.5	6.1	3.5	0.0	3.4	-4.4
Subtotal	12.3	12.1	22.6	21.8	22.1	10.3	-0.2	10.5	0.3
All other sources	36.2	24.7	27.5	28.2	23.6	-8.7	-11.5	2.8	-4.6
Total imports	48.5	36.7	50.1	50.0	45.7	1.6	-11.7	13.4	-4.3
U.S. consumption value:									
Amount	2,417,588	2,151,704	3,961,411	2,963,123	2,623,250	63.9	-11.0	84.1	-11.5
Producers' share (1)	53.6	64.2	51.7	52.2	55.0	-1.9	10.6	-12.5	2.8
Importers' share (1):									
China	4.1	3.2	8.6	7.4	10.2	4.5	-0.9	5.4	2.8
Germany	0.9	1.9	3.2	3.2	3.9	2.3	1.0	1.3	0.7
Turkey	5.0	5.0	8.4	9.1	4.7	3.4	0.0	3.4	-4.4
Subtotal	10.1	10.1	20.2	19.7	18.8	10.2	0.1	10.1	-0.9
All other sources	36.3	25.7	28.1	28.1	26.2	-8.3	-10.7	2.4	-1.9
Total imports	46.4	35.8	48.3	47.8	45.0	1.9	-10.6	12.5	-2.8
U.S. imports from:									
China:									
Quantity	410,926	269,328	770,773	499,654	593,006	87.6	-34.5	186.2	18.7
Value	99,442	68,621	340,877	219,127	267,522	242.8	-31.0	396.8	22.1
Unit value	$242.00	$254.79	$442.25	$438.56	$451.13	82.8	5.3	73.6	2.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Germany:									
Quantity	55,861	108,518	255,478	203,690	175,436	357.3	94.3	135.4	-13.9
Value	22,876	40,883	127,456	94,864	101,845	457.2	78.7	211.8	7.4
Unit value	$409.53	$376.74	$498.89	$465.73	$580.53	21.8	-8.0	32.4	24.6
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Turkey:									
Quantity	491,010	416,370	781,648	646,179	291,364	59.2	-15.2	87.7	-54.9
Value	120,857	108,270	332,694	270,123	124,586	175.3	-10.4	207.3	-53.9
Unit value	$246.14	$260.03	$425.63	$418.03	$427.60	72.9	5.6	63.7	2.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	957,796	794,216	1,807,899	1,349,523	1,059,807	88.8	-17.1	127.6	-21.5
Value	243,176	217,775	801,027	584,114	493,953	229.4	-10.4	267.8	-15.4
Unit value	$253.89	$274.20	$443.07	$432.83	$466.08	74.5	8.0	61.6	7.7
Ending inventory quantity	143,124	51,645	91,049	58,271	74,819	-36.4	-63.9	76.3	28.4
All other sources:									
Quantity	2,807,251	1,618,804	2,194,108	1,740,523	1,129,035	-21.8	-42.3	35.5	-35.1
Value	878,605	552,524	1,111,379	831,654	686,072	26.5	-37.1	101.1	-17.5
Unit value	$312.98	$341.32	$506.53	$477.82	$607.66	61.8	9.1	48.4	27.2
Ending inventory quantity	205,555	168,245	171,982	147,156	154,184	-16.3	-18.2	2.2	4.8
All sources:									
Quantity	3,765,047	2,413,020	4,002,006	3,090,047	2,188,841	6.3	-35.9	65.9	-29.2
Value	1,121,780	770,299	1,912,406	1,415,768	1,180,025	70.5	-31.3	148.3	-16.7
Unit value	$297.95	$319.23	$477.86	$458.17	$539.11	60.4	7.1	49.7	17.7
Ending inventory quantity	348,679	219,890	263,031	205,427	229,003	-24.6	-36.9	19.6	11.5

Table continued on next page.

Table C-1--Continued

Wire rod: Summary data concerning the U.S. market, 2002-04, January-September 2004, and January-September 2005

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				January-September					Jan.-Sept.
Item	2002	2003	2004	2004	2005	2002-04	2002-03	2003-04	2004-05
U.S. producers':									
Average capacity quantity	5,848,522	6,183,062	5,789,946	4,260,999	4,522,915	-1.0	5.7	-6.4	6.1
Production quantity	4,055,307	4,054,534	3,987,952	3,099,680	2,611,079	-1.7	-0.0	-1.6	-15.8
Capacity utilization (1)	69.3	65.6	68.9	72.7	57.7	-0.5	-3.8	3.3	-15.0
U.S. shipments:									
Quantity	3,998,454	4,153,548	3,982,828	3,091,489	2,603,801	-0.4	3.9	-4.1	-15.8
Value	1,295,808	1,381,405	2,049,005	1,547,355	1,443,225	58.1	6.6	48.3	-6.7
Unit value	$324.08	$332.58	$514.46	$500.52	$554.28	58.7	2.6	54.7	10.7
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	248,410	134,716	127,616	135,158	124,220	-48.6	-45.8	-5.3	-8.1
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	2,514	2,649	2,558	2,470	2,327	1.8	5.4	-3.4	-5.8
Hours worked (1,000s)	5,141	5,245	5,069	3,815	3,523	-1.4	2.0	-3.4	-7.6
Wages paid ($1,000)	132,979	138,065	133,648	99,545	97,185	0.5	3.8	-3.2	-2.4
Hourly wages	$25.87	$26.33	$26.37	$26.10	$27.59	1.9	1.8	0.2	5.7
Productivity (tons/1,000 hours)	788.8	773.1	786.8	812.6	741.2	-0.3	-2.0	1.8	-8.8
Unit labor costs	$32.79	$34.05	$33.51	$32.11	$37.22	2.2	3.8	-1.6	15.9
Net sales:									
Quantity	4,005,118	4,168,228	3,993,517	3,099,524	2,616,084	-0.3	4.1	-4.2	-15.6
Value	1,297,634	1,386,830	2,050,640	1,549,417	1,449,920	58.0	6.9	47.9	-6.4
Unit value	$323.99	$332.71	$513.49	$499.89	$554.23	58.5	2.7	54.3	10.9
Cost of goods sold (COGS)	1,212,017	1,369,348	1,700,005	1,262,947	1,268,665	40.3	13.0	24.1	0.5
Gross profit or (loss)	85,617	17,482	350,635	286,470	181,255	309.5	-79.6	1,905.7	-36.7
SG&A expenses	43,246	44,258	56,855	39,359	48,077	31.5	2.3	28.5	22.1
Operating income or (loss)	42,371	(26,776)	293,780	247,111	133,178	593.4	(2)	(2)	-46.1
Capital expenditures	15,654	18,773	25,524	15,020	21,277	63.1	19.9	36.0	41.7
Unit COGS	$302.62	$328.52	$425.69	$407.46	$484.95	40.7	8.6	29.6	19.0
Unit SG&A expenses	$10.80	$10.62	$14.24	$12.70	$18.38	31.9	-1.7	34.1	44.7
Unit operating income or (loss)	$10.58	($6.42)	$73.56	$79.73	$50.91	595.4	(2)	(2)	-36.1
COGS/sales (1)	93.4	98.7	82.9	81.5	87.5	-10.5	5.3	-15.8	6.0
Operating income or (loss)/ sales (1)	3.3	(1.9)	14.3	15.9	9.2	11.1	-5.2	16.3	-6.8

(1) "Reported data" are in percent and "period changes" are in percentage points.

(2) Undefined.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.

Table C-2

Wire rod: Summary data concerning the U.S. market (excluding Sterling Steel from domestic producers), 2002-04, January-September 2004, and January-Septemb

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				January-September					Jan.-Sept.
Item	2002	2003	2004	2004	2005	2002-04	2002-03	2003-04	2004-05
U.S. consumption quantity:									
Amount	7,763,501	6,566,568	7,984,834	6,181,536	4,792,642	2.9	-15.4	21.6	-22.5
Producers' share (1):									
Sterling Steel	***	***	***	***	***	***	***	***	***
All other	***	***	***	***	***	***	***	***	***
Total	51.5	63.3	49.9	50.0	54.3	-1.6	11.7	-13.4	4.3
Importers' share (1):									
China	5.3	4.1	9.7	8.1	12.4	4.4	-1.2	5.6	4.3
Germany	0.7	1.7	3.2	3.3	3.7	2.5	0.9	1.5	0.4
Turkey	6.3	6.3	9.8	10.5	6.1	3.5	0.0	3.4	-4.4
Subtotal	12.3	12.1	22.6	21.8	22.1	10.3	-0.2	10.5	0.3
All other sources	36.2	24.7	27.5	28.2	23.6	-8.7	-11.5	2.8	-4.6
Total imports	48.5	36.7	50.1	50.0	45.7	1.6	-11.7	13.4	-4.3
U.S. consumption value:									
Amount	2,417,588	2,151,704	3,961,411	2,963,123	2,623,250	63.9	-11.0	84.1	-11.5
Producers' share (1):									
Sterling Steel	***	***	***	***	***	***	***	***	***
All other	***	***	***	***	***	***	***	***	***
Total	53.6	64.2	51.7	52.2	55.0	-1.9	10.6	-12.5	2.8
Importers' share (1):									
China	4.1	3.2	8.6	7.4	10.2	4.5	-0.9	5.4	2.8
Germany	0.9	1.9	3.2	3.2	3.9	2.3	1.0	1.3	0.7
Turkey	5.0	5.0	8.4	9.1	4.7	3.4	0.0	3.4	-4.4
Subtotal	10.1	10.1	20.2	19.7	18.8	10.2	0.1	10.1	-0.9
All other sources	36.3	25.7	28.1	28.1	26.2	-8.3	-10.7	2.4	-1.9
Total imports	46.4	35.8	48.3	47.8	45.0	1.9	-10.6	12.5	-2.8
U.S. imports from:									
China:									
Quantity	410,926	269,328	770,773	499,654	593,006	87.6	-34.5	186.2	18.7
Value	99,442	68,621	340,877	219,127	267,522	242.8	-31.0	396.8	22.1
Unit value	$242.00	$254.79	$442.25	$438.56	$451.13	82.8	5.3	73.6	2.9
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Germany:									
Quantity	55,861	108,518	255,478	203,690	175,436	357.3	94.3	135.4	-13.9
Value	22,876	40,883	127,456	94,864	101,845	457.2	78.7	211.8	7.4
Unit value	$409.53	$376.74	$498.89	$465.73	$580.53	21.8	-8.0	32.4	24.6
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Turkey:									
Quantity	491,010	416,370	781,648	646,179	291,364	59.2	-15.2	87.7	-54.9
Value	120,857	108,270	332,694	270,123	124,586	175.3	-10.4	207.3	-53.9
Unit value	$246.14	$260.03	$425.63	$418.03	$427.60	72.9	5.6	63.7	2.3
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Subtotal:									
Quantity	957,796	794,216	1,807,899	1,349,523	1,059,807	88.8	-17.1	127.6	-21.5
Value	243,176	217,775	801,027	584,114	493,953	229.4	-10.4	267.8	-15.4
Unit value	$253.89	$274.20	$443.07	$432.83	$466.08	74.5	8.0	61.6	7.7
Ending inventory quantity	143,124	51,645	91,049	58,271	74,819	-36.4	-63.9	76.3	28.4
All other sources:									
Quantity	2,807,251	1,618,804	2,194,108	1,740,523	1,129,035	-21.8	-42.3	35.5	-35.1
Value	878,605	552,524	1,111,379	831,654	686,072	26.5	-37.1	101.1	-17.5
Unit value	$312.98	$341.32	$506.53	$477.82	$607.66	61.8	9.1	48.4	27.2
Ending inventory quantity	205,555	168,245	171,982	147,156	154,184	-16.3	-18.2	2.2	4.8
All sources:									
Quantity	3,765,047	2,413,020	4,002,006	3,090,047	2,188,841	6.3	-35.9	65.9	-29.2
Value	1,121,780	770,299	1,912,406	1,415,768	1,180,025	70.5	-31.3	148.3	-16.7
Unit value	$297.95	$319.23	$477.86	$458.17	$539.11	60.4	7.1	49.7	17.7
Ending inventory quantity	348,679	219,890	263,031	205,427	229,003	-24.6	-36.9	19.6	11.5

Table continued on next page.

Table C-2--Continued

Wire rod: Summary data concerning the U.S. market (excluding Sterling Steel from domestic producers), 2002-04, January-September 2004, and January-Septemb

(Quantity=short tons, value=1,000 dollars, unit values, unit labor costs, and unit expenses are per short ton; period changes=percent, except where noted)

	Reported data					Period changes			
				January-September					Jan.-Sept.
Item	2002	2003	2004	2004	2005	2002-04	2002-03	2003-04	2004-05
U.S. producers' (excluding Sterling):									
Average capacity quantity	***	***	***	***	***	***	***	***	***
Production quantity	***	***	***	***	***	***	***	***	***
Capacity utilization (1)	***	***	***	***	***	***	***	***	***
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Export shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Ending inventory quantity	***	***	***	***	***	***	***	***	***
Inventories/total shipments (1)	***	***	***	***	***	***	***	***	***
Production workers	***	***	***	***	***	***	***	***	***
Hours worked (1,000s)	***	***	***	***	***	***	***	***	***
Wages paid ($1,000)	***	***	***	***	***	***	***	***	***
Hourly wages	***	***	***	***	***	***	***	***	***
Productivity (tons/1,000 hours)	***	***	***	***	***	***	***	***	***
Unit labor costs	***	***	***	***	***	***	***	***	***
Net sales:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***
Cost of goods sold (COGS)	***	***	***	***	***	***	***	***	***
Gross profit or (loss)	***	***	***	***	***	***	***	***	***
SG&A expenses	***	***	***	***	***	***	***	***	***
Operating income or (loss)	***	***	***	***	***	***	***	***	***
Capital expenditures	***	***	***	***	***	***	***	***	***
Unit COGS	***	***	***	***	***	***	***	***	***
Unit SG&A expenses	***	***	***	***	***	***	***	***	***
Unit operating income or (loss)	***	***	***	***	***	***	***	***	***
COGS/sales (1)	***	***	***	***	***	***	***	***	***
Operating income or (loss)/ sales (1)	***	***	***	***	***	***	***	***	***
Sterling Steel:									
U.S. shipments:									
Quantity	***	***	***	***	***	***	***	***	***
Value	***	***	***	***	***	***	***	***	***
Unit value	***	***	***	***	***	***	***	***	***

(1) "Reported data" are in percent and "period changes" are in percentage points.
(2) Undefined.
(3) Not applicable.

Note.--Financial data are reported on a fiscal year basis and may not necessarily be comparable to data reported on a calendar year basis. Because of rounding, figures may not add to the totals shown. Unit values and shares are calculated from the unrounded figures.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics.