

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of:  
FERROVANADIUM FROM KOREA

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

Pages: 1 - 83  
Place: Washington, D.C.  
Date: Tuesday, March 21, 2017



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UNITED STATES OF AMERICA  
BEFORE THE  
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF: ) Investigation No.:  
FERROVANADIUM FROM KOREA ) 731-TA-1315 (FINAL)

Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC  
Tuesday, March 21, 2017

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.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Vice Chairman David S. Johanson (presiding)

5 Commissioner Irving A. Williamson

6 Commissioner Meredith M. Broadbent

7 Commissioner F. Scott Kieff

8

9

10

11 Staff:

12 Bill Bishop, Supervisory Hearings and Information

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17 Lawrence Jones, Investigator

18 Karen Taylor, International Trade Analyst

19 Andrew Knipe, Economist

20 Charles Yost, Accountant/Auditor

21 Joseph Laroski, Attorney

22 Douglas Corkran, Supervisory Investigator

23

24

25

1 Opening Remarks

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

3

4 In Support to the Imposition of Antidumping Duty Order:

5 Neville Peterson, LLP

6 Washington, DC

7 on behalf of

8 Vanadium Producers and Reclaimers Association ("VPRA")

9 AMG Vanadium LLC ("AMG V")

10 Bear Metallurgical Company ("Bear")

11 Gulf Chemical & Metallurgical Corporation ("Gulf")

12 Evraz Stractor, Inc. ("Stratcor")

13 Mark Anderson, Vice President of Global Marketing and  
14 Sales, AMG V

15 David F. Carey, General Manager, Bear

16 Jennifer Lutz, Senior Economist, Economic Consulting  
17 Services, LLC

18 John B. Totaro, Jr. - Of Counsel

19

20 Closing Remarks:

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

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1 P R O C E E D I N G S

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

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

8 The purpose of this investigation is to  
9 determine whether an industry in the United States is  
10 materially injured or threatened with material injury or the  
11 establishment of an industry in the United States is  
12 materially retarded by reason of imports of Ferrovandium  
13 from Korea. Schedule setting forth the presentation of his  
14 hearing, notices of investigation, and transcript order  
15 forms are available at the public distribution table. All  
16 prepared testimony should be given to the Secretary. Please  
17 do not place any testimony directly on the public  
18 distribution table.

19 All witnesses must be sworn in by the Secretary  
20 before presenting testimony. I understand the parties are  
21 aware of the time allocations. Any questions regarding the  
22 time allocations should be directed to the Secretary.  
23 Speakers are reminded not to refer in their remarks or  
24 answers to questions to business or answers to questions to  
25 business proprietary information. Please speak clearly into

1 the microphone and state your name for the record for the  
2 benefit of the court reporter.

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

7 MR. BISHOP: No, Mr. Chairman.

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

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

13 OPENING REMARKS OF JOHN B. TOTARO, JR.

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

21 As we outlined in our prehearing brief and as we  
22 will discuss further today, the information on the record of  
23 this proceeding, including facts regarding the volume, price  
24 effects, and impact of subject imports on the domestic  
25 industry clearly demonstrates that the Ferrovandium

1 industry in the United States is materially injured by  
2 reason of imports of the subject merchandise. The record  
3 also confirms that the fundamental conditions of competition  
4 in the U.S. market for Ferrovanadium are unchanged from  
5 previous proceedings in which the Commission has examined  
6 this product.

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

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

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

25 U.S. producers' financial condition in the early

1 part of the period of investigation fluctuated, but largely  
2 reflected the fact that imported Ferrovanadium appeared to  
3 be trading at fair prices. And during this time, VPRA  
4 members took the opportunity to invest in improvements in  
5 their facilities.

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

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

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

1 operations.

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

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

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

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

17 Another VPRA member, Gulf Chemical and  
18 Metallurgical who participated in the preliminary phase  
19 conference and hoped to participate in today's hearing, but  
20 unfortunately was unable to do so. However, I would like to  
21 direct the Commission's attention to Exhibit 2 of our  
22 prehearing brief, which is a statement prepared by Gulf's  
23 CEO Eric Caridroit. Mr. Caridroit explained in his  
24 statement that Gulf and Bear filed voluntary Chapter 11  
25 bankruptcy petitions in June 2016 and that "the most

1 important factor that ultimately led these companies to file  
2 their Chapter 11 cases was the declines in the market prices  
3 of Vanadium and Melugdinum. And in particular, the declines  
4 in the published prices for Ferrovanadium caused by low  
5 priced spot market sales of Ferrovanadium from Korea."

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

12 Finally, I'd like to introduce Jennifer Lutz, a  
13 senior economist from the firm Economic Consulting Services,  
14 who will present additional testimony at the conclusion of  
15 our industry panel. Now before I ask our witnesses to  
16 begin, I would like to review just a few issues that we  
17 discuss in our prehearing brief. In the exhibits to that  
18 brief, we provided affidavits, some of which we had  
19 previously provided in the petition that documented the  
20 effect of spot sales of Korean Ferrovanadium on published  
21 Ferrovanadium prices during 2015 and into 2016. We  
22 explained the direct connection between the reductions in  
23 those published prices and the declines in revenues of  
24 domestic producers and tollees. This information  
25 demonstrates the causal nexus, not simply a temporal

1 connection between the subject imports and the injurious  
2 economic impact experienced by these domestic parties.

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

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

17 U.S. production of steel, which is the major  
18 source of demand for Ferrovanadium, was roughly flat from  
19 2013 to 2014, but then declined by about 10 percent in 2015.  
20 During this period of decreased demand, domestic producer  
21 shipments declined and the volume of nonsubject imports  
22 declined, but subject imports increased in both volume and  
23 market share.

24 In 2016, U.S. production of steel was slightly  
25 lower than in 2015, but Ferrovanadium prices rebounded

1 strongly, particularly after the filing of the petition,  
2 providing further evidence that price declines in 2015 were  
3 not solely caused by a decline in demand.

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

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

20 STATEMENT OF MARK ANDERSON

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

24 I've worked with AMG for more than nine years.  
25 My responsibilities with AMG include overseeing the

1 marketing and sales of metals and alloys, including  
2 Ferrovanadium. My work involves direct contact with our  
3 company's Ferrovanadium customers.

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

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

22 Ferrovanadium is a commodity product that is  
23 sold primarily on the basis of price. As the Commission  
24 repeatedly has found in most applications, Ferrovanadium  
25 from all sources is interchangeable. While I see from the

1 public report that many producers cite quality as one of, if  
2 not the most important factor in purchasing decisions, in  
3 practical terms its high degree of interchangeability makes  
4 price the most important factor for Ferrovanadium purchases.

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

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

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

25           It is our understanding that most Ferrovanadium

1 sold in the U.S. market is sold on annual contract basis  
2 rather than a spot basis, although based on our market  
3 intelligence, imports from Korea were sold mainly on a spot  
4 basis during 2015.

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

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

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

22 For example, the average the CRU Ryans Notes  
23 Ferrovanadium price for the month of September 2015 was  
24 \$8.35 per pound of contained Vanadium. This published price  
25 fell four times during the month of October 2015. And as a

1 result, the monthly average price for October was \$7.59 per  
2 pound of contained Vanadium.

3 Hypothetically, if AMG had obligations to ship  
4 500,000 pounds of Vanadium per month under contracts tied to  
5 CRU Ryans Notes prices, with a discount of 10 percent off  
6 the published price, the decline in the monthly average  
7 published price of 76 cents per pound from September to  
8 October would have reduced AMG's revenue on shipments in  
9 November by almost 350,000. This one month price decline  
10 alone would have been detrimental to our financial results,  
11 but the declines began months earlier and continue months  
12 afterwards.

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

17 To give you our specific example, the monthly  
18 average published price for Ferrovandium for December 2015  
19 was less than half of the monthly average price for December  
20 2014. And the average published price in January 2016 was  
21 lower still.

22 And as demonstrated by the information we  
23 presented in the petition, and again in our prehearing  
24 brief, spot sales of Korean Ferrovandium were the direct  
25 cause of several of those declines. We believe that these

1 were not isolated events. Instead, they were part of a  
2 pattern of aggressive pricing of these imports in the U.S.  
3 spot market throughout 2015 and early 2016.

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

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

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

25 As imports from Korea drove published

1 Ferrovanadium prices farther and farther down, our contract  
2 sales revenue, which represents nearly all of our annual  
3 sales, was dragged down as well. In the petition, and again  
4 in our prehearing brief, we included an analysis of AMG's  
5 operating income data in 2014 and 2015. It shows in plain  
6 terms the damaging economic blow to our company as low price  
7 spot sales of Korean imports pushed published pricing for  
8 Ferrovanadium farther and farther down over the courses of  
9 2015.

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

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

24           Neither option was desirable. We were  
25 continuing to ship at high volumes despite the terrible

1 market prices that we were tied to or reducing production  
2 and incurring the cost consequences.

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

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

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

23           However, our ability to sustain these  
24 investments became extremely difficult in the face of a  
25 major decline in revenue that our company experienced due to

1 imports from Korea in 2015.

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

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

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

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

1 contract negotiations for 2016.

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

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

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

24 However for vanadium-bearing spent catalyst that  
25 is not sold on long-term contracts when the market prices

1 for vanadium drops below a certain level the refineries are  
2 forced to reevaluate the cost of sending their spent  
3 catalyst to a landfill versus the cost to send the material  
4 to a recycler. Our brief discusses a specific episode late  
5 in the Period of Investigation when vanadium prices have  
6 been driven very low by imports from Korea in which a major  
7 U.S. refinery had begun land-filling the spent catalyst  
8 because recycling was no longer an economical option due to  
9 low metal market prices.

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

24 MR. TOTARO: Thank you, Mark. Our next industry  
25 witness is David Carey from Bear Metallurgical.

1 STATEMENT OF DAVID F. CAREY

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

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

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

20 Bear's process for producing ferrovanadium uses  
21 an aluminothermic process to convert V205 into  
22 ferrovanadium. In Bear's process, a precisely calibrated  
23 mixture of V205, aluminum, iron scrap and other materials is  
24 blended and charged into a furnace which is ignited. This  
25 process provides its own energy and requires no gas,

1 electricity or other energy to burn. The reaction that  
2 occurs causes the V2O5 and iron to be reduced into  
3 ferrovandium.

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

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

16 Bear decided to make these investments at the  
17 time based on our confidence in the market conditions for  
18 ferrovandium and the volume of production that we could  
19 project given those conditions. Unfortunately the severe  
20 declines in ferrovandium prices that began in 2015 directly  
21 impacted Bear's business in terms of the volume of  
22 businesses we received from tollees.

23 As a result, Bear has significant unused capacity  
24 and has experienced significant revenue declines over the  
25 last two years and we have had to reduce our workforce as

1 well. As I mentioned, Bear produces ferrovanadium from V205  
2 supplied by our tollee customers. During the Period of  
3 Investigation Gulf Chemical and Metallurgical was Bear's  
4 largest tollee. Gulf produces the V205 that is supplied to  
5 Bear at its facilities in Freeport, Texas through a  
6 recycling process using spent oil refinery catalyst as its  
7 primary vanadium-bearing raw material.

8 After Bear converts this material into ferrovanadium for  
9 Gulf, Gulf is responsible for selling the ferrovanadium in  
10 the U.S. Market.

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

18 We sell very little ferrovanadium into the market  
19 ourselves. Instead, as a toll-producer these effects flow  
20 to Bear through its tollee customers. For example, bear  
21 lost significant tolling volume and revenue in 2015 compared  
22 to 2014. Bear developed budgeted volumes for 2015  
23 ferrovanadium production based on its discussions with  
24 tollee customers and in late 2014. Those budgeted volumes  
25 were in line with the volumes that we produced in 2014 if

1 not higher.

2                   However, as our tollee customers faced  
3 ever-worsening conditions in the U.S. Market during the  
4 course of 2015, they reduced their volume of tolling  
5 business at bear and our actual 2015 conversion volume ended  
6 up far below our budgeted volume for that year. While I  
7 cannot go into detail in this public setting, I will say  
8 that the steadily declining market conditions during 2015 in  
9 particular the steep declines in ferrovanadium prices which  
10 were tied to spot sale of ferrovanadium directly impacted  
11 the volume of business Bear received from our tollees in  
12 2016.

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

21                   Unfortunately, these effects in 2015 and 2016  
22 came on the heels of earlier employment reductions that Bear  
23 introduced in 2013 and 2014. To be clear, Bear believes  
24 that these negative impacts on our tolling business are a  
25 direct result of the injurious effects experienced by

1 tollees during 2015 and unfairly traded Subject Imports were  
2 a central cause of that injury. Bear discussed this cause  
3 and effect in a statement we issued in June 2016 when Bear  
4 along with Gulf made the difficult decision to file a  
5 petition for relief under Chapter 11 of the bankruptcy code.

6 We specifically referenced the impact of high  
7 volumes of imports of ferrovanadium as a factor that drove  
8 this decision and the low published prices that resulted  
9 from low-priced sales of ferrovanadium from Korea as well as  
10 the decline in demand from the U.S. Steel industry that was  
11 occurring at the same time.

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

18 The ferrovanadium has improved somewhat over the  
19 course of 2016 and I believe this is directly related to the  
20 filing of the Petition and the decline in imports from Korea  
21 that occurred after this investigation began. We are  
22 hopeful that as the market stabilizes further in terms of  
23 price and its conditions appear to be improving in terms of  
24 steel production, our tollee customers will feel the  
25 confidence to increase their volumes of business at Bear.

1           However if this investigation does not conclude  
2           with the issuance of an order, we expect that the import  
3           volumes and price depressing effects of ferrovanadium from  
4           Korea that we saw in 2015 will return. The economic effects  
5           of these developments on Bear's business would be extremely  
6           harmful and could put our continued operations in jeopardy.

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

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

20                         STATEMENT OF JENNIFER LUTZ

21                 MS. LUTZ: Good morning. I am Jennifer Lutz,  
22                 Senior Economist at Economic Consulting Services. There are  
23                 a number of conditions of competition that are distinctive  
24                 to the U.S. ferrovanadium market. Many will be familiar to  
25                 the Commission due to past cases involving ferrovanadium.

1 These conditions of competition have been cited by the  
2 Commission in prior investigations and continue to be  
3 relevant today, they are listed in Slide 1.

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

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

22 Data collected by the Commission in this  
23 investigation demonstrate that ferrovanadium from all  
24 sources remains interchangeable. Give the high degree of  
25 interchangeability among sources, ferrovanadium is sold

1 primarily on the basis of price. In prior investigations  
2 the Commission has found that price was an important factor  
3 in purchasing decisions noting that all purchasers cited  
4 price as a major factor in choosing a supplier.

5 In this investigation price was the most commonly  
6 cited factor considered in making purchasing decisions and  
7 24 of 27 responding purchasers reported that they always or  
8 usually purchase the lowest price product. There is  
9 widespread knowledge of prevailing ferrovanadium prices in  
10 the market. ferrovanadium prices are published in a number  
11 of sources with CRU Ryan's notes being the most widely used  
12 in the United States.

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

22 Due to relatively strong demand in the U.S.  
23 Market relative to other markets, the Antidumping Duty  
24 Orders on imports of ferrovanadium from two of the largest  
25 producing countries, China and South Africa, ferrovanadium

1 prices in the U.S. Market are generally higher than prices  
2 in other markets. Petitioners' prehearing brief provides  
3 Ryan's notes prices for the POI in the EU and US markets.

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

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

22 How did the Subject Imports increase their  
23 presence in the U.S. Market? By selling at very low prices.  
24 Imports of ferrovanadium from Korea are sold largely on the  
25 spot market and are directly responsible for a number of the

1 reported changes to the published price in 2015 which led  
2 directly to lower revenues for the Domestic Industry.

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

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

22 However, the revised pricing data prepared by the  
23 Commission Staff show that Subject Imports undersold  
24 Domestic Product in the majority of instances in 9 of 14  
25 comparisons at margins as high as 16.7 percent and that the

1 volume of Subject Imports underselling the Domestic Industry  
2 was almost twice as large as the volume of Subject Imports  
3 overselling the Domestic Industry.

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

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

23 During the Preliminary Investigation, Commission  
24 Staff asked questions regarding other factors potentially  
25 affecting ferrovanadium prices during this period, such as

1 changes in steel production and changes in the price for  
2 vanadium pentoxide which is the input converted into  
3 ferrovanadium by Bear. The data shows that these factors do  
4 not explain the decline in U.S. prices in 2015.

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

13 The gap narrowed again in 2016 after the filing  
14 of the petition in this case. This is particularly notable  
15 because U.S. ferrovanadium prices improved significantly in  
16 2016 particularly after the filing of the Petition even as  
17 U.S. Steel production fell slightly.

18 Slide V shows the monthly ferrovanadium prices  
19 along with the monthly vanadium pentoxide prices. Again,  
20 these data show that there is a relatively stable difference  
21 in the prices for the intermediate material and the finished  
22 product until 2015 when Subject Imports increased in volume  
23 and caused declines in U.S. spot prices. Again, the  
24 relative prices started to return to a more normal pattern  
25 in 2016.

1           Exhibit 7 to our prehearing brief provides these  
2           prices going back further in time, showing that the normal  
3           relationship is apparent even then. That concludes my  
4           testimony and I would be happy to answer your questions.

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

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

19          Second, the likelihood of increased Subject  
20          Imports is also reflected in the existence of other large  
21          export markets for Korean ferrovanadium from which shipment  
22          volumes can be shifted. Importantly, public export  
23          statistics show that Korea shifted over one million pounds  
24          of ferrovanadium away from the United States and two other  
25          export markets in 2016, the year in which the Petition was

1 filed.

2           This demonstrates the Korean ferrovanadium  
3 industry's ability to rapidly shift its export volumes among  
4 markets. While I cannot address this information publicly,  
5 our prehearing brief included an analysis of the data  
6 reported by the Korean ferrovanadium producers, including  
7 data on capacity utilization and projections for operations  
8 in 2016 and 2017, all of which support a determination that  
9 continued or increased Subject Imports are likely in the  
10 future.

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

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

21           Fifth, subject import prices, spot sales  
22 specifically, has significant depressing or suppressing  
23 effect on domestic prices, mainly during 2015, but also in  
24 2016. These documented effects are likely to continue and  
25 thus demand for low-priced Korean ferrovanadium in the spot

1 market will likely remain strong.

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

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

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

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

24 MR. TOTARO: Well, I guess we looked at this as  
25 an opportunity, as I understood was our responsibility to

1 present a summary of what we had --

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

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

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

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

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

18 MR. TOTARO: No. And I --

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

25 So, at least for me, especially where there's no

1 other side, you're going to ask to meet with me, it's going  
2 to help me know what matters to you if you tell me something  
3 unique in the interaction. And at least for me, I didn't  
4 find anything in the oral testimony that wasn't either  
5 provided or providable in written form.

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

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

20 I apologize if I missed the answer, but as I  
21 understand, and again, I'm going to wade gently into this  
22 and ask staff to signal if I'm getting too close to  
23 proprietary information. The pricing data involves more  
24 than one pricing product; is that okay? Can you, in the  
25 post-hearing, be as specific as you can about what

1 conclusions you want us to draw from the price trends in the  
2 different pricing products. And then if you have questions  
3 about that question, if you are having trouble following it,  
4 please ask now.

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

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

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

25 VICE CHAIRMAN JOHANSON: Thank you, Commissioner

1 Kieff. And I would like to thank all of you for being here  
2 today. I know we've seen you all before. So, welcome back.

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

10           MS. LUTZ: I'll start and I think probably my  
11 colleagues will have some comments on that. According to  
12 the data that we looked at from the World Steel Association,  
13 steel production in the United States fell about 10% from  
14 2014 to 2015. The apparent consumption data are  
15 confidential, but there was a similar decline in apparent  
16 consumption.

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

22           MR. ANDERSON: This is Mark Anderson, AMG  
23 Vanadium. We did see a similar drop in ferrovanadium  
24 requirements. Just about all of our sales of ferrovanadium  
25 during that time period were done on annual contracts based

1 on estimated volumes that the customers expected to take in  
2 2015 or 2016. And they weren't coming close to their  
3 estimated volume, so we had to go out and look for other  
4 options, contract outlets we could supply ferrovanadium. So  
5 we did see the 10% drop in vanadium.

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

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

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

24 MR. TOTARO: I think that that is a concern.  
25 And I think that there were increasing volumes from Korea in

1 the market and so that they were displacing -- and there  
2 were declines in U.S. shipments, so there was some  
3 displacement happening, and I think that as that material  
4 was available, that's become -- if it's there as an option  
5 for purchasers who are looking for material -- the  
6 potential is there to lose even more volume.

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

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

23 VICE CHAIRMAN JOHANSON: Thank you, Ms. Lutz.  
24 The Staff Report indicates that imports from several  
25 nonsubject countries collectively count for a large share of

1 ferrovanadium imports. Can you all comment on the role of  
2 nonsubject imports in the U.S. ferrovanadium market?

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

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

19 MR. ANDERSON: I think the key difference is the  
20 nonsubject imports compete with us more on contract sales  
21 and annual volumes and things like that, where the subject  
22 imports from Korea, from my understanding, don't do annual  
23 contracts. It's strictly all spot sales. So the more  
24 volume they brought in, the more aggressive they were on  
25 pricing, and the more it hurt us with our monthly and annual

1 contracts.

2 VICE CHAIRMAN JOHANSON: Thank you for your  
3 response, Mr. Anderson. And Mr. Totaro, I apologize. I  
4 think you already said this, but about what percentage of  
5 nonsubject imports are contracts? If that's proprietary,  
6 just respond in writing.

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

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

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

21 So I think, you know, where there is--one side of  
22 the volume effect is just the large presence of subject  
23 imports on the spot market, and their ability to influence  
24 the spot market I think was greater because there was  
25 greater amounts of that material in the market.

1 MS. LUTZ: I think that in general we would  
2 certainly argue that the subject imports were significant in  
3 volume, and that volume increased even as consumption was  
4 declining. But that the primary adverse effect they had on  
5 the domestic industry was on price, not on volume.

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

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

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

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

24 And in our post-hearing brief I can be glad to  
25 touch base with Gulf and get their status as of that point,

1 as of next week, if you'd like an update on their status.

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

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

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

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

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

25 MR. CAREY: In the U.S. market with the ferro

1 chrome, correct.

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

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

8 COMMISSIONER WILLIAMSON: Okay, thank you.  
9 Okay, this is probably going to be post-hearing, but this  
10 morning, what explains the trends in Gulf shipments of the  
11 ferro vanadium over the POI?

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

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

21 MR. ANDERSON: This is Mark Anderson. I believe a  
22 lot of that is preference of the metallurgist. Some people  
23 prefer the 50 grade. Some people prefer the 80 grade. And  
24 it's just been their system all along that, hey, I use 50,  
25 I'm going to stay with 50. If I leave this mill within a

1 large corporation, they move around quite a bit and they go  
2 somewhere else, then they kind of take their past practice  
3 with them.

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

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

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

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

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

24 COMMISSIONER WILLIAMSON: I was in Flanges  
25 factories last year, which is kind of a family operation in

1 some respects, so I understand what you're getting at

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

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

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

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

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

21 COMMISSIONER WILLIAMSON: Okay, you argue that  
22 subject imports were responsible for--I'm sorry, let me  
23 speak into the microphone. That might help. You argue that  
24 subject imports were responsible for falling U.S. prices in  
25 2015. And, but none of the purchasers confirmed this

1 effect, if you look at table V-9. So I'm wondering, does  
2 this table hurt your argument?

3 MS. LUTZ: Which table?

4 COMMISSIONER WILLIAMSON: V-9.

5 MS. LUTZ: Got it.

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

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

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

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

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

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

25 COMMISSIONER WILLIAMSON: Okay. Now were there

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

6 So what was the buzz?

7 (Pause.)

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

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

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

25 COMMISSIONER WILLIAMSON: Okay. Thank you. It's

1 just, as I said, usually there's Internet ads and stuff like  
2 that that people have that show what's going on there.

3 Okay, thank you.

4 Thank you.

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

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

12 MR. TOTARO: Yes, there was a small increase in  
13 2013 to 2015, and again that's proprietary but it was--

14 COMMISSIONER BROADBENT: That small? Really?

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

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

22 What determines a vanadium pentoxide producer or  
23 trader's decision to opt for a conversion of the vanadium  
24 pentoxide in ferrovanadium versus selling vanadium pentoxide  
25 into other channels? Can I say that again?

1           How do we decide, when the trader or the producer  
2           is trying to make a decision what he does, whether it's  
3           vanadium pentoxide and whether he turns it into  
4           ferrovanadium, kind of what are the dynamics of that  
5           decision?

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

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

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

20          MR. TOTARO: Yes, we'll address that in the brief.  
21          But as an initial response, we'll point you back to some of  
22          the statements that Mr. Anderson made during his statement  
23          about the benefits to the company in terms of covering their  
24          costs of keeping the shipments high, despite the declining  
25          prices. And part of that is a cost issue, and part of that

1 are their commitments under the contracts that they've made  
2 to supply the steel industry producers even though the  
3 prices might be declining if they've committed to volumes to  
4 supply those volumes, then those will move on despite  
5 they're losing--the revenue is declining because of the  
6 declines in spot market prices.

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

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

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

21 But subject imports, imports from Korea, were  
22 increasing and so my point there was that they seemed to be  
23 motivated by factors that the nonsubject imports were not.  
24 So that the subject imports were continuing to come in at  
25 greater and greater volumes, despite the fact that demand

1 was decreasing. Whereas, nonsubject imports were following  
2 a different path.

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

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

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

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

1 Can you explain this trend?

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

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

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

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

1 unprofitability.

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

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

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

22 Can you please address why the industry was so  
23 profitable in 2014? And can you compare that to 2015  
24 profitability, and then to profitability in the interim  
25 2016?

1                   MR. TOTARO: We can go into more detail in the  
2                   brief, but the greatest influence in the revenues of the  
3                   domestic producers is the spot market price. And you saw in  
4                   the charts that we presented in our testimony very severe  
5                   price drop from 2014 to 2015. And you could see that over  
6                   the course of 2015 that the effect in the quarterly analysis  
7                   that we presented in our brief of the revenues going down,  
8                   and down, and down, as the published prices decreased.

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

13                  (No response.)

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

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

19                  MR. TOTARO: The industry was more profitable in  
20                  2014 than 2015--

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

24                  MR. TOTARO: No, I'm not arguing that at all. I'm  
25                  arguing that there was a big decline from 2014 to 2015.

1                   COMMISSIONER BROADBENT: Yes, and I'm just trying  
2 to figure out what was going on in 2014 that was making the  
3 industry so profitable.

4                   MR. TOTARO: As I say, they were selling through  
5 contracts, the same types of contracts in 2014 and 2015, and  
6 in both years the prices that they were receiving from their  
7 customers were determined by the published prices. Then  
8 since the published prices were so much lower in 2015 than  
9 2014, that had a major impact in their revenues between the  
10 two years.

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

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

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

21                  MR. TOTARO: They do. And that statement was  
22 based on testimony of a particular one of our witnesses at  
23 the conference who explained that I guess the proportion of  
24 total steel produced in this country includes maybe a higher  
25 percentage of those types of steel that include a higher

1 percentage of vanadium. But maybe one of our--Mark, do you  
2 want to talk to that?

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

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

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

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

24 If you look back to when China had all the  
25 earthquakes and things and buildings crumbled, so because of

1       that they've decided to strengthen the steel in the  
2       buildings that they're putting up now.  So they're moving  
3       more and more in our direction, but they're still not to the  
4       level of ferrovanadium, even in rebar, that we are here in  
5       the U.S.

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

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

14                  MS. LUTZ:  This is Jennifer Lutz.

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

21                  Because the tollees are being more directly  
22      affected by the market prices than Bear is, more directly,  
23      because they're selling the ferrovanadium into the market.  
24      So if the tollees are doing poorly, they are less likely to  
25      have their volumes -- have ferrovanadium pentoxide tolled

1       into ferrovanadium if they're just selling it at a loss. So  
2       I think that it provides some more information about how the  
3       low prices are affecting the domestic industry even in a  
4       less direct way.

5                   VICE CHARMAN JOHANSON: Thanks, Ms. Lutz.

6                   In August 2012, all six Commissioners voted in  
7       the negative in reviewing orders on ferrovanadium and  
8       nitrate vanadium from Russia. Should the negative in that  
9       case give us any pause in this original investigation on  
10      ferrovanadium from Korea?

11                  MR. TOTARO: This is John Totaro.

12                  No, I don't think it should. My reading of the  
13      Commission's determination in that 2012 sunset review was  
14      that the determining factor was the arguments of the Russian  
15      industry that they had changed their business model so that  
16      they no longer intended to supply the U.S. market with  
17      ferrovanadium. They're no longer producing ferrovanadium.  
18      Their intent was not to produce ferrovanadium in Russia;  
19      that they intended only to produce vanadium bearing  
20      materials that they would send to other countries to be  
21      converted into ferrovanadium in those other countries. That  
22      they weren't going to be producing ferrovanadium in Russia  
23      and exporting ferrovanadium from Russia, so I think that's a  
24      very specific situation that's not relevant at all to this  
25      investigation.

1                   VICE CHARMAN JOHANSON: Thank you, Mr. Totaro.  
2                   Yes, I barely remember that investigation. That was five  
3                   years ago during my first months here at the Commission, so  
4                   that happened some time ago, but thank you for filling us in  
5                   on that.

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

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

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

19                  MR. ANDERSON: Mark Anderson.

20                  Vanadium niobium can be used in steel production  
21                  as well and is sometimes used as a substitute for  
22                  ferrovanadium or vanadium niobium, either way. That is one  
23                  product that can be substituted. We have not seen much of  
24                  that over the course of period of investigation, but that  
25                  can happen.

1                   VICE CHARMAN JOHANSON: Is that substitute used  
2                   in other markets -- in the production of steel in other  
3                   markets?

4                   MR. ANDERSON: It can be, yes.

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

7                   MR. ANDERSON: I do not.

8                   VICE CHARMAN JOHANSON: Okay.

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

12                  VICE CHARMAN JOHANSON: Okay.

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

17                  VICE CHARMAN JOHANSON: Thanks, Ms. Lutz.

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

24                  MR. TOTARO: I will say it's my understanding  
25                  that vanadium ore is not a raw material used by the Korean

1 producers. It's my understanding that they convert V2O5,  
2 vanadium pentoxide just like Bear does, but that AMG  
3 vanadium uses a different production method than Bear or the  
4 Korean producers.

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

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

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

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

16 MR. TOTARO: Well, the product, the catalyst  
17 that we refer to as a raw material for AMG vanadium the new  
18 catalyst, unspent catalyst is consumed by the oil  
19 refineries. It's put into the tanks where the refining  
20 process is going on. And once the catalyst has done its job  
21 in the refining process, it's a waste product, but it has  
22 some absorbed some vanadium through that process and so the  
23 oil refinery needs to get rid of that some how and the  
24 they've found that there is this -- that producers like AMG  
25 vanadium are able to take that waste material and extract

1 the valuable metals from it and in the process save the  
2 refinery the -- the refinery doesn't have to landfill that  
3 waste material, so we have recycling that waste and AMG gets  
4 some value out of that.

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

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

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

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

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

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

24 VICE CHARMAN JOHANSON: Okay. Okay, it's just  
25 interesting.

1                   Mr. Anderson, did you want to say something?

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

11                  VICE CHARMAN JOHANSON: Okay, thanks a lot.  
12                  Yeah, this is not really relevant to the investigation, but  
13                  my brother-in-law is a geologist and he works in the oil  
14                  industry and he just loves to talk about geology. And I've  
15                  become somewhat of a fan of it myself, so thanks for  
16                  informing me further on this.

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

22                  COMMISSIONER WILLIAMSON: Okay, just following  
23                  up on that last question, is the reason the plant is in  
24                  Houston because they process some of the oil -- or refines  
25                  some of the oil that comes from, say, places like Venezuela

1 or did I get it wrong?

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

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

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

15 MR. TOTARO: I'll start and Mark can continue.  
16 We've talked some about this in our brief and my  
17 understanding is that a typical long-term annual or a  
18 long-term contract for ferrovanadium in the U.S. market  
19 would have a pricing clause that changes every month based  
20 on the average of the published prices in a publication  
21 like Ryan's Notes. I believe that would be the most common  
22 publication, the average for the previous month. So that  
23 would be then the -- that would affect the shipments in a  
24 particular month so that the price term there or the price  
25 of the material supplied under the long-term contract would

1 change every month.

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

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

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

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

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

25 MR. TOTARO: AMG does not, no.

1 COMMISSIONER WILLIAMSON: Okay.

2 MR. CAREY: This is Dave Carey.

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

8 COMMISSIONER WILLIAMSON: Okay. What is  
9 ferromolybdenum used for?

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

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

24 MR. CAREY: I would say at our case at Bear  
25 ferrovanadium is much more profitable of a product to

1 product. Ferromolybdenum there's not a lot profit in there.  
2 It does absorb fixed costs, so when we do produce that it  
3 will take up some of the fixed costs, but the ferrovanadium  
4 is definitely a higher mix for us. It's a better  
5 profitability for Bear.

6 COMMISSIONER WILLIAMSON: Okay, thank you.

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

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

20 And with regard to the European prices, I think  
21 what those charts show is that for a long time -- and one of  
22 our charts begins back in 2009 -- the gap between the U.S.  
23 and European prices was there, but was relatively constant  
24 with the U.S. price being higher. But then as we got into  
25 2015, there were occasions where those two trend lines got

1 closer and at a certain point and I think more than one  
2 point during the POI, during that lighter part of the POI,  
3 the U.S. price actually dropped below the European price,  
4 which is unusual based on the historical data. And you know  
5 we believe that that was due to the low pricing by subject  
6 imports and their influence on the spot market prices.

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

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

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

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

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

19 COMMISSIONER WILLIAMSON: Okay. Okay, good.  
20 Thank you for those answers and I have no further questions.

21 VICE CHARMAN JOHANSON: Commissioner Broadbent?

22 COMMISSIONER BROADBENT: Yeah, I had a few more.

23 This is for the industry witnesses please Mr.  
24 Anderson and Mr. Carey. What determines a purchaser's  
25 decision to source according to a spot sale or a short-term

1 contract or longer term contracts?

2 MR. ANDERSON: Mark Anderson.

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

11 MR. CAREY: This is Dave Carey.

12 I would agree with Mark's comments.

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

17 MR. CAREY: This is Dave again.

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

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

1 MR. ANDERSON: Mark Anderson.

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

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

12 MR. ANDERSON: Correct.

13 COMMISSIONER BROADBENT: Okay. Do you agree  
14 with that?

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

17 COMMISSIONER BROADBENT: Okay. Mr. Totaro, back  
18 on profitability. You state that 2014 was a more profitable  
19 year because of the higher steel making and higher published  
20 prices. I just wanted to kind of see if we can get into  
21 this a little bit. With respect to Ms. Lutz's graph on page  
22 4, I'm seeing only a slight elevation in 2014 compared to  
23 2013 or 2015. Does that mean that the slight decrease in  
24 2015 in steel production affected financial profitability of  
25 the industry?

1                   MR. TOTARO: The 10 percent decrease in 2015  
2 combined with the decreases -- the much larger decreases in  
3 prices, yes, I think those two combined affected the  
4 profitability.

5                   COMMISSIONER BROADBENT: Okay. You stated that  
6 there were higher published Ryan's Notes prices in 2014, but  
7 2014 is when we see the largest increase in imports from  
8 Korea and the greatest underselling, so why were the  
9 published prices high in the 2014?

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

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

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

21                  COMMISSIONER BROADBENT: Okay.

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

24                  COMMISSIONER BROADBENT: Okay. I want to take a  
25 look at Table VI-1 of the pre-hearing staff report which

1 talks about -- addresses the financial performance of AMG  
2 and Bear. I'm just interested in whether some of these  
3 costs and expenses are related to competitive conditions in  
4 the ferrovanadium market.

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

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

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

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

22           COMMISSIONER BROADBENT: Okay. Footnote 4 of  
23 Table VI-1 of the pre-hearing staff report refers to write  
24 downs that occurred particularly in the latter portion of  
25 the period of investigation. Without going into any

1       specifics here because it's all PBI, I know, I'm hoping that  
2       you can address further the cause of these impairments and  
3       whether the result in increase in the costs of goods sold  
4       can be linked to import competition.

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

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

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

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

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

1 explain why they're not here.

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

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

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

13 VICE CHARMAN JOHANSON: Thank you, Commissioner  
14 Williamson.

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

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

22 MR. CORKRAN: Douglas Corkran, Office of  
23 Investigations.

24 Thank you, VICE CHARMAN Johanson. Staff has no  
25 additional questions.

1                   VICE CHARMAN JOHANSON: Thank you, Mr. Corkran.

2                   We will now turn to the Petitioner's closing.

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

6                   CLOSING REMARKS OF JOHN B. TOTARO, JR.

7                   MR. TOTARO: Thank you.

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

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

24                  Subject imports would again easily gain market  
25                  share because of the importance of price and purchasing

1 decisions and the high degree of substitutability of  
2 ferrovanadium from all sources. The material injury to the  
3 U.S. industry is reflected in the negative trends in its  
4 profitability and shipment volumes in the year prior to the  
5 filing of the petition. The industry is extremely  
6 vulnerable to the continued affects of subject imports due  
7 to its high fixed costs and the sensitivity of formula-base  
8 contract sales to changes in published spot prices.

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

13           In summary, we submit that the information on  
14 the record in terms of volume, price, and impact  
15 demonstrates that the domestic ferrovanadium industry is  
16 material injured and that there is a causal link between  
17 that injury and dumped imports of ferrovanadium from Korea.

18           Furthermore, there is significant evidence on  
19 the record demonstrating that the industry is threatened  
20 with further material injury by the subject imports.

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

25           VICE CHARMAN JOHANSON: Thank you, Mr. Totaro.

1                   I will now turn to the closing statement.  
2           Post-hearing briefs, statements responsive to questions and  
3           requests of the Commission and corrections to the transcript  
4           must be filed by March 28, 2017. Closing of the record and  
5           final release of data to parties occurs on April 12, 2017  
6           and final comments are due on April 14, 2017 and this  
7           hearing is now adjourned.

8                   (Whereupon, at 11:29 a.m., the hearing was  
9           concluded.)

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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.

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