UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of: FERROVANADIUM FROM KOREA

) Investigation No.: 731-TA-1315 (FINAL)

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The meeting commenced pursuant to notice at 9:30 a.m., before the Commissioners of the United States International Trade Commission, the Honorable David S. Johanson, Vice Chairman, presiding.
APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

Vice Chairman David S. Johanson (presiding)
Commissioner Irving A. Williamson
Commissioner Meredith M. Broadbent
Commissioner F. Scott Kieff

Staff:

Bill Bishop, Supervisory Hearings and Information Officer
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Andrew Knipe, Economist
Charles Yost, Accountant/Auditor
Joseph Laroski, Attorney
Douglas Corkran, Supervisory Investigator
Opening Remarks

Petitioners (John B. Totaro, Jr., Neville Peterson, LLP)

In Support to the Imposition of Antidumping Duty Order:

Neville Peterson, LLP
Washington, DC
on behalf of
Vanadium Producers and Reclaimers Association ("VPRA")
AMG Vanadium LLC ("AMG V")
Bear Metallurgical Company ("Bear")
Gulf Chemical & Metallurgical Corporation ("Gulf")
Evraz Stractor, Inc. ("Stratcor")
        Mark Anderson, Vice President of Global Marketing and Sales, AMG V
        David F. Carey, General Manager, Bear
        Jennifer Lutz, Senior Economist, Economic Consulting Services, LLC
        John B. Totaro, Jr. - Of Counsel

Closing Remarks:

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PROCEDINGS

MR. BISHOP: Okay. Will the program please come to order?

VICE CHARMAN JOHANSON: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on investigation number 731TA1315 Final involving Ferrovanadium from Korea.

The purpose of this investigation is to determine whether 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 of Ferrovanadium from Korea. Schedule setting forth the presentation of his hearing, notices of investigation, and transcript order forms are available at the public distribution table. All prepared testimony should be given to the Secretary. Please do not place any testimony directly on the public distribution table.

All witnesses must be sworn in by the Secretary before presenting testimony. I understand the parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary. Speakers are reminded not to refer in their remarks or answers to questions to business or answers to questions to business proprietary information. Please speak clearly into
the microphone and state your name for the record for the
benefit of the court reporter.

If you will be submitting documents that contain
information you wish classified as business confidential,
your request should comply with Commission Rule 201.6. Mr.
Secretary, are there any preliminary matters?

MR. BISHOP: No, Mr. Chairman.

VICE CHARMAN JOHANSON: Very well, let us begin
with opening remarks.

MR. BISHOP: Opening remarks on behalf of
petitioners will be given by John B. Totaro, Junior of
Neville Peterson.

OPENING REMARKS OF JOHN B. TOTARO, JR.

MR. TOTARO: Good morning, Vice Chairman
Johanson, commissioners, members of the commission staff.
My name is John Totaro with the law firm of Neville
Peterson. I'm pleased to be here today on behalf of the
Vanadium Producers and Reclaimers Association and its
members, AMG Vanadium, Bear Metallurgical Company, Gulf
Chemical and Metallurgical Corporation, and Evraz Stractor.

As we outlined in our prehearing brief and as we
will discuss further today, the information on the record of
this proceeding, including facts regarding the volume, price
effects, and impact of subject imports on the domestic
industry clearly demonstrates that the Ferrovanadium
industry in the United States is materially injured by reason of imports of the subject merchandise. The record also confirms that the fundamental conditions of competition in the U.S. market for Ferrovanadium are unchanged from previous proceedings in which the Commission has examined this product.

Because Ferrovanadium is a commodity product, it is sold primarily on the basis of price. And there is a high degree of substitutability among Ferrovanadium from all sources.

Demand for Ferrovanadium is driven by the U.S. steel industry, which consumes this material at a high rate per ton relative to other countries. And the supply of Ferrovanadium in the United States is a combination of domestic production and imported material.

Particularly in 2015, subject imports gained market share using below market pricing. These gains were facilitated by the substitutability and interchangeability of Ferrovanadium from all countries. The low priced imports were particularly injurious to the domestic industry because Korean Ferrovanadium makes up a large proportion of the material traded on the spot market and because the domestic industry's contract prices are directly affected by changes in published spot market prices.

U.S. producers' financial condition in the early
part of the period of investigation fluctuated, but largely reflected the fact that imported Ferrovanadium appeared to be trading at fair prices. And during this time, VPRA members took the opportunity to invest in improvements in their facilities.

However, beginning in 2015, as the volume of subject imports grew significantly, and their prices on the spot market became increasingly aggressive, these imports caused repeated downward adjustments of the U.S. published prices. This resulted in depression of domestic producers' and tollees' contract prices, diminished returns on reduced sales volumes, and severe declines in their profitability in the later portion of the period of investigation.

Subject imports into the United States slowed dramatically after the petition was filed and stopped all together in September 2016. But publicly available statistics show that Korea continued to export massive volumes of Ferrovanadium to other markets and that it shifted greater volumes to these other markets when it reduced its export to the United States in 2016.

Without relief from dumped imports of Ferrovanadium from Korea, petitioners are confident that high volumes of low priced subject imports will resume, along with revenue impacts like those that they experienced in 2015, making it impossible for the industry to sustain
operations.

I urge you to keep these factors in mind as you hear the domestic industry's testimony today and as you consider the record before you. Thank you.

MR. BISHOP: Mr. Chairman, we will now move to the panel in support of the imposition of the anti dumping duty order. This panel has been seated and all witnesses have been sworn.

MR. TOTARO: I'd like to introduce our panel now. We have assembled an experienced group of industry witnesses whose companies represent 100 percent of the production of Ferrovanadium in the United States. And certainly you will find their comments instructive.

First from AMG Vanadium, Mark Anderson, vice president for global marketing and sales. And from Bear Metallurgical David Carey, general manager.

Another VPRA member, Gulf Chemical and Metallurgical who participated in the preliminary phase conference and hoped to participate in today's hearing, but unfortunately was unable to do so. However, I would like to direct the Commission's attention to Exhibit 2 of our prehearing brief, which is a statement prepared by Gulf's CEO Eric Caridroit. Mr. Caridroit explained in his statement that Gulf and Bear filed voluntary Chapter 11 bankruptcy petitions in June 2016 and that "the most
important factor that ultimately led these companies to file their Chapter 11 cases was the declines in the market prices of Vanadium and Melugdinum. And in particular, the declines in the published prices for Ferrovanadium caused by low priced spot market sales of Ferrovanadium from Korea."

Due to the constraints imposed on Gulf by the ongoing bankruptcy proceeding, Mr. Caridroit explained that it was not possible for a representative of Gulf to be at the hearing today. For that reason, he asks that the Commission accept the statement presented at Exhibit 2 to our brief in lieu of Gulf's direct testimony at the hearing.

Finally, I'd like to introduce Jennifer Lutz, a senior economist from the firm Economic Consulting Services, who will present additional testimony at the conclusion of our industry panel. Now before I ask our witnesses to begin, I would like to review just a few issues that we discuss in our prehearing brief. In the exhibits to that brief, we provided affidavits, some of which we had previously provided in the petition that documented the effect of spot sales of Korean Ferrovanadium on published Ferrovanadium prices during 2015 and into 2016. We explained the direct connection between the reductions in those published prices and the declines in revenues of domestic producers and tollees. This information demonstrates the causal nexus, not simply a temporal
connection between the subject imports and the injurious economic impact experienced by these domestic parties.

While Ferrovanadium prices declined globally during 2015 and early 2016, and while prices in the United States likely would have been lower in 2015 than in 2014, even if imports from Korea had been absent from the market, the price declines in the U.S. market would not have been as steep as they were, but for the high volumes of aggressively priced subject imports on the spot market in 2015.

As you will hear later, the 2015 price declines for Ferrovanadium were far steeper than the contemporaneous declines in steel production and raw materials prices would suggest. The facts in the record show that subject imports increased in volume substantially from 2013 to 2014 and again from 2014 to 2015 and that Ferrovanadium from Korea gained market share during the period of investigation.

U.S. production of steel, which is the major source of demand for Ferrovanadium, was roughly flat from 2013 to 2014, but then declined by about 10 percent in 2015. During this period of decreased demand, domestic producer shipments declined and the volume of nonsubject imports declined, but subject imports increased in both volume and market share.

In 2016, U.S. production of steel was slightly lower than in 2015, but Ferrovanadium prices rebounded
strongly, particularly after the filing of the petition, providing further evidence that price declines in 2015 were not solely caused by a decline in demand.

The volume of subject imports also declined dramatically in 2016 due to the pendency this investigation. However, information that the Commission collected from questionnaire responses and from public sources and information we presented in our brief suggest that that subject imports would again be imported at increasing volumes and sold at injurious prices if an order is not put in place, regardless of whether a dramatic increase in consumption is imminent, for example, from an expansion of steel industry demand.

Based on these considerations and others that our panel will discuss today, we believe that the record supports an affirmative determination that material injury to the domestic Ferrovanadium industry due to the subject imports. With that, I would like to begin our industry presentation. Mark?

STATEMENT OF MARK ANDERSON

MR. ANDERSON: Good morning. My name is Mark Anderson. I'm the vice president of global marketing and sales at AMG Vanadium, LLC.

I've worked with AMG for more than nine years. My responsibilities with AMG include overseeing the
marketing and sales of metals and alloys, including Ferrovanadium. My work involves direct contact with our company's Ferrovanadium customers.

AMG has produced Ferrovanadium since 1952 at or production facility in Cambridge, Ohio. AMG produces Ferrovanadium using an environmentally friendly state of the art reduction process that enables us to process a wide range of Vanadium containing materials. AMG's primary raw materials for Ferrovanadium is spent catalyst from oil refineries, and listed hazardous waste, but we can also use residues and ash from power plants that burn Vanadium bearing crudes and other sources.

AMG recycles these materials using a technologically advanced pyro-metallurgical process. The Ferrovanadium that AMG produces typically contains 55 to 60 percent Vanadium by weight. Although we can produce a higher Vanadium content, the percentage of contained Vanadium generally is referred to as a grade of Ferrovanadium product, but the percentage is simply a physical description of the product, not an indicator of its quality.

Ferrovanadium is a commodity product that is sold primarily on the basis of price. As the Commission repeatedly has found in most applications, Ferrovanadium from all sources is interchangeable. While I see from the
public report that many producers cite quality as one of, if not the most important factor in purchasing decisions, in practical terms its high degree of interchangeability makes price the most important factor for Ferrovanadium purchases.

The U.S. Ferrovanadium market is highly competitive. Most purchasers obtain bids from multiple suppliers and these purchasers will change suppliers based on the best price offered. In addition, because Ferrovanadium is priced on a contained Vanadium basis, Ferrovanadium with different percentages of Vanadium content are treated as equivalent in price negotiations.

For most steel industry customers, Ferrovanadium is equally acceptable regardless of Vanadium content. From a functional or a metallurgical perspective, the difference in the amount of iron and other metals in one grade or another is not consequential for the steel makers because they add Ferrovanadium to their melts in very small quantities.

Some prefer a lower percentage of Vanadium because it melts into the steel bath more easily. Others prefer a higher percentage of Vanadium, because it contains a lower proportion of non-Vanadium elements. But the majority of steel industry customers will choose to buy one product over another based primarily on price.

It is our understanding that most Ferrovanadium
sold in the U.S. market is sold on annual contract basis rather than a spot basis, although based on our market intelligence, imports from Korea were sold mainly on a spot basis during 2015.

In the contracts used by AMG and other market participants, monthly spot prices published by CRU Ryans Notes are used as a benchmark in the price term applicable to the monthly shipments under that contract.

That is contract prices are typically based on discount formulas tied to the published spot prices that are in effect over the months of the term of the contract. This fact makes domestic producers highly vulnerable to the effects of declines in the U.S. spot price for Ferrovanadium.

Regardless of whether sales on the spot market are priced below AMG's prices, a spot price is a price low enough to drive current published prices below their existing level. That would reduce the monthly average published price. And that price decline would flow through to reduce our contract sales prices in the following months for all of our contract customers.

For example, the average the CRU Ryans Notes Ferrovanadium price for the month of September 2015 was $8.35 per pound of contained Vanadium. This published price fell four times during the month of October 2015. And as a
result, the monthly average price for October was $7.59 per pound of contained Vanadium.

Hypothetically, if AMG had obligations to ship 500,000 pounds of Vanadium per month under contracts tied to CRU Ryans Notes prices, with a discount of 10 percent off the published price, the decline in the monthly average published price of 76 cents per pound from September to October would have reduced AMG's revenue on shipments in November by almost 350,000. This one month price decline alone would have been detrimental to our financial results, but the declines began months earlier and continue months afterwards.

Published U.S. spot prices shifted farther and farther downward throughout 2015 and into 2016. And as a result, the declines in AMG's revenue began in 2015 and continued and compounded for more than a year.

To give you our specific example, the monthly average published price for Ferrovanadium for December 2015 was less than half of the monthly average price for December 2014. And the average published price in January 2016 was lower still.

And as demonstrated by the information we presented in the petition, and again in our prehearing brief, spot sales of Korean Ferrovanadium were the direct cause of several of those declines. We believe that these
were not isolated events. Instead, they were part of a
total of aggressive pricing of these imports in the U.S.
spot market throughout 2015 and early 2016.

Ferrovanadium prices began to rise somewhat in
the first quarter of 2016, then increased more quickly in
the first few months after we filed our petition. As
discussed in our prehearing brief, published prices fell in
late July, again, in response to low price spot sales of
Ferrovanadium from Korea. By the end of the period of
investigation, prices were again rising, but the average
price for September 2016 was still well below the average
published price for January 2015 when we first started to
see the effects of aggressive pricing of imports from Korea.

In general, a low volume spot sale can cause a
reduction in the published price. However, I want to stress
that the volume of imports from Korea during the period of
investigation was not small. The volume of Korean
Ferrovanadium available on U.S. spot market was much higher
in 2015 than in 2014.

I say this based on my company's experience
because AMG makes occasional spot purchases of
Ferrovanadium. During 2015, when AMG contacted traders to
purchase Ferrovanadium, the product that the traders offered
for these spot purchases was usually of Korean origin.

As imports from Korea drove published
Ferrovanadium prices farther and farther down, our contract sales revenue, which represents nearly all of our annual sales, was dragged down as well. In the petition, and again in our prehearing brief, we included an analysis of AMG's operating income data in 2014 and 2015. It shows in plain terms the damaging economic blow to our company as low price spot sales of Koreaen imports pushed published pricing for Ferrovanadium farther and farther down over the courses of 2015.

These published prices did not recover to any significant extent for over a year once they began falling in January 2015. And this resulted in a compounding effect on our operating income since AMG's contracts with steel companies are tied to those prices.

In addition to revenue effects, AMG also saw its shipment volumes decrease, because orders from contract customer decreased. But despite these worsening conditions, AMG tried to maintain an adequate level of shipments throughout the year. This is both because of our contractual obligations and because permitting our shipment volume to slip farther would have results in declines in our production volume and this would put us at risk of not being able to cover our fixed costs.

Neither option was desirable. We were continuing to ship at high volumes despite the terrible
market prices that we were tied to or reducing production
and incurring the cost consequences.

Furthermore, with the rapid declines in prices, it would have made no sense to hold any material in
inventory. Any inventories would have steady lost value as prices fell. But AMG has done its best to balance these factors during the past two years. Unfortunately, despite our best efforts, the declines in published prices led by spot sales of Korean Ferrovanadium had a damaging impact on AMG's financial condition specifically in 2015 and especially late in that year.

Beyond their direct adverse impact on our profitability, these declines in sales and revenue also reduced our ability to raise capital and make and maintain necessary capital investments.

During the early part of the period of investigation, AMG made several substantial capital investments to improve our production facilities. Based on the market conditions at the time these projects were planned, we reasonably expected these investments would facilitate increased production and market share gains for our company.

However, our ability to sustain these investments became extremely difficult in the face of a major decline in revenue that our company experienced due to
imports from Korea in 2015.

AMG's production processes have always been highly capital intensive and include high fixed costs. To be able to recover our costs, we need to be able to run the plant as a high a capacity utilization rate as possible, so that we can spread costs evenly over a sufficiently large volume of Ferrovanadium sales. In 2015, this became more and more difficult.

The poor market conditions in 2015 also forced AMG to cancel or postpone several capital projects that we -- would have increased the efficiency of our Ferrovanadium plant. We described several projects in a questionnaire response that were put on the shelf until our returns on Ferrovanadium sales can again support these kinds of investments.

U.S. prices have improved in 2016, mainly following a filing of the petition. It is clear to us, however, based on the events of 2015 just how quickly a few low priced sales of subject imports can cause our condition to deteriorate.

MR. ANDERSON: Despite the improvements in 2016, AMG is still feeling the effects of the low-priced Korean Imports sold into the U.S. Market in 2015. Purchasers, encouraged by the increasing volume and decreasing price of the Subject Imports demanded larger discounts in their
contract negotiations for 2016.

    A fifty percent increase in the size of the
discount we have historically provided to our customers.
Improvement in our condition in 2016 would have been even
stronger than that recorded in our data if not for this
effect. If we do not relieve relief and the Subject Imports
resume the practices we saw in 2015 we face another
potential problem with respect to potential availability of
the raw materials we use to make ferrovanadium.

    Ferrovanadium price declines have a direct impact
on our major raw material spent refinery catalyst. The
contracts we use to obtain spent catalyst typically contain
a per unit processing fee as compensation for AMG's services
for recycling the catalyst. In return AMG provides a credit
to the refinery for the value of metals contained in the
catalyst, which include vanadium.

    The metals credits are paid to the refinery as a
percentage of the market price index for each pound of each
metal contained. Under normal market conditions, the net
result is AMG pays a refinery for the spent catalyst however
there is a point at which the metal credits will be lower
than the processing fee and the refinery ends up paying AMG
on net to process the material.

    However for vanadium-bearing spent catalyst that
is not sold on long-term contracts when the market prices
for vanadium drops below a certain level the refineries are forced to reevaluate the cost of sending their spent catalyst to a landfill versus the cost to send the material to a recycler. Our brief discusses a specific episode late in the Period of Investigation when vanadium prices have been driven very low by imports from Korea in which a major U.S. refinery had begun land-filling the spent catalyst because recycling was no longer an economical option due to low metal market prices.

For these reasons and for those we discussed in our Petition and our questionnaire responses and in our brief, we hope that the Commission will reach an affirmative determination in this investigation. We hope that the Commission will agree that the material injury suffered by the U.S. ferrovanadium industry was the result of dumped imports from Korea and that an antidumping duty order can be issued to remedy this situation. If an order is not put in place I have no doubt that the high volumes of low-priced Korean ferrovanadium that caused such harm to AMG and the other VPRA member companies and from which we are still working to recover, will return to the U.S. Market and cause us further injury. Thank you, I look forward to answering any questions you may have.

MR. TOTARO: Thank you, Mark. Our next industry witness is David Carey from Bear Metallurgical.
STATEMENT OF DAVID F. CAREY

MR. CAREY: Good morning. My name is David Carey. I'm the General Manager at Bear Metallurgical Company, a toll processor of ferrovanadium and ferromolybdenum located in Butler, Pennsylvania.

I have been with Bear for ten years. At the time the Petition was filed in March 2016, Bear was a subsidiary of Gulf Chemical and Metallurgical Corporation. Several months after that, as I will discuss further in a moment, Bear was acquired by Yilmaden Holding. As a result of that acquisition, the legal name of my company is now Evergreen Metallurgical LLC but we continue to do business as Bear.

As we explained in our prehearing brief, the structure of Bear's operations as a toll producer of ferrovanadium and ferromolybdenum was not changed as a result of our acquisition by Yilmaden. Bear began producing ferrovanadium in 1991. Our ferrovanadium business consists of toll-processing vanadium pentoxide or V205 supplied by our tolling customers into ferrovanadium.

Bear's process for producing ferrovanadium uses an aluminothermic process to convert V205 into ferrovanadium. In Bear's process, a precisely calibrated mixture of V205, aluminum, iron scrap and other materials is blended and charged into a furnace which is ignited. This process provides its own energy and requires no gas,
electricity or other energy to burn. The reaction that
occurs causes the V205 and iron to be reduced into
ferrovanadium.

The resulting product, which contains
approximately 80 percent ferrovanadium, is then crushed,
analyzed, sized and packaged for delivery. All of the
materials in Bear's process are recycled, reused or sold as
a co-product. No material is land-filled or otherwise
disposed of as waste.

As we reported to the Commission, Bear made
significant capital investments during the early part of the
Period of Investigation but these projects were focused on
replacing worn production equipment, industrial hygiene and
environmental improvements. They did not increase Bear's
overall production capacity.

Bear decided to make these investments at the
time based on our confidence in the market conditions for
ferrovanadium and the volume of production that we could
project given those conditions. Unfortunately the severe
debuts in ferrovanadium prices that began in 2015 directly
impacted Bear's business in terms of the volume of
businesses we received from tollees.

As a result, Bear has significant unused capacity
and has experienced significant revenue declines over the
last two years and we have had to reduce our workforce as
well. As I mentioned, Bear produces ferrovanadium from V205 supplied by our tollee customers. During the Period of Investigation Gulf Chemical and Metallurgical was Bear's largest tollee. Gulf produces the V205 that is supplied to Bear at its facilities in Freeport, Texas through a recycling process using spent oil refinery catalyst as its primary vanadium-bearing raw material. After Bear converts this material into ferrovanadium for Gulf, Gulf is responsible for selling the ferrovanadium in the U.S. Market.

In addition to toll producing for Gulf, during the period examined during this investigation, Bear also produced ferrovanadium on behalf of a small group of other tollees including Stratcor. As we discussed in the Petition and in our prehearing brief, Bear has experienced harmful effects from the volume of low-priced imports from Korea although not in the same way as AMG Vanadium or Gulf.

We sell very little ferrovanadium into the market ourselves. Instead, as a toll-producer these effects flow to Bear through its tollee customers. For example, bear lost significant tolling volume and revenue in 2015 compared to 2014. Bear developed budgeted volumes for 2015 ferrovanadium production based on its discussions with tollee customers and in late 2014. Those budgeted volumes were in line with the volumes that we produced in 2014 if
However, as our tollee customers faced ever-worsening conditions in the U.S. Market during the course of 2015, they reduced their volume of tolling business at bear and our actual 2015 conversion volume ended up far below our budgeted volume for that year. While I cannot go into detail in this public setting, I will say that the steadily declining market conditions during 2015 in particular the steep declines in ferrovanadium prices which were tied to spot sale of ferrovanadium directly impacted the volume of business Bear received from our tollees in 2016.

We have presented additional proprietary information on these developments in our brief. Bear also experienced significant employment impacts as a result of these declines in its tolling business. In the Petition, we addressed the employment impacts we incurred during 2015; in our questionnaire response and in the prehearing brief we explained the effects on Bear's employment data that continued through 2016.

Unfortunately, these effects in 2015 and 2016 came on the heels of earlier employment reductions that Bear introduced in 2013 and 2014. To be clear, Bear believes that these negative impacts on our tolling business are a direct result of the injurious effects experienced by
tollies during 2015 and unfairly traded Subject Imports were a central cause of that injury. Bear discussed this cause and effect in a statement we issued in June 2016 when Bear along with Gulf made the difficult decision to file a petition for relief under Chapter 11 of the bankruptcy code. We specifically referenced the impact of high volumes of imports of ferrovanadium as a factor that drove this decision and the low published prices that resulted from low-priced sales of ferrovanadium from Korea as well as the decline in demand from the U.S. Steel industry that was occurring at the same time.

Fortunately for Bear and its dedicated employees, we found a buyer through the bankruptcy process and we were able to continue our operations. Unfortunately, Gulf has not yet found a buyer and the potential loss of tolling volume that would occur if Gulf idled its production facility is a major concern to us.

The ferrovanadium has improved somewhat over the course of 2016 and I believe this is directly related to the filing of the Petition and the decline in imports from Korea that occurred after this investigation began. We are hopeful that as the market stabilizes further in terms of price and its conditions appear to be improving in terms of steel production, our tollee customers will feel the confidence to increase their volumes of business at Bear.
However if this investigation does not conclude with the issuance of an order, we expect that the import volumes and price depressing effects of ferrovanadium from Korea that we saw in 2015 will return. The economic effects of these developments on Bear's business would be extremely harmful and could put our continued operations in jeopardy.

I believe that the information that the Commission has collected in this investigation supports the conclusion that Bear has experienced material injury during the Period of Investigation and that there is a clear link between the injury we suffered and the effects of low-priced imports of ferrovanadium from Korea on the U.S. Market for ferrovanadium. I ask that you consider my testimony from today along with the information and argument that we presented in our prehearing brief and the other information on the record as you make your determination. I look forward to answering any questions you may have, thank you.

MR. TOTARO: Thank you, Dave. Our next witness is Jennifer Lutz from Economic Consulting Services.

STATEMENT OF JENNIFER LUTZ

MS. LUTZ: Good morning. I am Jennifer Lutz, Senior Economist at Economic Consulting Services. There are a number of conditions of competition that are distinctive to the U.S. ferrovanadium market. Many will be familiar to the Commission due to past cases involving ferrovanadium.
These conditions of competition have been cited by the Commission in prior investigations and continue to be relevant today, they are listed in Slide 1.

Ferrovanadium is used almost exclusively in the steel industry to make certain types of steel, thus demand for ferrovanadium is determined by the volume of production of those types of steel. Because demand for ferrovanadium is a derived demand, consumption follows the cyclical trends of the steel industry.

As ferrovanadium is added to steel in only extremely small amounts, the demand for ferrovanadium is priced inelastic, that is a decline in the price of ferrovanadium generally does not cause the volume of ferrovanadium consumed to increase. There are few substitutes to ferrovanadium and potential substitution is highly limited. Ferrovanadium from all sources is highly interchangeable. Although there are different grades of ferrovanadium the Commission has repeatedly found that ferrovanadium from all sources is interchangeable and that steel producers can generally use ferrovanadium of different grades.

Data collected by the Commission in this investigation demonstrate that ferrovanadium from all sources remains interchangeable. Give the high degree of interchangeability among sources, ferrovanadium is sold
primarily on the basis of price. In prior investigations
the Commission has found that price was an important factor
in purchasing decisions noting that all purchasers cited
price as a major factor in choosing a supplier.

In this investigation price was the most commonly
cited factor considered in making purchasing decisions and
24 of 27 responding purchasers reported that they always or
usually purchase the lowest price product. There is
widespread knowledge of prevailing ferrovanadium prices in
the market. Ferrovanadium prices are published in a number
of sources with CRU Ryan's notes being the most widely used
in the United States.

Furthermore, as you have heard from our witnesses
contracts normally contain pricing formulas that use such
published prices as benchmarks. As a result, changes in
prevailing market prices affect contract prices quickly and
directly. Many domestic and import suppliers compete in the
U.S. ferrovanadium market. These include two U.S.
Producers, one of which toll converts vanadium pentoxide
into ferrovanadium for other parties. Suppliers also
include multiple import sources.

Due to relatively strong demand in the U.S.
Market relative to other markets, the Antidumping Duty
Orders on imports of ferrovanadium from two of the largest
producing countries, China and South Africa, ferrovanadium
prices in the U.S. Market are generally higher than prices in other markets. Petitioners' prehearing brief provides Ryan's notes prices for the POI in the EU and US markets.

Subject Import volumes have been significant. As shown in Slide II from 2013 to 2015 these imports increased from 784,000 pounds contained vanadium in 2013 to 1.6 million pounds contained vanadium in 2015, an increase of more than 105 percent over this period. The volume increase from 2014 to 2015 occurred during a period when US consumption of ferrovanadium declined. While much of the data are confidential, Subject Import volumes have been significant and increasing absolutely and as a percent of total imports, as a percent of domestic production and as a percent of apparent consumption.

The volume of Subject Imports was particularly significant as it is Petitioners understanding that ferrovanadium from Korea is largely sold on the spot market. The low prices of the Subject Imports caused published ferrovanadium prices to decline, adversely impacting the prices received under any contract tied to the published prices.

How did the Subject Imports increase their presence in the U.S. Market? By selling at very low prices. Imports of ferrovanadium from Korea are sold largely on the spot market and are directly responsible for a number of the
reported changes to the published price in 2015 which led
directly to lower revenues for the Domestic Industry.

As you have heard, contract prices in this market
are generally tied to published spot prices, most commonly
the prices published in CRU Ryan's notes. It is clear from
Slide III that prices fell modestly during 2013 and 2014.
However, in 2015 as Subject Imports continued to increase in
volume, prices plummeted falling by 50 percent. Petitioners
believe that these declines are linked directly to the
Subject Imports and provide a detailed evidence to support
this belief in a series of affidavits that are presented in
our prehearing brief.

Given our understanding that the Subject Imports
are more frequently sold in the spot market and Domestic
Product is more often sold through contracts with prices
typically set at a discount to the published spot price, we
would not necessarily expect to see underselling by the
Subject Imports. Because of the dynamics of this market,
even higher priced imports could affect the price of every
pound of ferrovanadium sold under contract and injure the
Domestic Industry.

However, the revised pricing data prepared by the
Commission Staff show that Subject Imports undersold
Domestic Product in the majority of instances in 9 of 14
comparisons at margins as high as 16.7 percent and that the
volume of Subject Imports underselling the Domestic Industry was almost twice as large as the volume of Subject Imports overselling the Domestic Industry.

The adverse impact of the Subject Imports on the Domestic Industry in 2015 was significant. While the Domestic Industry experienced declines in shipping volumes even as Subject Imports increased in volume, the harm to the Domestic Industry was most notably caused by the sharply declining prices during the year. The CRU Ryan's notes U.S. Price averaged 12 dollars and 25 cents per pound in January of 2015. By December that price had fallen to 6 dollars and 19 cents per pound and the price continued to fall in January of 2016.

As described in our brief, the Subject Imports have been directly linked to multiple declines in the published U.S. spot prices during the course of 2015 and these price declines directly caused U.S. sales prices to fall. The Domestic Industry saw significant declines in profitability from 2014 to 2015 but the financial injury to the Domestic Industry is truly apparent if the 4th quarter of 2015 is considered alone as discussed in detail in our prehearing brief.

During the Preliminary Investigation, Commission Staff asked questions regarding other factors potentially affecting ferrovanadium prices during this period, such as
changes in steel production and changes in the price for
vanadium pentoxide which is the input converted into
ferrovanadium by Bear. The data shows that these factors do
not explain the decline in U.S. prices in 2015.

With respect to steel production, slide IV shows
the monthly CRU Ryan's notes prices and monthly U.S. Steel
production. As you can see, the trends in these two lines
are similar during the POI until 2015 when prices started to
drop sharply despite increasing steel production in the 1st
months of the year. Exhibit 6 to our prehearing brief shows
the data going back to 2009 further demonstrating the
unusual divergence in the trends in 2015.

The gap narrowed again in 2016 after the filing
of the petition in this case. This is particularly notable
because U.S. ferrovanadium prices improved significantly in
2016 particularly after the filing of the Petition even as
U.S. Steel production fell slightly.

Slide V shows the monthly ferrovanadium prices
along with the monthly vanadium pentoxide prices. Again,
these data show that there is a relatively stable difference
in the prices for the intermediate material and the finished
product until 2015 when Subject Imports increased in volume
and caused declines in U.S. spot prices. Again, the
relative prices started to return to a more normal pattern
in 2016.
Exhibit 7 to our prehearing brief provides these prices going back further in time, showing that the normal relationship is apparent even then. That concludes my testimony and I would be happy to answer your questions.

MR. TOTARO: Thank you, Jennifer. Before we conclude, I would like to touch on a few points with regard to threat of material injury. Although the facts establishing present material injury are clear, Petitioners believe that the record also supports the determination that the domestic ferrovanadium industry is threatened with material injury by reason of Subject Imports. Several factors support this determination as well.

First, the volume of Subject Imports more than doubled from 2013 to 2015, which clearly represents a significant rate of increase. Subject Imports' share of the total volume of U.S. shipments of ferrovanadium also increased over the Period of Investigation. These data indicate that increased Subject Imports are likely.

Second, the likelihood of increased Subject Imports is also reflected in the existence of other large export markets for Korean ferrovanadium from which shipment volumes can be shifted. Importantly, public export statistics show that Korea shifted over one million pounds of ferrovanadium away from the United States and two other export markets in 2016, the year in which the Petition was
This demonstrates the Korean ferrovanadium industry's ability to rapidly shift its export volumes among markets. While I cannot address this information publicly, our prehearing brief included an analysis of the data reported by the Korean ferrovanadium producers, including data on capacity utilization and projections for operations in 2016 and 2017, all of which support a determination that continued or increased Subject Imports are likely in the future.

MR. TOTARO: Third, the prehearing report states that between 2013 and 2015, U.S. importers' inventories and ratios increased by every measure. Without getting into proprietary data, the inventory information reported by U.S. importers of Korean ferrovanadium support an affirmative threat determination.

Fourth, the subject industry has access to large and varied sources of vanadium raw materials. From China to a large extent, but not exclusively. And this, too, would facilitate increases in subject imports.

Fifth, subject import prices, spot sales specifically, has significant depressing or suppressing effect on domestic prices, mainly during 2015, but also in 2016. These documented effects are likely to continue and thus demand for low-priced Korean ferrovanadium in the spot
market will likely remain strong.

Finally, as we discussed, domestic producers' ability to source adequate raw materials becomes increasingly complicated when vanadium prices are low, and this, too, increases these producers' vulnerability to increased subject imports.

For the reasons discussed by our panel today, we believe the Commission should make an affirmative determination in this investigation. That concludes our direct presentation and we look forward to answering any questions you may have. Thank you.

VICE CHAIRMAN JOHANSON: We will now begin Commissioner questions beginning with Commissioner Kieff.

COMMISSIONER KIEFF: Thank you very much. We all are very interested in having the benefit of the good attorney argument and witness testimony that each of you has provided. I am having a hard time understanding why we're here talking about it. There's no other side. And the type of information you've provided certainly could have been provided in a written submission. Presumably we're here to exchange ideas in a live setting. What have you told me here that couldn't have been provided in a written submission?

MR. TOTARO: Well, I guess we looked at this as an opportunity, as I understood was our responsibility to
present a summary of what we had --

COMMISSIONER KIEFF: So we do have the benefit of all of your information that you've already provided.
I'm trying to figure out what we're getting out of this activity right now.

MR. TOTARO: Hopefully this will provide an opportunity, if the issues were not clear to you or if you had questions that we did not address in our written materials, this would provide the Commission with an opportunity to ask those questions directly to the industry witnesses, so we're presenting that opportunity to you.

COMMISSIONER KIEFF: And was that opportunity helped by the opening statement?

MR. TOTARO: Hopefully that was setting the stage for those questions. But --

COMMISSIONER KIEFF: Well, more so than the written submissions?

MR. TOTARO: No. And I --

COMMISSIONER KIEFF: So I generally think, at least for me, I like to deploy my office's resources efficiently so that I can help you the next time you come. And your colleagues and your fellow industries when you are asking for our attention, I want to know how to provide it efficiently.

So, at least for me, especially where there's no
other side, you're going to ask to meet with me, it's going
to help me know what matters to you if you tell me something
unique in the interaction. And at least for me, I didn't
find anything in the oral testimony that wasn't either
provided or providable in written form.

So, just in the future, I'd encourage you to
consider that option so that you can get the most bang for
your buck. I know that it cost you a lot of effort to come
and present and I want you to get the most for your effort.
At least for me, as someone trying hard to make the
decisions you're asking me to make, it helps me if I can
efficiently exchange information with you.

The one question that I do have about the
information is -- to recognize that there is confidentiality
with respect to the pricing data, so I'm going to ask a
somewhat abstract question in the hopes that in the
post-hearing you can provide more concrete answers, but it's
probably not ripe or appropriate for discussion in the open
setting. And I was trying to listen for it.

I apologize if I missed the answer, but as I
understand, and again, I'm going to wade gently into this
and ask staff to signal if I'm getting too close to
proprietary information. The pricing data involves more
than one pricing product; is that okay? Can you, in the
post-hearing, be as specific as you can about what
conclusions you want us to draw from the price trends in the
different pricing products. And then if you have questions
about that question, if you are having trouble following it,
please ask now.

MS. LUTZ: This is Jennifer Lutz. I understand
your question and we'll be happy to respond to it in our
brief.

COMMISSIONER KIEFF: Great. Yeah. I have no
further questions. I just really want to encourage you,
especially in settings where we don't have someone else on
the other side to challenge what information you're
presenting, to present your information in ordinary written
submissions, and if what you really want is the opportunity
to exchange ideas, then an opening statement that says, "we
stand on our written submissions, and we're here to answer
questions" is a technique that I've always taught my
students in trial advocacy to adopt as trial attorneys, one
I often adopted and I would encourage you to consider it, if
it suits your needs.

It's up to you to use the time, however you
want, we like to try to provide and accommodate requests.
I'm just noticing that this time didn't appear to be used to
accomplish anything that could not have been accomplished by
a written submission. Thanks. I have no further questions.

VICE CHAIRMAN JOHANSON: Thank you, Commissioner
Kieff. And I would like to thank all of you for being here today. I know we've seen you all before. So, welcome back.

Petitioners have referred in their brief to reduce levels of seal making and to the harmful turn in the ferrovanadium market in 2015, and that can be found at Pages 6 and 46 of your brief. What happened to demand for ferrovanadium in 2015? And also, how much of the domestic industry's condition in 2015 is explainable by reduced steel making?

MS. LUTZ: I'll start and I think probably my colleagues will have some comments on that. According to the data that we looked at from the World Steel Association, steel production in the United States fell about 10% from 2014 to 2015. The apparent consumption data are confidential, but there was a similar decline in apparent consumption.

But if you look at the slide that we prepared on steel production and ferrovanadium prices over time, the drop in ferrovanadium, especially when you look at the monthly changes in steel production, the declines in 2015 are not as severe as the drop in prices would suggest.

MR. ANDERSON: This is Mark Anderson, AMG Vanadium. We did see a similar drop in ferrovanadium requirements. Just about all of our sales of ferrovanadium during that time period were done on annual contracts based
on estimated volumes that the customers expected to take in 2015 or 2016. And they weren't coming close to their estimated volume, so we had to go out and look for other options, contract outlets we could supply ferrovanadium. So we did see the 10% drop in vanadium.

VICE CHAIRMAN JOHANSON: Thank you, Ms. Lutz and Mr. Anderson for your responses. I'm not seeing a market share shift between domestic product and Korean imports. They both seem to have increased from 2013 to 2015. And that can be seen in Staff Report Table C-1. To what extent did Korean imports simply take nonsubject import market share?

MR. TOTARO: I think there were declines in shipments from the domestic producers from 2014 to 2015 and or maybe the largest impact though was in terms of the price effect. There was some market share effects and volume effects, but I think that the larger impact was in terms of the impact on the revenues based on the pricing of the Korean product.

VICE CHAIRMAN JOHANSON: And along the same lines, given rising trends in U.S. production between 2013 to 2015, is there any reason to believe that imports of ferrovanadium from Korea would displace U.S. production?

MR. TOTARO: I think that that is a concern. And I think that there were increasing volumes from Korea in
the market and so that they were displacing -- and there
were declines in U.S. shipments, so there was some
displacement happening, and I think that as that material
was available, that's become -- if it's there as an option
for purchasers who are looking for material -- the
potential is there to lose even more volume.

MS. LUTZ: I think, as you heard in
Mr. Anderson's testimony, the volume effects in 2015 were
not as--on the part of the domestic industry--were mitigated
by the fact that they had contracts that they weren't going
to not supply because prices fell, and the fact that they
have very high fixed costs and operating at reduced levels
would have been even worse for their financial results. And
in a period of declining costs, the incentives to holding
inventory are very low.

Because if you produced in January 2015 and held
those inventories through the end of the year, they would've
fallen in value by half. So there were strong incentives
for the domestic industry to continue to produce and sell
the volumes that they had contracted to, but the subject
imports effects on the spot prices affected the price of
every single pound sold under contracts.

VICE CHAIRMAN JOHANSON: Thank you, Ms. Lutz.
The Staff Report indicates that imports from several
nonsubject countries collectively count for a large share of
ferrovanadium imports. Can you all comment on the role of nonsubject imports in the U.S. ferrovanadium market?

MR. TOTARO: Well, I'll start and then I'm sure our industry witnesses will have something to add. In general, the volume of nonsubject imports decreased over the course of the POI, in contrast to subject imports that increased over the POI. It's confidential information, but there is information in the Staff Report regarding the presence of the method of sales of nonsubject imports and subject imports in terms of presence on the spot market or sales by contracts.

And that data shows a larger presence by Korean imports in the spot market than nonsubject imports. But it's my understanding that there is -- that the domestic industry does compete against nonsubject imports and subject imports in the U.S. market and that there are, where there are nonsubject imports competing for contracts sales, that's direct competition with domestic industry as well.

MR. ANDERSON: I think the key difference is the nonsubject imports compete with us more on contract sales and annual volumes and things like that, where the subject imports from Korea, from my understanding, don't do annual contracts. It's strictly all spot sales. So the more volume they brought in, the more aggressive they were on pricing, and the more it hurt us with our monthly and annual
VICE CHAIRMAN JOHANSON: Thank you for your response, Mr. Anderson. And Mr. Totaro, I apologize. I think you already said this, but about what percentage of nonsubject imports are contracts? If that's proprietary, just respond in writing.

MR. TOTARO: Okay, I'll do that, because it is proprietary. Those numbers, yeah.

VICE CHAIRMAN JOHANSON: Okay. That's what I assumed. Thanks for your responses there. How is there a volume-based injury on this record if the industry as a whole improved its market share notwithstanding the increase in subject imports?

MR. TOTARO: There is, um--the market share, I believe the market share of the domestic industry would have been higher but for this higher presence of subject imports. The subject imports increased, and nonsubject imports decreased during the period. And so in essence there was some increase in the domestic share, but it was roughly flat during the three years of the POI.

So I think, you know, where there is--one side of the volume effect is just the large presence of subject imports on the spot market, and their ability to influence the spot market I think was greater because there was greater amounts of that material in the market.
MS. LUTZ: I think that in general we would certainly argue that the subject imports were significant in volume, and that volume increased even as consumption was declining. But that the primary adverse effect they had on the domestic industry was on price, not on volume.

VICE CHAIRMAN JOHANSON: Thank you, Ms. Lutz and Mr. Totaro. My time is expiring, so we will now move on to Commissioner Williamson.

COMMISSIONER WILLIAMSON: Thank you. Thank you for coming this morning to give your testimony.

I understand you've cited the fact that Gulf has filed for Chapter 11 bankruptcy in June, and in 2016 I guess Gulf idled its operations. What is the current status of Gulf?

MR. TOTARO: My understanding is that Gulf is still operating, still producing V205. They're following two tracks, and they provide some more details about this in their statement at Exhibit 2 to our brief. But they are proceeding on two tracks. One is looking for a purchaser, looking for a buyer, and the other is preparing, if they don't find a buyer, preparing to, down the road to idle their facility. But I don't think they've set a hard date for either.

And in our post-hearing brief I can be glad to touch base with Gulf and get their status as of that point,
as of next week, if you'd like an update on their status.

COMMISSIONER WILLIAMSON: Okay, thank you. This
is a general question, and you don't have to answer it--you
may not even know the answer. Is there anything about the
status of the industry and the market that would be very
encouraging for them in terms of finding a buyer? I'm just
trying to get a little background.

MR. TOTARO: Well I can't speak directly for Gulf,
but from what I understand is that certainly as prices seem
to be solidifying and improving a little bit, as steel
production seems to be increasing slightly, I think that
raises the prospects for the likelihood of them finding a
buyer. I hope that they do.

COMMISSIONER WILLIAMSON: Okay. For Bear, to what
extent can your--your purchaser, what kind of company was
that? Were they already in the business, other mining,
minerals operations, just out of curiosity?

MR. CAREY: This is Dave Carey. Yeah, Yuleman
Holding is a global company. It's based in Istanbul Turkey.
They're in many sectors, but this is their first adventure
into the ferrovanadium and ferro mylanum. They're a very
large ferro chrome producer.

COMMISSIONER WILLIAMSON: Okay, and they're
already in the U.S. market?

MR. CAREY: In the U.S. market with the ferro
chrome, correct.

COMMISSIONER WILLIAMSON: Okay. Thank you. Is Gulf still supplying UVT05 to convert?

MR. TOTARO: We're receiving material from Gulf, but it's been purchased by a third party. So they're selling all of their V205 to a third party, which is then converting with Bear.

COMMISSIONER WILLIAMSON: Okay, thank you.

Okay, this is probably going to be post-hearing, but this morning, what explains the trends in Gulf shipments of the ferro vanadium over the POI?

MR. TOTARO: We'll be glad to respond to that in our brief.

COMMISSIONER WILLIAMSON: Okay, thank you. A number of purchasers identify grade as an important factor in making purchasing decisions. Could you elaborate on the types of products on which your purchasers are unable to substitute between grades 40-60 and 35-80 of ferro vanadium? We talk about them being substitutable, but I guess not for everybody.

MR. ANDERSON: This is Mark Anderson. I believe a lot of that is preference of the metallurgist. Some people prefer the 50 grade. Some people prefer the 80 grade. And it's just been their system all along that, hey, I use 50, I'm going to stay with 50. If I leave this mill within a
large corporation, they move around quite a bit and they go somewhere else, then they kind of take their past practice with them.

There are some grades that prefer 80 only, a lot of tool steels that are very--require very low residuals, don't like the higher residuals and the higher iron convent of the 50 grade. So a lot of the tool steels and some of the foundry grade type materials prefer 80 specifically. But other than that, it's just pretty much the preference of the metallurgist

COMMISSIONER WILLIAMSON: Okay. So with the lower grades, or with the 40 to 60, you've got more stuff to remove afterwards? Is that it?

MR. ANDERSON: Yes, and obviously you'd have higher iron content, a higher silicon. Some guys are aluminum killed shops, and some are silicon killed shops, so the silicon doesn't matter to the silica killed shops at all. Where the aluminum guys don't want the silicon. So it's kind of balanced in that.

COMMISSIONER WILLIAMSON: Okay. Thank you. But preferences of the metallurgist rules here?

MR. ANDERSON: Correct. The metallurgist is making the final decision.

COMMISSIONER WILLIAMSON: I was in Flanges factories last year, which is kind of a family operation in
some respects, so I understand what you're getting at.

Okay, from 2013 to 2015, of course as you already know, the share of nonsubjects fell sharply. The value of imports from the Czech Republic in particular declined. As Evraz is the subsidiary of that Czech producer, can Evraz--you may have to do this post-hearing--explain the decisions the company made during this 2013-15 period and its 2016 by how it supplied the U.S. market? And I understand this has to be done post-hearing.

MR.; TOTARO: Yes, I can get that response directly from Evraz and put that in our report.

COMMISSIONER WILLIAMSON: Okay, thank you. That would be helpful.

You argue that subject imports were responsible for falling U.S. prices in 2015. However, none of the purchasers confirmed this effect in table V-9 of the staff report. So does Table V-9 sort of hurt your argument about the role of the subject imports?

MR. TOTARO: I'm sorry? I missed the beginning part of your question. Could you repeat that, please?

COMMISSIONER WILLIAMSON: Okay, you argue that subject imports were responsible for--I'm sorry, let me speak into the microphone. That might help. You argue that subject imports were responsible for falling U.S. prices in 2015. And, but none of the purchasers confirmed this
effect, if you look at table V-9. So I'm wondering, does
this table hurt your argument?

MS. LUTZ: Which table?

COMMISSIONER WILLIAMSON: V-9.

MS. LUTZ: Got it.

COMMISSIONER WILLIAMSON: This is I think the
purchasers' responses. Yes, it's the purchasers' responses
to U.S. producer price reductions.

MR. TOTARO: Unfortunately I'm looking at the
public report and the entire table is proprietary, so--

COMMISSIONER WILLIAMSON: Okay, so post-hearing if
you could take a look at that.

MS. LUTZ: Just to provide a little context, I
think that because the effects of the subject imports on the
contract prices were less direct than those purchasers
would--you know, they can say, no, my prices fell but I
never even looked at Korean imports. So I don't see a link.

But the evidence that we have provided in our
brief shows that these price declines were directly linked
to the subject imports and those effects flowed through to
all of the contracts.

So while the purchaser might now attribute that
decline to the subject imports, we've provided the evidence
that makes that link.

COMMISSIONER WILLIAMSON: Okay. Now were there
any stories going around? A lot of times when people come
in they'll tell us, yeah, you know, when I talked to my
purchaser, or I talk to my prospective purchaser he tells me
the Korean prices are out there. You haven't mentioned any
kind of that stuff.

So what was the buzz?

(Pause.)

Are relations so stable in this industry that
people don't really talk to each other about what they're
doing?

MR. ANDERSON: This is Mark Anderson. I believe
there was an affidavit, a couple of affidavits submitted
that talked about the low-priced purchases of Korean
ferrovanadium that happened over the Period of
Investigation. And like I stated, even, we go out to
purchaser material every once in awhile just to have 80
grade, or 50 grade in inventory, and during these years we
were offered Korean material most of the time, where
previously it was not Korean material we were being offered.

So there was just a lot more Korean material
coming in over this time period, and like I said it's all
being sold into the spot market versus the large volume of
sales which happens on contracts. So it was pushed through
at lower prices.

COMMISSIONER WILLIAMSON: Okay. Thank you. It's
just, as I said, usually there's Internet ads and stuff like
that that people have that show what's going on there.
Okay, thank you.

Thank you.

COMMISSIONER BROADBENT: I want to thank the
witnesses for coming today. It does help me to kind of talk
through some of these things with you all in person.

Mr. Totaro, you were talking--something sort of
caught my ear as I was sitting up here. You said domestic--
the industry market share in the first three years of the
Period of Investigation was largely flat?

MR. TOTARO: Yes, there was a small increase in
2013 to 2015, and again that's proprietary but it was--

COMMISSIONER BROADBENT: That small? Really?

MR. TOTARO: Well I can give you the exact
numbers--you're looking at the exact numbers, but, yes, I
think in my opinion the change was not great. But we can
elaborate on that in our post-hearing brief.

COMMISSIONER BROADBENT: You may want to give me
some context because that doesn't ring true to me here
looking at the numbers I've got on my chart.

What determines a vanadium pentoxide producer or
trader's decision to opt for a conversion of the vanadium
pentoxide in ferrovanadium versus selling vanadium pentoxide
into other channels? Can I say that again?
How do we decide, when the trader or the producer is trying to make a decision what he does, whether it's vanadium pentoxide and whether he turns it into ferrovanadium, kind of what are the dynamics of that decision?

MR. CAREY: This is Dave Carey. The decision to convert is driven by price, the difference in price between the vanadium oxide and the ferrovanadium. So a larger spread. There's a lot more opportunity there to make some money. When that spread becomes narrow, then the decision is to not convert.

I would say that there are a lot more ferrovanadium sales than there are oxide sales. So most of the sales occur as a ferro sale.

COMMISSIONER BROADBENT: Okay. In your post-hearing brief can you discuss the individual reasons why specific domestic shippers of ferrovanadium experienced increases in their shipments while others experienced substantial decreases in their shipments?

MR. TOTARO: Yes, we'll address that in the brief. But as an initial response, we'll point you back to some of the statements that Mr. Anderson made during his statement about the benefits to the company in terms of covering their costs of keeping the shipments high, despite the declining prices. And part of that is a cost issue, and part of that
are their commitments under the contracts that they've made
to supply the steel industry producers even though the
prices might be declining if they've committed to volumes to
supply those volumes, then those will move on despite
they're losing--the revenue is declining because of the
declines in spot market prices.

COMMISSIONER BROADBENT: Okay. This would be for
Mr. Totaro. In your prehearing brief you discuss the volume
of nonsubject imports having declined for reasons that were
unrelated to the subject imports.

Given that the U.S. industry was able to gain
market share in 2015, why does it matter that subject
imports were able to increase significantly if they were
solely displacing nonsubject imports which were declining
for their own reasons?

MR. TOTARO: I think the point I was trying to
make was that if the steel industry demand was decreasing,
that would seem to--then the decrease in nonsubject imports
would seem to make sense, if steel industry consumption was
declining.

But subject imports, imports from Korea, were
increasing and so my point there was that they seemed to be
motivated by factors that the nonsubject imports were not.
So that the subject imports were continuing to come in at
greater and greater volumes, despite the fact that demand
was decreasing. Whereas, nonsubject imports were following a different path.

COMMISSIONER BROADBENT: Okay. Ms. Lutz, if most prices are set according to contracts which are using last month's spot prices primarily set by imports, wouldn't we expect to see under-selling during periods when prices are falling and over-selling when prices are increasing?

MS. LUTZ: If we were looking at this on a month-to-month basis, potentially. But I think that—so that could be having some effect, certainly, although even when earlier in the period when prices were not declining there was under-selling as well.

So, yes, that certainly can have an effect, timing, but looking at it as a quarter helps mitigate some of that difference. So we certainly would not rest our arguments on the under-selling data. The evidence with respect to the subject imports impacts on the published prices is a much more direct—more direct evidence of the effect that they had on domestic producers' prices.

COMMISSIONER BROADBENT: Okay, thank you. In this segment, Commissioner Kieff touched on, and I just wanted to be sure I understood the argument. U.S. prices for product one didn't face—they decreased to a greater extent than the U.S.; prices for product two. And product one of course didn't face any import competition, and product two did.
Can you explain this trend?

MS. LUTZ: I think that it--I wouldn't characterize product one as not facing import competition, because these products are all sold in contracts referencing the spot price. They are following the same declines in the published price. And there are some slight differences in product one and product two that are confidential and I can discuss further in the post-hearing brief.

COMMISSIONER BROADBENT: Okay. Alright, Mr. Carey, on page 5 and 6 of your prehearing brief you listed a quote from Bear during the Chapter 11 bankruptcy proceedings. You state it specifically references the impact of imports. The quote reads: "We anticipate a return to profitability as we address challenging market conditions, including unusually low metal prices, reduced levels of steel-making in the U.S., and higher than usual levels of imports of our products."

'I just had a couple of questions about this. You reference a return to profitability. Where in our data set can we see a point at which Bear has not been profitable in its ferrovanadium operations? Was this statement regarding profitability in reference to nonferrovanadium operations?

MR. CAREY: We can certainly address that in our post-hearing brief, the specifics of the period of
unprofitability.

COMMISSIONER BROADBENT: Okay. You reference unusually low metal prices as a problem. As a toll producer, why would low metal prices affect your business? Aren't you making money through the volume and the toll margin?

MR. CAREY; That's correct. We do charge a fee for the conversion process. We also guarantee a metallurgical yield back to the toll material that we recover in excess of that metallurgical yield that's built into our business plan. So our business model includes that. And when low metal prices are there, our sales of the excess metallurgical yield are lower and that impacts us directly at the bottom line.

COMMISSIONER BROADBENT: Okay, let's see. I had one more question to fit in here. Mr. Totaro, you ask us to focus our analysis of injury on the 2015 period, and in particular you asked us to compare 2015 to 2014. However, if we look at the domestic industry's financial performance, we need to understand why it was so profitable in 2014 in order to understand why profits fell in 2015.

Can you please address why the industry was so profitable in 2014? And can you compare that to 2015 profitability, and then to profitability in the interim 2016?
MR. TOTARO: We can go into more detail in the brief, but the greatest influence in the revenues of the domestic producers is the spot market price. And you saw in the charts that we presented in our testimony very severe price drop from 2014 to 2015. And you could see that over the course of 2015 that the effect in the quarterly analysis that we presented in our brief of the revenues going down, and down, and down, as the published prices decreased.

So you had the effect of prices. You also had higher production by the steel industry in 2014. So I think those are two key factors. If anyone else would like to add to that? Or we can add more in the brief. Anything?

(No response.)

MR. TOTARO: Okay, if we can just leave that as our initial response, then we'd be glad to provide more detail on a proprietary basis in the brief.

COMMISSIONER BROADBENT: So why was the industry so profitable in 2014? You said steel--

MR. TOTARO: The industry was more profitable in 2014 than 2015--

COMMISSIONER BROADBENT: Well it was pretty profitable, right? Or do you see this one as largely flat, too?

MR. TOTARO: No, I'm not arguing that at all. I'm arguing that there was a big decline from 2014 to 2015.
COMMISSIONER BROADBENT: Yes, and I'm just trying to figure out what was going on in 2014 that was making the industry so profitable.

MR. TOTARO: As I say, they were selling through contracts, the same types of contracts in 2014 and 2015, and in both years the prices that they were receiving from their customers were determined by the published prices. Then since the published prices were so much lower in 2015 than 2014, that had a major impact in their revenues between the two years.

COMMISSIONER BROADBENT: Okay. I don't find that so illuminating, but thank you very much.

VICE CHAIRMAN JOHANSON: Petitioners commented in their brief, or in your brief at pages 11 and note 35 that the U.S. steel industry consumes a larger percentage of vanadium per ton of steel produced compared to many countries.

Why is this the case? Don't other countries put vanadium into bearing steel such as rebar and construction bar?

MR. TOTARO: They do. And that statement was based on testimony of a particular one of our witnesses at the conference who explained that I guess the proportion of total steel produced in this country includes maybe a higher percentage of those types of steel that include a higher
percentage of vanadium. But maybe one of our--Mark, do you want to talk to that?

MR. ANDERSON: Michael Anderson, even the rebar in the U.S. has a higher percentage than other countries, like China, India and places like that. So, several PLR and rebar in the U.S. has more ferrovanadium. The U.S. also produces more high alloy steel than anywhere else in the world, which takes more ferrovanadium as well. So there's a product grade difference as well as philosophy difference.

VICE CHARMAN JOHANSON: Yeah, thanks. We deal with a lot of steel cases this year and I always like learning more about steel. It was something I didn't know anything about until about five years ago when I arrived here.

Why would the U.S. be putting more ferrovanadium in the steel than other countries, such as China, which you just mentioned with regard to rebar.

MR. ANDERSON: China is moving more and more in our direction. Really, if you just like look at ferrovanadium gives strength to steel, so if you put in high beams and things like and you build that building you can actually use less steel because of the strength of the ferrovanadium.

If you look back to when China had all the earthquakes and things and buildings crumbled, so because of
that they've decided to strengthen the steel in the buildings that they're putting up now. So they're moving more and more in our direction, but they're still not to the level of ferrovanadium, even in rebar, that we are here in the U.S.

VICE CHARMAN JOHANSON: Okay, thank you, Mr. Anderson.

To what extent are the data of the tollees' relevant to our analysis of the financial condition of the domestic industry and how do you square such consideration with the statute which requires us to consider the impact of subject imports on the producers of ferrovanadium and GM Bear, rather than the tollees.

MS. LUTZ: This is Jennifer Lutz.

I think that certainly the Commission has made numerous determinations that Bear and AMG are the domestic industry producing the product; however, as we've discussed, they have very different business models. And looking at the information on the tollees' provides a better basis for understanding the volume effects, for example, at Bear.

Because the tollees are being more directly affected by the market prices than Bear is, more directly, because they're selling the ferrovanadium into the market. So if the tollees are doing poorly, they are less likely to have their volumes -- have ferrovanadium pentoxide tolled...
into ferrovanadium if they're just selling it at a loss. So
I think that it provides some more information about how the
low prices are affecting the domestic industry even in a
less direct way.

VICE CHARMAN JOHANSON: Thanks, Ms. Lutz.
In August 2012, all six Commissioners voted in
the negative in reviewing orders on ferrovanadium and
nitrate vanadium from Russia. Should the negative in that
case give us any pause in this original investigation on
ferrovanadium from Korea?

MR. TOTARO: This is John Totaro.
No, I don't think it should. My reading of the
Commission's determination in that 2012 sunset review was
that the determining factor was the arguments of the Russian
industry that they had changed their business model so that
they no longer intended to supply the U.S. market with
ferrovanadium. They're no longer producing ferrovanadium.
Their intent was not to produce ferrovanadium in Russia;
that they intended only to produce vanadium bearing
materials that they would send to other countries to be
converted into ferrovanadium in those other countries. That
they weren't going to be producing ferrovanadium in Russia
and exporting ferrovanadium from Russia, so I think that's a
very specific situation that's not relevant at all to this
investigation.
VICE CHARMAN JOHANSON: Thank you, Mr. Totaro.

Yes, I barely remember that investigation. That was five years ago during my first months here at the Commission, so that happened some time ago, but thank you for filling us in on that.

The majority of responding producers, tollees, and importers reported that there are substitutes for ferrovanadium, whereas, the majority of purchasers reported that there were none and this can be seen in the staff report at page 213.

Which is and what are the substitutes, in your view, and how have they impacted the market, if at all, during the period of investigation?

MS. LUTZ: Well, I'll just start by saying there are some technical substitutes that most purchasers probably wouldn't consider because it's not economic for them to use these other products, and probably Mark can provide a little more detail on that.

MR. ANDERSON: Mark Anderson.

Vanadium niobium can be used in steel production as well and is sometimes used as a substitute for ferrovanadium or vanadium niobium, either way. That is one product that can be substituted. We have not seen much of that over the course of period of investigation, but that can happen.
VICE CHARMAN JOHANSON: Is that substitute used in other markets -- in the production of steel in other markets?

MR. ANDERSON: It can be, yes.

VICE CHARMAN JOHANSON: Do you know if it actually is being used?

MR. ANDERSON: I do not.

VICE CHARMAN JOHANSON: Okay.

MR. ANDERSON: We've not saw anything really external to the U.S. export-wise, so I don't participate in those markets.

VICE CHARMAN JOHANSON: Okay.

MS. LUTZ: My understanding is that vanadium niobium is considerably more expensive than ferrovanadium so that while, technically, it could be used most producers would not even consider it because of that.

VICE CHARMAN JOHANSON: Thanks, Ms. Lutz.

And could you all please describe the differences in raw material for U.S. and Korea producers; that is, differences between recycled and spent catalyst versus vanadium ore and how, if at all, do differences in the costs of these inputs impact the pricing and production as well?

MR. TOTARO: I will say it's my understanding that vanadium ore is not a raw material used by the Korean
producers. It's my understanding that they convert V205, vanadium pentoxide just like Bear does, but that AMG vanadium uses a different production method than Bear or the Korean producers.

As Mark Anderson explained, their primary raw material is spent catalyst from oil refineries, which contains vanadium. So it's my understanding is that the Korean producer's production method is very similar to Bear's, but AMG's is a different method.

VICE CHARMAN JOHANSON: When you use a different method -- let's say the spent catalyst versus the oil-produced catalyst.

MR. TOTARO: That's all the same thing.

VICE CHARMAN JOHANSON: All the same thing, okay. There's no quality difference involved.

MR. TOTARO: Well, the product, the catalyst that we refer to as a raw material for AMG vanadium the new catalyst, unspent catalyst is consumed by the oil refineries. It's put into the tanks where the refining process is going on. And once the catalyst has done its job in the refining process, it's a waste product, but it has some absorbed some vanadium through that process and so the oil refinery needs to get rid of that some how and the they've found that there is this -- that producers like AMG vanadium are able to take that waste material and extract
the valuable metals from it and in the process save the
refinery the -- the refinery doesn't have to landfill that
waste material, so we have recycling that waste and AMG gets
some value out of that.

VICE CHARMAN JOHANSON: So when I was preparing
for this hearing, I found it very interesting. Vanadium is
very common in the earth's crust; is that correct, but it's
uneconomical to get it?

MR. TOTARO: Well, in some places in the earth
it only appears in ore in certain areas of the earth and you
know even in oils it's only -- it's my understanding that it
only appears in crude oils from certain places, from South
America or from the oil sands in Canada.

VICE CHARMAN JOHANSON: Okay, so it's actually a
byproduct for the oil and not the catalyst which is used in
the production of the oil?

MR. TOTARO: Well, the material that AMG
vanadium receives from the refinery is the spent catalyst.

VICE CHARMAN JOHANSON: Okay, so it's not from
the oil itself then?

MR. TOTARO: No. But I think that it's because
the catalyst had been through the ore refining process that
it has absorbed the vanadium from the oil.

VICE CHARMAN JOHANSON: Okay. Okay, it's just
interesting.
Mr. Anderson, did you want to say something?

MR. ANDERSON: That's correct. He was saying South American oil and Canadian oil contains small amounts of vanadium in it, so when it passes through these catalysts the catalyst takes out the sulfur and the vanadium out of the oil as they process it and gets captured in these catalysts and then it becomes a hazardous waste and they dump it into railcars and ship it to us or Gulf or whoever they can process it as long as the metal values allow that. Either that, or like he said, it could go to the landfill.

VICE CHARMAN JOHANSON: Okay, thanks a lot.

Yeah, this is not really relevant to the investigation, but my brother-in-law is a geologist and he works in the oil industry and he just loves to talk about geology. And I've become somewhat of a fan of it myself, so thanks for informing me further on this.

That concludes my questions. We're going to now to, though, to Commissioner Williamson. And before I end, let me just say I thank you all for appearing here today. I found it quite useful, the information you presented, so thank you for being here.

COMMISSIONER WILLIAMSON: Okay, just following up on that last question, is the reason the plant is in Houston because they process some of the oil -- or refines some of the oil that comes from, say, places like Venezuela
or did I get it wrong?

MR. CAREY: I can't speak to the history of Gulf, but I believe that's a logical assumption. Yes.

COMMISSIONER WILLIAMSON: Okay, I was just wondering. This is part of the geology part.

You talked about the fact that I guess most of the customers are long-term contracts, but it's the spot market changes that are driving down the prices. I assume the contracts may vary some, but does it matter whether you have -- and I guess all of the contracts have adjustments in them, clauses in them. Do those clauses vary very much and would contracts with clauses that adjust more frequently be more subject to the prices being driven by the imports or is all of this kind of standardized?

MR. TOTARO: I'll start and Mark can continue.

We've talked some about this in our brief and my understanding is that a typical long-term annual or a long-term contract for ferrovanadium in the U.S. market would have a pricing clause that changes every month based on the average of the published prices in a publication like Ryan's Notes. I believe that would be the most common publication, the average for the previous month. So that would be then the -- that would affect the shipments in a particular month so that the price term there or the price of the material supplied under the long-term contract would
change every month.

Excuse me. And I should say that where the competition occurs between suppliers who are supplying, pursuant to the long-term contract, if they're all tied to the spot prices where the competition occurs is the discount they offer the customer off of that monthly average, so they're not all offering the same price. They're competing based on the discount percentage off of the monthly average.

COMMISSIONER WILLIAMSON: Okay, good. Thank you for that.

If you produce multiple products on shared equipment, how do you allocate available capacity among different products and what is the ideal capacity and product mix for both AMG and Bear, individually? And if it's proprietary, of course, post-hearing is appropriate.

MR. TOTARO: For AMG vanadium, they reported there the product they produce is vanadium and the other products that result in that and that they sell are byproducts of the vanadium production, so it's not a question of allocating production to one or the other. When they produce ferrovanadium, these byproducts are generated.

COMMISSIONER WILLIAMSON: Okay, when they produce ferrovanadium, so I mean they use the same equipment to produce other products?

MR. TOTARO: AMG does not, no.
COMMISSIONER WILLIAMSON: Okay.

MR. CAREY: This is Dave Carey.

So Bear does. We do produce ferrovanadium and ferromolybdenum. It is demand driven, so the equipment would be shared. Most of our equipment is interchangeable, so it can be used for both products. And as I mentioned, it's demand driven.

COMMISSIONER WILLIAMSON: Okay. What is ferromolybdenum used for?

MR. CAREY: It's a very similar product to ferrovanadium. It gives different properties to steel where ferrovanadium is used for strengthening, so a small amount of vanadium gives a large amount of strength, 40 percent reduction in mass in some cases using vanadium. Molybdenum is a little bit different. When you add ferromolybdenum to steel you get a work-hardening effect and some anti-corrosives, so you'll find that in like drilling, tubal goods, like that type of thing where you drill rigs and so forth, tooling steels.

COMMISSIONER WILLIAMSON: Okay, so in a sense you can't say there's -- the idea of capacity is whatever meets demand or the ideal product mix or whatever meets demand.

MR. CAREY: I would say at our case at Bear ferrovanadium is much more profitable of a product to
product. Ferromolybdenum there's not a lot profit in there. It does absorb fixed costs, so when we do produce that it will take up some of the fixed costs, but the ferrovanadium is definitely a higher mix for us. It's a better profitability for Bear.

COMMISSIONER WILLIAMSON: Okay, thank you.

I just have one other question here. Exhibit 12 of your brief shows U.S. and EU for ferrovanadium during the POI they show similar trends with prices falling substantially in 2015 and then arising in 2016. What caused the EU prices to follow the same trends as the U.S. prices and does this similarity show that something other than subject imports were affecting ferrovanadium prices?

MR. TOTARO: One of the statements that we made earlier was that there were drops in metal prices -- a lot of different kinds of metal prices during that period, but it's our position that the price declines in ferrovanadium were much more severe than could've been expected otherwise because of the affects of the subject imports.

And with regard to the European prices, I think what those charts show is that for a long time -- and one of our charts begins back in 2009 -- the gap between the U.S. and European prices was there, but was relatively constant with the U.S. price being higher. But then as we got into 2015, there were occasions where those two trend lines got
closer and at a certain point and I think more than one
point during the POI, during that lighter part of the POI,
the U.S. price actually dropped below the European price,
which is unusual based on the historical data. And you know
we believe that that was due to the low pricing by subject
imports and their influence on the spot market prices.

COMMISSIONER WILLIAMSON: Why has traditionally
the U.S. price been higher?

MR. TOTARO: I think there's been a variety of
factors. Do you want to talk a little bit about that?

MS. LUTZ: I think a significant factor is the
existing orders on imports from China and South Africa,
which are two of the largest ferrovanadium-producing
countries or vanadium producing countries in the world.

COMMISSIONER WILLIAMSON: Okay. And there
haven't been any AD-CVD cases in Europe on these products, I
take it?

MS. LUTZ: Not that I'm aware of.

COMMISSIONER WILLIAMSON: Okay. Okay, good.

Thank you for those answers and I have no further questions.

VICE CHARMAN JOHANSON: Commissioner Broadbent?

COMMISSIONER BROADBENT: Yeah, I had a few more.

This is for the industry witnesses please Mr.

Anderson and Mr. Carey. What determines a purchaser's
decision to source according to a spot sale or a short-term
contract or longer term contracts?

MR. ANDERSON: Mark Anderson.

Some of the large steel companies have such a large volume of vanadium requirements on an annual basis that they have to go -- or feel that they have to go contracts to make sure that they have that material covered and I guess other guys have much smaller vanadium requirements and have less mills that they're trying to cover on vanadium contracts, so they just elect to try and purchase on the spot market.

MR. CAREY: This is Dave Carey.

I would agree with Mark's comments.

COMMISSIONER BROADBENT: Okay, so you don't have one purchaser kind of sitting there saying do I go spot? Do I go contract? They are either more generally contract or more generally spot?

MR. CAREY: This is Dave again.

As the tollees I would see would have a contract and then they would make any access needs with spot business. In some cases you have the smaller companies that Mark mentioned that would just buy on spot as need be.

COMMISSIONER BROADBENT: Okay. So if purchasers chose between spot sales and contracts for their sourcing decisions, wouldn't the offer of contract prices influence spot sales prices as well as the other way around?
MR. ANDERSON: Mark Anderson.

The contract sales are all based on the prior
month average for all the spot sales and then there's a
discount applied to that average number. A discount is set.
Like for 2016 it was mostly negotiated and set in
October/November timeframe, so that just carries throughout
the entire year. So the contract sales are all directly
tied back to those spot sales and I don't see vice versus.
I don't see how that would apply.

COMMISSIONER BROADBENT: So the spot sales
affect the contract prices, but not vice versus?

MR. ANDERSON: Correct.

COMMISSIONER BROADBENT: Okay. Do you agree
with that?

MR. CAREY: I do agree with that. The
publications base their published price on spot sales.

COMMISSIONER BROADBENT: Okay. Mr. Totaro, back
on profitability. You state that 2014 was a more profitable
year because of the higher steel making and higher published
prices. I just wanted to kind of see if we can get into
this a little bit. With respect to Ms. Lutz's graph on page
4, I'm seeing only a slight elevation in 2014 compared to
2013 or 2015. Does that mean that the slight decrease in
2015 in steel production affected financial profitability of
the industry?
MR. TOTARO: The 10 percent decrease in 2015 combined with the decreases -- the much larger decreases in prices, yes, I think those two combined affected the profitability.

COMMISSIONER BROADBENT: Okay. You stated that there were higher published Ryan's Notes prices in 2014, but 2014 is when we see the largest increase in imports from Korea and the greatest underselling, so why were the published prices high in the 2014?

MR. TOTARO: I don't know exactly why. I know that when we sought to find direct evidence of the influences of Korean imports where we found that or where we were able to find specific information was in 2015, but I don't have --

COMMISSIONER BROADBENT: Wait. What did you find in 2015?

MR. TOTARO: The affidavits that we provided in our brief, which provide explanations of the link between spots sales of Korean ferrovanadium and declines in the published prices.

COMMISSIONER BROADBENT: Okay.

MR. TOTARO: That's the year where we were able to obtain that information.

COMMISSIONER BROADBENT: Okay. I want to take a look at Table VI-1 of the pre-hearing staff report which
talks about -- addresses the financial performance of AMG
and Bear. I'm just interested in whether some of these
costs and expenses are related to competitive conditions in
the ferrovanadium market.

Should the Commission take into account the
affect of byproduct revenues on the industry's cost of goods
sold given that these byproducts are not part of the
domestic like product. Please discuss whether and to what
affect any change in financial performance resulting from
changes in byproduct revenues might be considered as
evidence of injury to an industry by reason of subject
imports.

MR. TOTARO: We'll be glad to address that in
our brief.

COMMISSIONER BROADBENT: Why would AMG's other
factory costs increase between 2013 and 2015 and please
discuss whether these changes and other factory costs might
be considered as evidence of injury to the industry by
reason of the subject imports?

MR. TOTARO: We'll address that as well in our
brief.

COMMISSIONER BROADBENT: Okay. Footnote 4 of
Table VI-1 of the pre-hearing staff report refers to write
downs that occurred particularly in the latter portion of
the period of investigation. Without going into any
specifics here because it's all PBI, I know, I'm hoping that you can address further the cause of these impairments and whether the result in increase in the costs of goods sold can be linked to import competition.

MR. TOTARO: We'll address that one as well in the brief.

COMMISSIONER BROADBENT: Okay, Mr. VICE CHARMAN, I think that concludes that I had for the witnesses today.

VICE CHARMAN JOHANSON: Thank you, Commissioner Broadbent. Commissioner Williamson?

COMMISSIONER WILLIAMSON: Just one follow-up question. I was curious of what you could say about why the Respondents aren't here today. I assume they're very busy at Commerce and they didn't want to spend the money or any speculation on that?

MR. TOTARO: I don't know. And to your point, and to Commissioner Kief's point earlier, it was not our intent to waste anyone time and we hoped that our appearing here would provide an opportunity for you to ask any questions you had. But will say that until a few days ago -- since there is another party to this proceeding it was only a few days ago that we learned that they would not be appearing here and not filing a pre-hearing brief, so that came as a surprise to us. And hopefully, our being here was helpful to all of you, but no, I have no information to
explain why they're not here.

COMMISSIONER WILLIAMSON: Okay. I think you can see by the number of questions that we had that it was useful and very useful for us to have you here and we appreciate it.

I will also sort of say you have an unfair -- you have a disadvantage here. Last week we had a hearing on shrimp and all of our taste buds were engaged. And when you get ferrovanadium, it just doesn't compete. But we appreciate you all the questions and answers that you've given us today and it's been very helpful. Thank you.

MR. TOTARO: You're welcome. Glad to be here.

VICE CHARMAN JOHANSON: Thank you, Commissioner Williamson.

Yeah, the shrimp hearing really caught our attention because we all like shrimp, but geology is quite interesting as well. I really enjoyed that part of preparing for today's hearing, but thank you again for appearing here today.

This concludes Commissioners' questions. Staff, do you have any questions?

MR. CORKRAN: Douglas Corkran, Office of Investigations.

Thank you, VICE CHARMAN Johanson. Staff has no additional questions.
VICE CHARMAN JOHANSON: Thank you, Mr. Corkran.

We will now turn to the Petitioner's closing.

MR. BISHOP: Closing remarks on behalf of Petitioners will be given by John B. Totaro, Jr., of Neville Peterson. Mr. Totaro you have five minutes.

CLOSING REMARKS OF JOHN B. TOTARO, JR.

MR. TOTARO: Thank you.

The United States is and will remain an undeniably attractive market for Korean ferrovanadium producers because the U.S. steel industry is such a large consumer of ferrovanadium. While demand from U.S. steel makers was lower in 2015 than in previous years, this fact did not stop imports of ferrovanadium from Korea from entering the United States at growing volumes and these imports were consistently sold at below market prices in order to gain market share in a declining market.

The steadily increasing volume of imports from Korea was interrupted when the domestic industry filed its petition; however, we are confident that without import relief imports from Korea will resume and will displace market share currently held by domestically produced ferrovanadium and will again cause declines in published prices in the U.S. market.

Subject imports would again easily gain market share because of the importance of price and purchasing
decisions and the high degree of substitutability of ferrovanadium from all sources. The material injury to the U.S. industry is reflected in the negative trends in its profitability and shipment volumes in the year prior to the filing of the petition. The industry is extremely vulnerable to the continued affects of subject imports due to its high fixed costs and the sensitivity of formula-base contract sales to changes in published spot prices.

Based on the domestic producers and tollees' financial data on the record, it is clear that these firms continued operations are at risk unless import relief is imposed to address the damaging affects of subject imports.

In summary, we submit that the information on the record in terms of volume, price, and impact demonstrates that the domestic ferrovanadium industry is material injured and that there is a causal link between that injury and dumped imports of ferrovanadium from Korea. Furthermore, there is significant evidence on the record demonstrating that the industry is threatened with further material injury by the subject imports.

Thank you for your time today and thank you for your attention as you consider the facts on the record and the arguments presented by the BPRA and its members in making your final determination in this case. Thank you.

VICE CHARMAN JOHANSON: Thank you, Mr. Totaro.
I will now turn to the closing statement.

Post-hearing briefs, statements responsive to questions and requests of the Commission and corrections to the transcript must be filed by March 28, 2017. Closing of the record and final release of data to parties occurs on April 12, 2017 and final comments are due on April 14, 2017 and this hearing is now adjourned.

(Whereupon, at 11:29 a.m., the hearing was concluded.)
CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Ferrovanadium from Korea

INVESTIGATION NOS.: 731-TA-1315

HEARING DATE: 3-21-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 3-21-17

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