Carbon and Certain Alloy Steel Wire Rod from China

Investigation Nos. 701-TA-512 and 731-TA-1248 (Preliminary)

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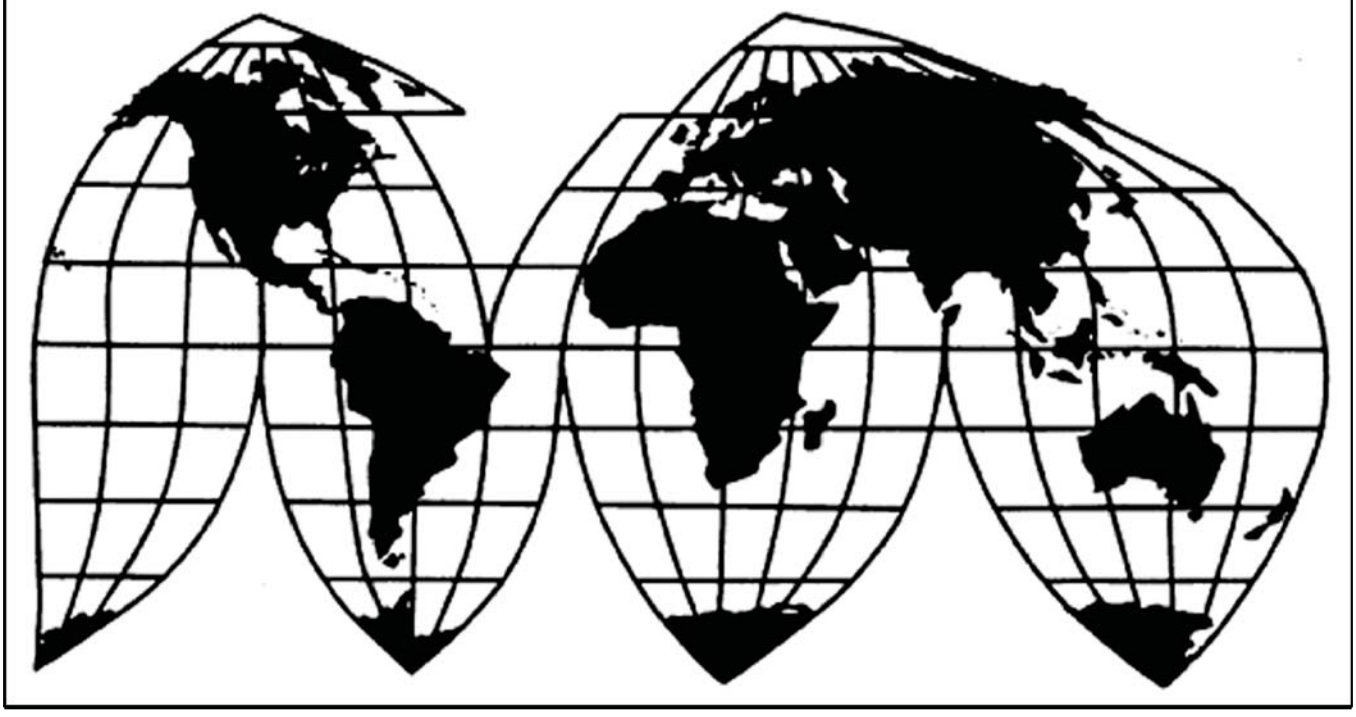
U.S. International Trade Commission



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U.S. International Trade Commission

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Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted. Such deletions are indicated by asterisks.

UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation Nos. 701-TA-512 and 731-TA-1248 (Preliminary)

CARBON AND CERTAIN ALLOY STEEL WIRE ROD FROM CHINA

DETERMINATIONS

On the basis of the record[1] developed in the subject investigations, the United States International Trade Commission (Commission) determines, pursuant to sections 703(a) and 733(a) of the Tariff Act of 1930 (19 U.S.C. §§ 1671b(a) and 1673b(a)) (the Act), that there is a reasonable indication that an industry in the United States is materially injured by reason of imports from China of carbon and certain alloy steel wire rod, provided for in subheadings 7213.91, 7213.99, 7227.20, and 7227.90 of the Harmonized Tariff Schedule of the United States, that are alleged to be sold in the United States at less than fair value ("LTFV"), and allegedly subsidized by the Government of China.[2]

COMMENCEMENT OF FINAL PHASE INVESTIGATIONS

Pursuant to section 207.18 of the Commission's rules, the Commission also gives notice of the commencement of the final phase of its investigations. The Commission will issue a final phase notice of scheduling, which will be published in the *Federal Register* as provided in section 207.21 of the Commission's rules, upon notice from the Department of Commerce (Commerce) of affirmative preliminary determinations in the investigations under sections 703(b) or 733(b) of the Act, or, if the preliminary determinations are negative, upon notice of affirmative final determinations in those investigations under sections 705(a) or 735(a) of the Act. Parties that filed entries of appearance in the preliminary phase of the investigations need not enter a separate appearance for the final phase of the investigations. Industrial users, and, if the merchandise under investigation is sold at the retail level, representative consumer organizations have the right to appear as parties in Commission antidumping and countervailing duty investigations. The Secretary will prepare a public service list containing the names and addresses of all persons, or their representatives, who are parties to the investigations.

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

[2] Commissioner Shara L. Aranoff did not participate in these investigations.

BACKGROUND

On January 31, 2014, a petition was filed with the Commission and Commerce by ArcelorMittal USA LLC, Chicago, IL; Charter Steel, Saukville, WI; Evraz Rocky Mountain Steel,[3] Pueblo, CO; Gerdau Ameristeel US Inc., Tampa, FL; Keystone Consolidated Industries, Inc., Dallas, TX; and Nucor Corporation, Charlotte, NC, alleging that an industry in the United States is materially injured or threatened with material injury by reason of LTFV and subsidized imports of carbon and certain alloy steel wire rod from China. Accordingly, effective January 31, 2014, the Commission instituted countervailing duty investigation No. 701-TA-512 and antidumping duty investigation No. 731-TA-1248 (Preliminary).

Notice of the institution of the Commission's investigations and of a public conference to be held in connection therewith was given by posting copies of the notice in the Office of the Secretary, U.S. International Trade Commission, Washington, DC, and by publishing the notice in the *Federal Register* of February 6, 2014 (79 FR 7225). The conference was held in Washington, DC, on February 21, 2014, and all persons who requested the opportunity were permitted to appear in person or by counsel.[4]

[3] On January 31, 2014, Evraz Rocky Mountain Steel became Evraz Pueblo.

[4] The Commission has the authority to toll statutory deadlines during a period when the government is closed. Because the Commission was closed on February 13, March 3, and March 17, 2014 due to inclement weather in Washington, DC, the statutory deadline may be tolled by up to three days.

Views of the Commission

Based on the record in the preliminary phase of these investigations, we find that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of carbon and certain alloy steel wire rod ("wire rod") from China that are allegedly sold in the United States at less than fair value and that are allegedly subsidized by the Government of China.[1]

I. The Legal Standard for Preliminary Determinations

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

II. Background

The petitions in these investigations were filed on January 31, 2014 by ArcelorMittal USA LLC ("AMUSA"), Charter Steel ("Charter"), Evraz Pueblo ("Evraz"), Gerdau Ameristeel US Inc. ("Gerdau"), Keystone Consolidated Industries, Inc. ("Keystone"), and Nucor Corporation ("Nucor") (collectively, "Petitioners"). Each of these firms is a domestic producer of carbon and certain alloy steel wire rod ("wire rod"). Petitioners appeared at the staff conference and filed postconference briefs with the Commission.[4] Two Respondents that oppose imposition of duties appeared at the conference and each submitted a postconference brief -- The American Wire Producers Association ("AWPA"), an association of U.S. purchasers of wire rod; and Lincoln Electric Co., a U.S. purchaser of wire rod.

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[1] Commissioner Shara L. Aranoff did not participate in these investigations.

[2] 19 U.S.C. §§ 1671b(a), 1673b(a) (2000); *see also American Lamb Co. v. United States*, 785 F.2d 994, 1001-04 (Fed. Cir. 1986); *Aristech Chem. Corp. v. United States, 2*0 CIT 353, 354-55 (1996). No party argues that the establishment of an industry in the United States is materially retarded by the allegedly unfairly traded imports.

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

[4] One brief was jointly filed by AMUSA, Charter, Evraz, Gerdau, and Keystone (collectively, "ACEGK Group"), and a second brief was filed by Nucor.

In these investigations, U.S. industry data are based on the questionnaire responses of 10 U.S. producers, accounting for all U.S. production of wire rod during the period of investigation.[5] U.S. import data are based on official Commerce import statistics and questionnaire responses from 13 U.S. importers, accounting for 97.5 percent of wire rod imports from China and 40.8 percent of wire rod imports from nonsubject sources during 2011-13.[6] The Commission issued foreign producers' or exporters' questionnaires to 48 wire rod firms in China and received no questionnaire responses from those firms.[7]

III. Domestic Like Product

In determining whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of imports of the subject merchandise, the Commission first defines the "domestic like product" and the "industry."[8] Section 771(4)(A) of the Tariff Act of 1930, as amended ("the Tariff Act"), defines the relevant domestic industry as the "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[9] In turn, the Tariff Act defines "domestic like product" as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation."[10]

The decision regarding the appropriate domestic like product(s) in an investigation is a factual determination, and the Commission has applied the statutory standard of "like" or "most similar in characteristics and uses" on a case-by-case basis.[11] No single factor is dispositive, and the Commission may consider other factors it deems relevant based on the facts of a particular investigation.[12] The Commission looks for clear dividing lines among possible like products and disregards minor variations.[13] Although the Commission must accept

[5] Confidential Report ("CR") at I-4; Public Report ("PR") at I-3.

[6] CR at I-4 and I-5; PR at I-3.

[7] CR at VII-4; PR at VII-3.

[8] 19 U.S.C. § 1677(4)(A).

[9] 19 U.S.C. § 1677(4)(A).

[10] 19 U.S.C. § 1677(10).

[11] *See*, *e.g.*, *Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int'l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Torrington Co. v. United States*, 747 F. Supp. 744, 749 n.3 (Ct. Int'l Trade 1990), *aff'd*, 938 F.2d 1278 (Fed. Cir. 1991) ("every like product determination 'must be made on the particular record at issue' and the 'unique facts of each case'"). The Commission generally considers a number of factors including the following: (1) physical characteristics and uses; (2) interchangeability; (3) channels of distribution; (4) customer and producer perceptions of the products; (5) common manufacturing facilities, production processes, and production employees; and, where appropriate, (6) price. *See Nippon*, 19 CIT at 455 n.4; *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int'l Trade 1996).

[12] *See*, *e.g.*, S. Rep. No. 96-249 at 90-91 (1979).

[13] *See*, *e.g.*, *Nippon*, 19 CIT at 455; *Torrington*, 747 F. Supp. at 748-49*; see also* S. Rep. No. 96-249 at 90-91 (Congress has indicated that the like product standard should not be interpreted in "such a (Continued…)

Commerce's determination as to the scope of the imported merchandise that is allegedly subsidized and/or sold at less than fair value,[14] the Commission determines what domestic product is like the imported articles Commerce has identified.[15]

In its notice of initiation, Commerce defined the imported merchandise within the scope of these investigations as follows:

> The merchandise covered by these investigations are certain hot-rolled products of carbon steel and alloy steel, in coils, of approximately round cross section, less than 19.00 mm in actual solid cross-sectional diameter. Specifically excluded are steel products possessing the above-noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (HTSUS) definitions for (a) stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; or (e) concrete reinforcing bars and rods. Also excluded are free cutting steel (also known as free machining steel) products (i.e., products that contain by weight one or more of the following elements: 0.1 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.04 percent of phosphorus, more than 0.05 percent of selenium, or more than 0.01 percent of tellurium). All products meeting the physical description of subject merchandise that are not specifically excluded are included in this scope.[16]

The scope of these investigations differs from the scope of the existing orders on wire rod from Brazil, India, Mexico, Moldova, Trinidad and Tobago, and Ukraine; specifically, this

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(…Continued)
narrow fashion as to permit minor differences in physical characteristics or uses to lead to the conclusion that the product and article are not 'like' each other, nor should the definition of 'like product' be interpreted in such a fashion as to prevent consideration of an industry adversely affected by the imports under consideration.").

[14] *See*, *e.g.*, *USEC, Inc. v. United States*, 34 F. App'x 725, 730 (Fed. Cir. 2002) ("The ITC may not modify the class or kind of imported merchandise examined by Commerce."); *Algoma Steel Corp. v. United States,* 688 F. Supp. 639, 644 (Ct. Int'l Trade 1988), *aff'd*, 865 F.3d 240 (Fed. Cir.), *cert. denied*, 492 U.S. 919 (1989).

[15] *Hosiden Corp. v. Advanced Display Mfrs.,* 85 F.3d 1561, 1568 (Fed. Cir. 1996) (the Commission may find a single like product corresponding to several different classes or kinds defined by Commerce); *Cleo*, 501 F.3d at 1298 n.1 ("Commerce's {scope} finding does not control the Commission's {like product} determination."); *Torrington*, 747 F. Supp. at 748-52 (affirming the Commission's determination defining six like products in investigations where Commerce found five classes or kinds).

[16] *Carbon and Certain Alloy Steel Wire Rod From the People's Republic of China: Initiation of Antidumping Duty Investigation*, 79 Fed. Reg. 11077, 11082 (Feb. 27, 2014); *Carbon and Certain Alloy Steel Wire Rod From the People's Republic of China: Initiation of Countervailing Duty Investigation*, 79 FR 11085, 11088 (Feb. 27, 2014).

scope includes grade 1080 tire cord quality and grade 1080 tire bead quality wire rod and does not reference a lower diameter range for wire rod.[17] Nonetheless, in each of the prior Commission investigations and reviews involving wire rod, the Commission has defined a single domestic like product, which includes grade 1080 tire cord and tire bead quality products, and essentially is coextensive with the scope of these investigations.[18]

As discussed below, we define a single domestic like product consisting of all steel wire rod, coextensive with the scope of investigation, on the basis that there are no clear dividing lines among the various types of steel wire rod. No party in these investigations has argued that the Commission should define the domestic like product in a manner different from the definitions in prior wire rod investigations and reviews.[19] Additionally, as discussed below, the information in the record in these investigations concerning pertinent product characteristics does not justify any different definition of the domestic like product.

Physical Characteristics and Uses. All wire rod is an intermediate circular, hot-rolled steel product and is typically sold in irregularly wound coils.[20] Wire rod is used primarily for subsequent drawing and finishing into wire and wire products, but is also used to make fasteners and other products. Industrial quality wire rod, which accounts for the majority of wire rod consumed in the United States, generally is manufactured from low- or medium-low-carbon steel and primarily is drawn into industrial (or standard) quality wire that, in turn, is used to manufacture such products as nails, reinforcing wire mesh, and chain link fence. Other relatively large-volume quantities of wire rod consumed in the United States include high- and medium-high carbon and cold-heading quality, which are drawn into wire for such products as strand, upholstery spring, mechanical spring, rope, screens, and pre-stressed concrete wire.

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[17] *Compare Carbon and Certain Alloy Steel Wire Rod From Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine: Final Results of the Expedited Second Sunset Reviews of the Antidumping Duty Orders,* 78 Fed. Reg. 63450-63451 (Oct. 24, 2013). In the 2006 investigations involving wire rod from China, Germany, and Turkey, which were terminated after the Commission reached preliminary negative determinations, the scope of investigation also included 1080 grade tire cord quality wire rod and 1080 grade tire bead quality wire rod, but referenced a lower diameter range of 4.75 mm (in contrast to the lower diameter range of 5.00 mm contained in the scope of the existing orders). *Carbon and Certain Alloy Steel Wire Rod from China, Germany, and Turkey*, Inv. Nos. 731-TA-1099-1101 (Preliminary), USITC Pub. 3832 at 8 (Jan. 2006) ("*2006 Preliminary Determinations*").

[18] *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine*, USITC Pub. 3546 at 6-12 (Oct. 2002) ("*2002 Final Determinations*"); *2006 Preliminary Determination*s, USITC Pub. 3832 at 7-11 (Jan. 2006); *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine*, USITC Pub. 4014 at 6-8 (June 2008) ("*2008 Review Determinations*").

[19] ACEGK's Postconference Brief at 3-6; Conf. Tr. at 99 (AWPA has indicated that it "accept[s] the Commission's previous like-product definitions and we accept the like-product definition proffered in this proceeding as well."). Lincoln Electric has urged the Petitioners to remove welding quality wire rod from the scope of investigation and has indicated that it will defer addressing the issue of like product until any final investigations. Conf. Tr. at 100-02.

[20] CR at I-12 – I-15; PR at I-10 – I-12.

Within the end-use categories of wire rod, there is an overlap of metallurgical qualities, chemistries, and physical characteristics.[21] Thus, there is no clear demarcation between low-end and high-end wire rod products, but rather a range of at least 11 major types of wire rod products.[22]

Manufacturing Facilities, Production Processes and Employees. All wire rod shares a basic manufacturing process consisting of steelmaking, casting, hot-rolling, and coiling and cooling.[23] Domestic producers manufacture various types of wire rod on essentially the same equipment, in the same facilities, and with the same production personnel. Changes in chemical composition, alloying elements and other raw materials, stand fittings, and cooling speed, as opposed to changes in the production process, determine the quality of the wire rod produced.[24]

Channels of Distribution. The majority of all domestically produced wire rod is sold to end users.[25]

Interchangeability. While there is an overlap of physical characteristics and end uses, wire rod used for industrial quality applications may not meet the specifications required for specialized applications.[26] For industrial quality grades, products of the same specification are highly substitutable even if they are not identical, although there may be a need for retooling to adjust for small differences.[27] For specialty grades, differences between specifications and suppliers may limit the degree of substitution.[28]

Producer and Customer Perceptions. Domestic producers generally produce both industrial quality and higher quality types of wire rod.[29] Customers purchase different types of wire rod for the specific end-use applications across the range of products.[30]

Price. Prices for wire rod range from lower prices for industrial quality to higher prices for higher quality and more specialized wire rod.[31]

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[21] CR at I-12 – I-15; PR at I-10 – I-12.
[22] CR/PR at Table I-2.
[23] CR at I-15 – I-22; PR at I-13 – I-18.
[24] CR at I-21; PR at I-17.
[25] CR/PR at Table II-1.
[26] CR at III-10 and III-12; PR at III-8.
[27] CR at II-10 and II-11; PR at II-7.
[28] CR at II-10 and II-11; PR at II-7.
[29] CR/PR at Table III-6.
[30] CR at III-10; PR at III-8.
[31] *See 2002 Final Determinations,* USITC Pub. 3546 at 12 ("There is a continuum of prices for wire rod, with industrial grades at the lower end and higher carbon, specialty grades at the higher end.").

Conclusion. All types of wire rod share certain basic physical properties, are generally manufactured in the same domestic facilities by the same employees using the same processes, are sold primarily to end users, and are produced by generally all domestic producers. Limited interchangeability in some end uses and price differences are consistent with a wide range of wire rod products. We find that all wire rod products of the type described in the scope of investigation comprise a single domestic like product.

IV. Domestic Industry

The domestic industry is defined as the domestic "producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product."[32] In defining the domestic industry, the Commission's general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

There are no domestic industry issues in these investigations. No U.S. producers are related to exporters or U.S. importers of subject merchandise or directly imported or purchased wire rod from China during the period of investigation. We define a single domestic industry encompassing all U.S. producers of wire rod.

V. Reasonable Indication of Material Injury by Reason of Subject Imports[33]

A. Legal Standard

In the preliminary phase of antidumping and countervailing duty investigations, the Commission determines whether there is a reasonable indication that an industry in the United States is materially injured or threatened with material injury by reason of the imports under investigation.[34] In making this determination, the Commission must consider the volume of subject imports, their effect on prices for the domestic like product, and their impact on domestic producers of the domestic like product, but only in the context of U.S. production operations.[35] The statute defines "material injury" as "harm which is not inconsequential,

[32] 19 U.S.C. § 1677(4)(A).

[33] Negligibility under 19 U.S.C. § 1677(24) is not an issue in these investigations. Based on official import statistics, market shares for subject imports from China exceed the requisite 3 percent statutory negligibility threshold. For the 12-month period of January-December 2013, imports from China accounted for 36.2 percent of total imports of wire rod, as measured by quantity. CR/PR at IV-10.

[34] 19 U.S.C. §§ 1671b(a), 1673b(a).

[35] 19 U.S.C. § 1677(7)(B). The Commission "may consider such other economic factors as are relevant to the determination" but shall "identify each {such} factor ... {a}nd explain in full its relevance to the determination." 19 U.S.C. § 1677(7)(B).

immaterial, or unimportant."[36] In assessing whether there is a reasonable indication that the domestic industry is materially injured by reason of subject imports, we consider all relevant economic factors that bear on the state of the industry in the United States.[37] No single factor is dispositive, and all relevant factors are considered "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."[38]

Although the statute requires the Commission to determine whether there is a reasonable indication that the domestic industry is "materially injured by reason of" unfairly traded imports,[39] it does not define the phrase "by reason of," indicating that this aspect of the injury analysis is left to the Commission's reasonable exercise of its discretion.[40] In identifying a causal link, if any, between subject imports and material injury to the domestic industry, the Commission examines the facts of record that relate to the significance of the volume and price effects of the subject imports and any impact of those imports on the condition of the domestic industry. This evaluation under the "by reason of" standard must ensure that subject imports are more than a minimal or tangential cause of injury and that there is a sufficient causal, not merely a temporal, nexus between subject imports and material injury.[41]

In many investigations, there are other economic factors at work, some or all of which may also be having adverse effects on the domestic industry. Such economic factors might include nonsubject imports; changes in technology, demand, or consumer tastes; competition among domestic producers; or management decisions by domestic producers. The legislative history explains that the Commission must examine factors other than subject imports to ensure that it is not attributing injury from other factors to the subject imports, thereby inflating an otherwise tangential cause of injury into one that satisfies the statutory material injury threshold.[42] In performing its examination, however, the Commission need not isolate

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[36] 19 U.S.C. § 1677(7)(A).

[37] 19 U.S.C. § 1677(7)(C)(iii).

[38] 19 U.S.C. § 1677(7)(C)(iii).

[39] 19 U.S.C. §§ 1671b(a), 1673b(a).

[40] *Angus Chemical Co. v. United States*, 140 F.3d 1478, 1484-85 (Fed. Cir. 1998) ("{T}he statute does not 'compel the commissioners' to employ {a particular methodology}."), *aff'g* 944 F. Supp. 943, 951 (Ct. Int'l Trade 1996).

[41] The Federal Circuit, in addressing the causation standard of the statute, has observed that "{a}s long as its effects are not merely incidental, tangential, or trivial, the foreign product sold at less than fair value meets the causation requirement." *Nippon Steel Corp. v. USITC*, 345 F.3d 1379, 1384 (Fed. Cir. 2003). This was re-affirmed in *Mittal Steel Point Lisas Ltd. v. United States*, 542 F.3d 867, 873 (Fed. Cir. 2008), in which the Federal Circuit, quoting *Gerald Metals, Inc. v. United States*, 132 F.3d 716, 722 (Fed. Cir. 1997), stated that "this court requires evidence in the record 'to show that the harm occurred "by reason of" the LTFV imports, not by reason of a minimal or tangential contribution to material harm caused by LTFV goods.'" *See also Nippon Steel Corp. v. United States*, 458 F.3d 1345, 1357 (Fed. Cir. 2006); *Taiwan Semiconductor Industry Ass'n v. USITC*, 266 F.3d 1339, 1345 (Fed. Cir. 2001).

[42] Statement of Administrative Action ("SAA"), H.R. Rep. 103-316, Vol. I at 851-52 (1994) ("{T}he Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports."); S. Rep. 96-249 at 75 (1979) (the Commission "will consider information which indicates that harm is caused by factors other than less-than-fair-value imports."); H.R. Rep. 96-317 at (Continued…)

the injury caused by other factors from injury caused by unfairly traded imports.[43] Nor does the "by reason of" standard require that unfairly traded imports be the "principal" cause of injury or contemplate that injury from unfairly traded imports be weighed against other factors, such as nonsubject imports, which may be contributing to overall injury to an industry.[44] It is clear that the existence of injury caused by other factors does not compel a negative determination.[45]

Assessment of whether material injury to the domestic industry is "by reason of" subject imports "does not require the Commission to address the causation issue in any particular way" as long as "the injury to the domestic industry can reasonably be attributed to the subject imports" and the Commission "ensure{s} that it is not attributing injury from other sources to the subject imports."[46] [47] Indeed, the Federal Circuit has examined and affirmed various Commission methodologies and has disavowed "rigid adherence to a specific formula."[48]

(…Continued)

47 (1979) ("in examining the overall injury being experienced by a domestic industry, the ITC will take into account evidence presented to it which demonstrates that the harm attributed by the petitioner to the subsidized or dumped imports is attributable to such other factors;" those factors include "the volume and prices of nonsubsidized imports or imports sold at fair value, contraction in demand or changes in patterns of consumption, trade restrictive practices of and competition between the foreign and domestic producers, developments in technology and the export performance and productivity of the domestic industry"); *accord Mittal Steel*, 542 F.3d at 877.

[43] SAA at 851-52 ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports."); *Taiwan Semiconductor Industry Ass'n* , 266 F.3d at 1345. ("{T}he Commission need not isolate the injury caused by other factors from injury caused by unfair imports ... . Rather, the Commission must examine other factors to ensure that it is not attributing injury from other sources to the subject imports." (emphasis in original)); *Asociacion de Productores de Salmon y Trucha de Chile AG v. United States*, 180 F. Supp. 2d 1360, 1375 (Ct. Int'l Trade 2002) ("{t}he Commission is not required to isolate the effects of subject imports from other factors contributing to injury" or make "bright-line distinctions" between the effects of subject imports and other causes.); *see also Softwood Lumber from Canada*, Inv. Nos. 701-TA-414 and 731-TA-928 (Remand), USITC Pub. 3658 at 100-01 (Dec. 2003) (Commission recognized that "{i}f an alleged other factor is found not to have or threaten to have injurious effects to the domestic industry, *i.e*., it is not an 'other causal factor,' then there is nothing to further examine regarding attribution to injury"), *citing Gerald Metals,* 132 F.3d at 722 (the statute "does not suggest that an importer of LTFV goods can escape countervailing duties by finding some tangential or minor cause unrelated to the LTFV goods that contributed to the harmful effects on domestic market prices.").

[44] S. Rep. 96-249 at 74-75; H.R. Rep. 96-317 at 47.

[45] *See Nippon*, 345 F.3d at 1381 ("an affirmative material-injury determination under the statute requires no more than a substantial-factor showing. That is, the 'dumping' need not be the sole or principal cause of injury.").

[46] *Mittal Steel*, 542 F.3d at 877-78; *see also id.* at 873 ("While the Commission may not enter an affirmative determination unless it finds that a domestic industry is materially injured 'by reason of' subject imports, the Commission is not required to follow a single methodology for making that determination ... {and has} broad discretion with respect to its choice of methodology.") *citing United States Steel Group v. United States*, 96 F.3d 1352, 1362 (Fed. Cir. 1996) and S. Rep. 96-249 at 75.

The Federal Circuit's decisions in *Gerald Metals*, *Bratsk,* and *Mittal Steel* all involved cases in which the relevant "other factor" was the presence in the market of significant volumes of price-competitive nonsubject imports. The Commission interpreted the Federal Circuit's guidance in *Bratsk* as requiring it to apply a particular additional methodology following its finding of material injury in cases involving commodity products and a significant market presence of price-competitive nonsubject imports.[49] The additional "replacement/benefit" test looked at whether nonsubject imports might have replaced subject imports without any benefit to the U.S. industry. The Commission applied that specific additional test in subsequent cases, including the *Carbon and Certain Alloy Steel Wire Rod from Trinidad and Tobago* determination that underlies the *Mittal Steel* litigation.

Mittal Steel clarifies that the Commission's interpretation of *Bratsk* was too rigid and makes clear that the Federal Circuit does not require the Commission to apply an additional test nor any one specific methodology; instead, the court requires the Commission to have "evidence in the record 'to show that the harm occurred 'by reason of' the LTFV imports,'" and requires that the Commission not attribute injury from nonsubject imports or other factors to subject imports.[50] Accordingly, we do not consider ourselves required to apply the replacement/benefit test that was included in Commission opinions subsequent to *Bratsk*.

The progression of *Gerald Metals*, *Bratsk*, and *Mittal Steel* clarifies that, in cases involving commodity products where price-competitive nonsubject imports are a significant

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(…Continued)

[47] Commissioner Pinkert does not join this paragraph or the following three paragraphs. He points out that the Federal Circuit, in *Bratsk*, 444 F.3d 1369, and *Mittal Steel*, held that the Commission is *required*, in certain circumstances when considering present material injury, to undertake a particular kind of analysis of non-subject imports, albeit without reliance upon presumptions or rigid formulas. *Mittal Steel* explains as follows:

> What *Bratsk* held is that "where commodity products are at issue and fairly traded, price competitive, non-subject imports are in the market," the Commission would not fulfill its obligation to consider an important aspect of the problem if it failed to consider whether non-subject or non-LTFV imports would have replaced LTFV subject imports during the period of investigation without a continuing benefit to the domestic industry. 444 F.3d at 1369. Under those circumstances, *Bratsk* requires the Commission to consider whether replacement of the LTFV subject imports might have occurred during the period of investigation, and it requires the Commission to provide an explanation of its conclusion with respect to that factor.

542 F.3d at 878.

[48] *Nucor Corp. v. United States*, 414 F.3d 1331, 1336, 1341 (Fed. Cir. 2005); *see also Mittal Steel*, 542 F.3d at 879 ("*Bratsk* did not read into the antidumping statute a Procrustean formula for determining whether a domestic injury was 'by reason' of subject imports.").

[49] *Mittal Steel*, 542 F.3d at 875-79.

[50] *Mittal Steel*, 542 F.3d at 873 (quoting from *Gerald Metals*, 132 F.3d at 722), 875-79 & n.2 (recognizing the Commission's alternative interpretation of *Bratsk* as a reminder to conduct a non-attribution analysis).

factor in the U.S. market, the Court will require the Commission to give full consideration, with adequate explanation, to non-attribution issues when it performs its causation analysis.[51]

The question of whether the material injury threshold for subject imports is satisfied notwithstanding any injury from other factors is factual, subject to review under the substantial evidence standard.[52] Congress has delegated this factual finding to the Commission because of the agency's institutional expertise in resolving injury issues.[53]

B. Conditions of Competition and the Business Cycle

The following conditions of competition inform our analysis of whether there is a reasonable indication of material injury by reason of subject imports.

1. Captive Production

We consider whether the statutory captive production provision requires our primary focus to be on the merchant market when we assess market share and factors affecting the financial performance of the domestic industry.[54] While none of the parties argue that the

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[51] To that end, after the Federal Circuit issued its decision in *Bratsk*, the Commission began to present published information or send out information requests in final phase investigations to producers in nonsubject countries that accounted for substantial shares of U.S. imports of subject merchandise (if, in fact, there were large nonsubject import suppliers). In order to provide a more complete record for the Commission's causation analysis, these requests typically seek information on capacity, production, and shipments of the product under investigation in the major source countries that export to the United States. The Commission plans to continue utilizing published or requested information in final phase investigations in which there are substantial levels of nonsubject imports.

[52] We provide in our respective discussions of volume, price effects, and impact a full analysis of other factors alleged to have caused any material injury experienced by the domestic industry.

[53] *Mittal Steel*, 542 F.3d at 873; *Nippon Steel Corp*., 458 F.3d at 1350, *citing U.S. Steel Group*, 96 F.3d at 1357; S. Rep. 96-249 at 75 ("The determination of the ITC with respect to causation is ... complex and difficult, and is a matter for the judgment of the ITC.").

[54] The captive production provision, 19 U.S.C. § 1677(7)(C)(iv), which was added to the statute by the Uruguay Round Agreements Act, provides:

(iv) CAPTIVE PRODUCTION – If domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market, and the Commission finds that-

(I) the domestic like product produced that is internally transferred for processing into

that downstream article does not enter the merchant market for the domestic like product,

(II) the domestic like product is the predominant material input in the production of that

downstream article, and

(III) the production of the domestic like product sold in the merchant market is not

(Continued…)

captive production provision applies, Petitioners urge the Commission to consider the merchant market as a significant condition of competition in the industry.[55]

The domestic industry internally transferred 1.0 billion short tons of its U.S. shipments of wire rod in the manufacture of various downstream products in 2013.[56] Internal transfers accounted for about *** of the reported volume of U.S. producers' shipments during the period of investigation, increasing steadily from 23.8 percent in 2011 to 27.7 percent in 2013.[57] Commercial (merchant market) shipments accounted for virtually all of the balance of their shipments.[58] We consequently determine that the threshold criterion for application of the captive production provision has been met.

While the first[59] and second[60] statutory criteria arguably have been met, we conclude that the third statutory criterion is not satisfied. There are many downstream products produced from wire rod by domestic producers and merchant market purchasers alike. Across all end uses, the most common product reported for both internal transfers and merchant market purchases was wire, followed by wire mesh. It appears that there is a substantial

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(…Continued)

> generally used in the production of that downstream article, then the Commission, in determining market share and the factors affecting financial performance set forth in clause (iii), shall focus primarily on the merchant market for the domestic like product.

The SAA indicates that where a domestic like product is transferred internally for the production of another article coming within the definition of the domestic like product, such transfers do not constitute internal transfers for the production of a "downstream article" for purposes of the captive production provision. SAA at 853.

[55] Nucor's Postconference Brief at 7-9 and Exhibit 1 at 10-14; ACEGK's Postconference Brief at 12-13.

[56] Calculated from CR/PR at Table III-5. The definition of an "internal transfer" for purposes of the captive production provision was addressed in *Bethlehem Steel Corp. v. United States*, 294 F. Supp. 2d 1359, 1364-68 (Ct. Int'l Trade 2003), which appeared to consider a "sale" to occur (and thus for the shipment to be sold in the merchant market as opposed to an internal transfer) when there was a transfer of title, payment of consideration, and transfer of title to an unrelated party. 294 F. Supp. 2d at 1365. Otherwise, the shipment is an internal transfer. Therefore, we consider internal transfers to include internal consumption and transfers to related firms.

[57] Calculated from CR/PR at Table III-5.

[58] CR/PR at Table III-5. U.S. producers' commercial shipments as a share of their total shipments declined steadily from 75.3 percent in 2011 to 71.6 percent in 2013. Export shipments accounted for only 0.7 to 0.9 percent of total shipments during the period of investigation. *Id*.

[59] The record indicates that the vast majority of internal transfers by domestic producers are used in the production of downstream products and do not enter the merchant market. CR at III-14; PR at III-11. While *** reported diverting *** short tons of wire rod intended for internal consumption to the merchant market for the production of ***, these shipments represented only *** of internal transfers in 2013. CR at III-14 and n.14; PR at III-11 and n.14.

[60] The cost of wire rod accounts for a large share of the cost of finished products. It reportedly accounts for 70-80 percent of the finished cost of the majority of downstream products (*e.g.*, mesh, industrial wire, welded wire reinforcement, drawn wire, and fencing products), although cost shares vary widely due to the wide range of products produced from wire rod. CR at II-10 and III-14; PR at II-6-7 and III-11.

overlap in end uses for product that is internally transferred and for product sold in the merchant market.[61] We nonetheless consider as a condition of competition that a significant share of domestic production is captively consumed and examine both merchant market data and data for the total U.S. market in our analysis.

2. Demand Conditions

Wire rod is used as an intermediate product. Most wire rod is sold, or internally transferred, to wire drawers that produce a wide variety of wire products.[62] Consequently, demand for wire rod depends on the demand for these many downstream products. Parties reported that the construction, automotive, energy, and agriculture industries account for the majority of demand for wire rod.[63]

Apparent U.S. consumption of wire rod fluctuated but experienced modest growth, increasing by 3.5 percent between 2011 to 2013.[64] Apparent U.S. consumption increased from 5.13 million short tons in 2011 to 5.33 million short tons in 2012 and then declined slightly to 5.31 million short tons in 2013.[65] The parties appear to agree that demand will increase at least gradually in 2014.[66]

3. Supply Conditions

The domestic wire rod industry is the largest supplier of wire rod to the U.S. market, although its share of apparent U.S. consumption declined from 75.6 percent in 2011 to 67.8 percent in 2013.[67] There are ten U.S. producers of wire rod, with seven of these firms internally transferring wire rod to produce downstream products.[68] All U.S. producers produce industrial quality wire rod; each specialty quality product is made by several different domestic producers.[69] The capacity of the domestic wire rod industry declined by 1.9 percent between 2011 and 2013, but still was at a level near apparent U.S. consumption throughout the period of investigation.[70] Most U.S. producers reported that they are not operating at full capacity due to market conditions and that import competition limits their ability to produce more wire

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[61] CR at II-6 and II-7; PR at II-5. U.S. producers also reported internal transfers and merchant sales for such other products as tire cord/bead, CF bar/pencil rod, fabricated wire products, and staples, nails and fasteners. *See also* CR/PR at Table III-6.

[62] CR at II-6; PR at II-4.

[63] CR/PR at II-1.

[64] CR/PR at Table C-1.

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

[66] ACEGK's Postconference Brief at 7-8; Nucor's Postconference Brief at 3-4; Conf. Tr. at 81 (AWPA's Executive Director testified that most of the members of the AWPA anticipate that demand for wire rod will increase in 2014.).

[67] CR/PR at Table C-1.

[68] CR at III-13 and Table III-1; PR at III-10 and Table III-1.

[69] CR/PR at Table III-6.

[70] CR/PR at Tables III-3 and C-1.

rod.[71] A number of U.S. producers reported production curtailments, although a few domestic producers have expanded or made improvements to their production facilities during the period of investigation.[72]

Nonsubject countries are the next largest suppliers to the U.S. wire rod market after the domestic industry. Their share of apparent U.S. consumption declined from 24.4 percent in 2011 to 20.5 percent in 2013.[73] Canada was the largest individual source of imported wire rod in 2011 and 2012 and the second largest after subject imports from China in 2013.[74] U.S. antidumping duty orders are in effect on wire rod from Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine, and a U.S. countervailing duty order is in effect on wire rod from Brazil.[75]

By 2013, subject imports from China became the largest individual import source of supply to the U.S. market. The share of apparent U.S. consumption held by subject imports increased dramatically from less than 0.05 percent in 2011 to 11.7 percent in 2013.[76] Chinese export tax policies regarding wire rod appear to have played a role in this increase, just as prior changes in such policies after 2006 resulted in substantial declines in subject imports.[77] [78]

4. Substitutability

Wire rod sold in the United States is categorized by quality according to end use, with 11 major types of wire rod identified by the Iron and Steel Society.[79] The Commission requested market participants to classify their shipments into seven different categories. The domestic industry produces wire rod in each of the seven categories. The three largest categories for the domestic industry are low/medium-low carbon industrial/standard quality (accounting for 49.1 percent of U.S. producers' U.S. shipments in 2013), followed by high/medium-high carbon industrial/standard quality (27.9 percent of shipments) and cold heading quality (CHQ) (*** of shipments).[80] While subject imports were reported for only four of the seven categories, the

[71] CR at III-5; PR at III-4.

[72] CR/PR at Table III-2. The firms reporting ***. CR/PR at Table III-2. ***. CR/PR at Table III-3, Note.

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

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

[75] CR at I-5; PR at I-4.

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

[77] *2008 Review Determinations*, USITC Pub. 4014 at 27. At the conference, AWPA's representative also stated that "it's fair to say that the tax policies in China have had a great effect on the U.S. market both in the wire rod industry and a phenomenal impact on the downstream wire and wire products industry and that the Chinese use of export taxes and rebates have definitely had deleterious effects on both the rod and the U.S. wire and wire products industry particularly when you consider how many more of the rod mills now have integrated wire and wire product production than they did even as recently as 2005." Conf. Tr. at 104.

[78] AWPA contends that maintaining multiple sources of supply for wire rod is particularly important for the downstream wire producers when demand is increasing. AWPA's Postconference Brief at 6.

[79] CR at I-13 and Table I-1; PR at I-11 and PR at Table I-1.

[80] CR/PR at Table III-6.

largest two categories for subject imports are low/medium-low carbon industrial/standard quality (accounting for 63.0 percent of U.S. importers' U.S. shipments of subject imports in 2013), followed by high/medium-high carbon industrial/standard quality (*** of shipments).[81] Nonsubject imports were reported for six of the seven categories; the three largest categories for nonsubject imports are welding (*** of U.S. importers' U.S. shipments of nonsubject imports in 2013), CHQ (***), and high/medium-high carbon industrial/standard quality (***).[82] Therefore, while there is substantial overlap between the categories of wire rod supplied by domestic producers and subject imports, nonsubject imports focus on more specialized categories of wire rod that overlap with domestic product but overlap with subject imports only to a more limited degree.

Domestically produced wire rod and subject imports of the same type, particularly in the industrial quality grades, tend to be highly substitutable.[83] For specialty grades, however, not all sources can produce each product, and there even may be differences in wire rod with the same specifications that may limit the degree of substitution.[84]

5. Other Conditions of Competition

In the United States, all steel for wire rod production uses minimill technology to melt ferrous scrap and other raw materials in an electric arc furnace.[85] As a result, the principal inputs used in the U.S. production of wire rod are billets (produced from steel scrap), natural gas, and electricity.[86] The price of steel scrap fluctuated and overall decreased very slightly between 2011 and 2013, and then increased in 2014.[87] Energy prices fluctuated between 2011 and 2013, with an overall decline in natural gas prices and no net change in electricity prices.[88]

Most market participants that responded to the Commission questionnaires reported that worldwide demand for wire rod has fluctuated, with some importers reporting that demand outside the United States had increased.[89]

C. Volume of Subject Imports

Section 771(7)(C)(i) of the Tariff Act provides that the "Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States, is significant."[90]

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[81] CR/PR at Table IV-6.
[82] CR/PR at Table IV-6.
[83] CR at II-10-11; PR at II-7.
[84] CR at II-11; PR at II-7.
[85] CR at I-16; PR at I-13 – I-14.
[86] CR/PR at V-1.
[87] CR/PR at V-1 and Figure V-1.
[88] CR/PR at Table V-1.
[89] CR/PR at Table II-3.
[90] 19 U.S.C. § 1677(7)(C)(i).

Subject imports were virtually nonexistent at the beginning of the period of investigation, but their volume increased dramatically -- by 429,778 percent -- between 2011 and 2013.[91] The volume of subject imports rose from 144 short tons in 2011 to 241,938 short tons in 2012, then to 618,818 short tons in 2013.[92] Subject import market share rose from less than 0.05 percent in 2011 to 4.5 percent in 2012 and 11.7 percent in 2013.[93] Despite modest growth in apparent U.S. consumption from 2011 to 2013,[94] U.S. shipments declined each year, the domestic industry lost market share,[95] and subject imports experienced significant gains.[96]

For purposes of these preliminary determinations, we find that the volume of subject imports and the increase in that volume are significant both in absolute terms and relative to consumption and production in the United States.

D. Price Effects of the Subject Imports

Section 771(7)(C)(ii) of the Tariff Act provides that, in evaluating the price effects of subject imports, the Commission shall consider whether –

> (I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and
> (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.[97]

The record in these preliminary phase investigations indicates that subject imports and domestically produced wire rod of the same type are highly substitutable[98]

and that price is at least a moderately important factor in purchasing decisions.[99] Moreover, as discussed above, both the domestic like product and the subject imports tend to be

[91] CR/PR at Table C-1.

[92] CR/PR at Tables IV-2 and C-1.

[93] CR/PR at Tables IV-4 and C-1. Subject import share of the merchant market rose from less than 0.05 percent in 2011 to 5.6 percent in 2012 and 14.4 percent in 2013. *Id*. at Table IV-5.

[94] Apparent U.S. consumption fluctuated annually and increased overall from 5.1 million short tons in 2011 to 5.3 million short tons in 2013. CR/PR at Tables IV-4 and C-1.

[95] The domestic industry's market share, as measured by quantity, fell from 75.6 percent in 2011 to 71.5 percent in 2012 and 67.8 percent in 2013. CR/PR at Tables IV-4 and C-1. The domestic industry's share of the merchant market, as measured by quantity, fell from 70.1 percent in 2011 to 65.0 percent in 2012 and 60.3 percent in 2013. CR/PR at Tables IV-5.

[96] The ratio of subject imports to U.S. production increased significantly between 2011 and 2013. It was less than 0.05 percent in 2011, 6.2 percent in 2012 and 16.9 percent in 2013. CR/PR at Table IV-2.

[97] 19 U.S.C. § 1677(7)(C)(ii).

[98] CR at II-10; PR at II-7.

[99] In the *2008 Review Determinations,* price was characterized as a "very important" purchasing factor by 38 out of 41 purchasers. *2008 Review Determinations,* USITC Pub. 4014 at Table II-4.

concentrated in the industrial quality grades. Thus, for purchasers of industrial quality grades of wire rod, prices are particularly important in purchasing decisions.

Most U.S. producers and importers set prices on a transaction-by-transaction basis.[100] Wire rod sales in the United States typically involve either short term contracts or spot sales.[101]

The Commission collected quarterly pricing data on five wire rod products—three industrial quality products, a mesh quality product, and a product for spring applications.[102] Nine U.S. producers, nine importers of subject wire rod from China, and one importer of wire rod from Canada provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. Pricing data reported by these firms accounted for 45.5 percent of U.S. producers' commercial shipments of wire rod and 85.9 percent of U.S. shipments of imports from China.[103]

The pricing data show that subject imports undersold the domestic like product in 36 of 41, or 87.8 percent, of total comparisons.[104] The margins of underselling ranged from 0.2 percent to 17.5 percent, and the average margin of underselling was 7.9 percent.[105] Given the importance of price in purchasing decisions, particularly for industrial grades, we find this underselling to be significant for purposes of these preliminary determinations.

Prices for the domestic like product and the subject imports fluctuated within a narrow range, with a discernible downward trend from 2011 to 2013.[106] The pricing data also show some indication that prices for the domestic like product and the subject imports moved in concert and that price changes for the subject imports affected prices for the domestic like product. Thus, we find evidence of price depression.

Moreover, we find evidence that subject imports have had price suppressing effects during the period. Over the period of investigation, the domestic industry's ratio of cost of goods sold ("COGS") to net sales was high and increased each year.[107] There is evidence on the record that prices for raw materials were increasing during the latter part of the period of investigation, although the parties do not agree on the domestic industry's success in raising prices during this period.[108] The Commission staff was able to confirm some of the alleged lost sales during the preliminary phase of these investigations.[109]

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[100] CR/PR at Table V-2.

[101] CR/PR at Table V-3.

[102] CR at V-5 and V-6; PR at V-4.

[103] CR at V-6; PR at V-4.

[104] CR/PR at Table V-10.

[105] CR/PR at Table V-10.

[106] CR/PR at Table V-9. Price decreases for U.S.–produced wire rod ranged from 5.3 percent to 10.6 percent during 2011-2013, while prices decreases for subject wire rod imports from China ranged from ***. *Id*.

[107] The ratio of COGS to net sales increased from 90.0 percent in 2011 to 91.7 percent in 2012 and 92.4 percent in 2013. CR/PR at Table VI-1.

[108] Petitioners maintained that domestic transaction prices for wire rod fell even when scrap prices were increasing in late 2013, which demonstrates that domestic producers have been unable to raise prices to recover increases in the cost of raw materials. ACEGK's Postconference Brief at 18-19; Nucor's Postconference Brief at 19. AWPA, however, claimed that during 2013 and continuing into 2014, the (Continued…)

Accordingly, based on the record in the preliminary phase of these investigations, we find that there has been significant price underselling of the domestic like product by the subject imports and evidence that the substantially increasing volume of subject imports has depressed and suppressed prices for the domestic like product.

E. Impact of the Subject Imports[110]

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

Over the period of investigation, virtually all trade and financial indicators for the domestic industry declined, in spite of increases in apparent U.S. consumption. The domestic industry's capacity, which declined each year, fell by 1.9 percent from 2011 to 2013.[111] Production declined from 2011 to 2013 and was 6.5 percent lower in 2013 than in 2011.[112] Capacity utilization fluctuated from year to year and declined overall from 2011 to 2013.[113]

The domestic industry's U.S. shipments, both on a total basis and on a commercial (merchant market) basis, showed patterns similar to those for production. Total U.S. shipments declined during the period of investigation and were 7.1 percent lower in 2013 than in 2011. Commercial U.S. shipments followed the same annual trends.[114] Inventories relative to U.S.

(…Continued)
domestic producers of steel wire rod have imposed numerous and significant price increases on all of their wire rod products. AWPA's Postconference Brief at 2-4.

[109] CR at V-18-V-31; PR at V-12 – V-13.

[110] In its notice initiating the antidumping duty investigation on wire rod from China, Commerce initiated investigations based on estimated antidumping duty margins of 99.32 to 110.25 percent for imports from China. 79 Fed. Reg. 11077 (Feb. 27, 2014).

[111] CR/PR at Tables III-3 and C-1. The domestic industry's production capacity was 5.17 million short tons in 2011, 5.13 million short tons in 2012, and 5.07 million short tons in 2013. *Id*.

[112] CR/PR at Tables III-3 and C-1. The domestic industry's production was 3.91 million short tons in 2011, 3.88 million short tons in 2012, and 3.66 million short tons in 2013. *Id*.

[113] CR/PR at Tables III-3 and C-1. The domestic industry's capacity utilization was 75.5 percent in 2011, 75.6 percent in 2012, and 72.0 percent in 2013. *Id*.

[114] CR/PR at Tables III-5 and C-1. The domestic industry's total U.S. shipments were 3.88 million short tons in 2011, 3.81 million short tons in 2012, and 3.60 million short tons in 2013. *Id*. Total U.S. shipments were 7.1 percent lower in 2013 than in 2011. *Id*. The domestic industry's commercial shipments were 2.94 million short tons in 2011, 2.82 million short tons in 2012, and 2.60 million short tons in 2013. *Id*. Commercial shipments were 11.9 percent lower in 2013 than in 2011. *Id*.

shipments steadily increased from 5.0 percent in 2011 to 7.4 percent in 2013.[115] Although the domestic industry accounted for the majority of apparent U.S. consumption, its market share declined over the period of investigation.[116] [117]

The number of production and related workers employed in the domestic industry, the total hours worked, wages paid, and hourly wages fluctuated from year to year and declined slightly overall from 2011 to 2013.[118] The industry's productivity and hours worked per worker declined each year.[119]

The financial performance of the domestic industry displayed substantial declines during the period of investigation, even as apparent U.S. consumption increased. The domestic producers' total net sales values declined each year from $3.0 million in 2011 to $2.9 million in 2012 and $2.6 million in 2013.[120] The domestic producers' ratio of COGS to net sales increased from 90.0 percent in 2011 to 91.7 percent in 2012 and 92.4 percent in 2013.[121] Thus, while the domestic industry was profitable each year, its operating income declined by more than half.[122] The domestic industry's ratio of operating income to net sales declined from 7.1 percent in 2011 to 5.2 percent in 2012, and 4.2 percent in 2013.[123] The industry's capital expenditures increased each year.[124] Research and development expenses, which were much lower than capital expenditures, fluctuated from year to year and were higher in 2013 than in 2011.[125]

Despite increases in apparent U.S. consumption, the domestic industry's trade and financial performance declined substantially over the period of investigation. As discussed above, we have found the volume and market share of subject imports to have increased

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[115] CR/PR at Table III-7 and C-1.

[116] CR/PR at Tables IV-4 and C-1. The U.S. industry's market share was 75.6 percent in 2011, 71.5 percent in 2012, and 67.8 percent in 2013. *Id*. The U.S. industry's share of the commercial (merchant) market was 70.1 percent in 2011, 65.0 percent in 2012, and 60.3 percent in 2013. CR/PR at Table IV-5.

[117] As discussed above, a significant share of U.S. wire rod production is internally transferred to produce downstream products. While we concluded that the captive production provision was not satisfied, we find it appropriate to consider the merchant market (commercial sales) data as a relevant condition of competition.

[118] CR/PR at Tables III-8 and C-1. Unit labor costs also fluctuated from year to year but increased very slightly from 2011 to 2013. *Id*.

[119] CR/PR at Tables III-8 and C-1.

[120] CR/PR at Table VI-1. The domestic producers' net commercial sales values declined each year from $2.4 million in 2011 to $2.2 million in 2012 and $1.9 million in 2013. *Id*.

[121] CR/PR at Table VI-1. For their commercial (merchant) market sales, the domestic producers' ratio of COGS to net sales increased from 90.2 percent in 2011 to 92.3 percent in 2012 and 92.8 percent in 2013. *Id*.

[122] The domestic industry's operating income was $217.3 million in 2011, $148.4 million in 2012, and $107.7 million in 2013. CR/PR at Table VI-1. The domestic industry's operating income for commercial market sales was $161.7 million in 2011, $98.6 million in 2012, and $68.5 million in 2013. *Id*.

[123] CR/PR at Table VI-1. The domestic industry's ratio of operating income to net sales for commercial market sales was 6.8 percent in 2011, 4.5 percent in 2012, and 3.0 percent in 2013. *Id*.

[124] CR/PR at Table VI-4. The ***. CR at VI-19; PR at VI-9.

[125] CR/PR at Table VI-4. Four U.S. producers reported research and development expenses. *Id*.

significantly over the period of investigation, that there has been substantial underselling, and that there is evidence of price depression and suppression by subject imports. Consequently, we find, for purposes of the preliminary phase of these investigations, that there is a reasonable indication that the large and increasing volume of subject imports had a significant impact on the domestic industry.

In conducting our impact analysis, we have also considered the role of other factors so as not to attribute injury from other factors to subject imports.[126] Apparent U.S. consumption for wire rod increased by 3.5 percent from 2011 to 2013, so declines in the domestic industry's trade and financial performance indicators are not due to a decline in consumption.[127] Nonsubject imports declined in volume and market share between 2011 and 2013,[128] and subject imports' gains in market share exceeded the loss of market share by nonsubject imports.[129] In addition, pricing data indicate that nonsubject imports from Canada were priced higher than subject imports in 28 of 35 quarterly price comparisons.[130]

No other factors have been identified by Respondents to explain the declines in the domestic industry's performance. Instead, Respondents have urged the Commission to consider the effects of imposing antidumping and countervailing duty duties on downstream consumers, which is not legally relevant to these proceedings.[131]

Accordingly, for purposes of these preliminary determinations, we conclude that subject imports have had a significant adverse impact on the domestic industry.

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[126] Based on the record evidence in the preliminary phase of this investigation, Commissioner Pinkert finds that price competitive, nonsubject imports were a significant factor in the U.S. market for wire rod during the period of investigation. CR/PR at Table C-1. He notes, however, that, regardless of whether wire rod constitutes a commodity product, the record does not support finding that nonsubject imports would have replaced subject imports during the period of investigation without benefit to the domestic industry if subject imports had exited the U.S. market. Nonsubject imports did not account for more than 24.4 percent of the U.S. market in any year of the period and declined over the period. *Id*. In addition, China is the largest global producer of wire, accounting for 74.7 percent of world production in 2012 and by far the largest share of global exports during 2011-2013. CR/PR at VII-3 & Table VII-5. There also is no record information regarding the propensity of suppliers in other countries to replace subject imports. Moreover, the available price data indicate that imports of wire rod from one nonsubject country (Canada) were sold at higher prices than wire rod originating either in China or the United States. *See* CR at V-7 - V-16, PR at V-5 – V-10.

[127] CR/PR at Table C-1.

[128] Nonsubject import market share declined from 24.4 percent in 2011 to 24.0 percent in 2012, and then to 20.5 percent in 2013. CR/PR at Table IV-4.

[129] Subject import market share increased from less than 0.05 percent in 2011 to 4.5 percent in 2012, and then to 11.7 percent in 2013. CR/PR at Table IV-4.

[130] CR/PR at Tables V-4, V-5, and V-7.

[131] AWPA's Postconference Brief at 6-7. The statutory inquiry in these investigations relates to the "impact of imports of such merchandise on domestic producers of domestic like products…." 19 U.S.C. § 1677(7)(B)(i)(III). As discussed above, the subject imports and domestic like product in these investigations encompass wire rod products, not wire or other downstream products.

VI. Conclusion

For the reasons stated above, we determine that there is a reasonable indication that an industry in the United States is materially injured by reason of subject imports of carbon and certain alloy steel wire rod from China that are alleged to be sold in the United States at less than fair value and allegedly subsidized by the Government of China.

PART I: INTRODUCTION

BACKGROUND

These investigations result from petitions filed with the U.S. Department of Commerce ("Commerce") and the U.S. International Trade Commission ("USITC" or "Commission") by ArcelorMittal USA LLC ("ArcelorMittal"), Chicago, Illinois; Charter Steel ("Charter"), Saukville, Wisconsin; Evraz Pueblo[1] ("Evraz"), Pueblo, Colorado; Gerdau Ameristeel US Inc. ("Gerdau"), Tampa, Florida; Keystone Consolidated Industries, Inc. ("Keystone"), Dallas, Texas; and Nucor Corporation ("Nucor"), Charlotte, North Carolina on January 31, 2014, alleging that an industry in the United States is materially injured and threatened with material injury by reason of subsidized and less-than-fair-value ("LTFV") imports of carbon and certain alloy steel wire rod ("wire rod")[2] from China. The following tabulation provides information relating to the background of these investigations.[3] [4]

Effective date	Action
January 31, 2014	Petitions filed with Commerce and the Commission; institution of Commission investigation (79 FR 7225, February 6, 2014)
February 21, 2014	Commission's conference
February 27, 2014	Commerce's notices of initiation (79 FR 11077 and 79 FR 11085)
March 14, 2014	Commission's vote
March 20, 2014	Commission's determinations (postponed)
March 27, 2014	Commission's views (postponed)

STATUTORY CRITERIA AND ORGANIZATION OF THE REPORT

Statutory criteria

Section 771(7)(B) of the Tariff Act of 1930 (the "Act") (19 U.S.C. § 1677(7)(B)) provides that in making its determinations of injury to an industry in the United States, the Commission--

> *shall consider (I) the volume of imports of the subject merchandise, (II) the effect of imports of that merchandise on prices in the United States for*

[1] On January 31, 2014, Evraz Rocky Mountain Steel became Evraz Pueblo.

[2] See the section entitled "The Subject Merchandise" in *Part I* of this report for a complete description of the merchandise subject to these investigations.

[3] Pertinent *Federal Register* notices are referenced in app. A, and may be found at the Commission's website (www.usitc.gov).

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

domestic like products, and (III) the impact of imports of such merchandise on domestic producers of domestic like products, but only in the context of production operations within the United States; and. . . may consider such other economic factors as are relevant to the determination regarding whether there is material injury by reason of imports.

Section 771(7)(C) of the Act (19 U.S.C. § 1677(7)(C)) further provides that--

In evaluating the volume of imports of merchandise, the Commission shall consider whether the volume of imports of the merchandise, or any increase in that volume, either in absolute terms or relative to production or consumption in the United States is significant.
. . .
In evaluating the effect of imports of such merchandise on prices, the Commission shall consider whether. . .(I) there has been significant price underselling by the imported merchandise as compared with the price of domestic like products of the United States, and (II) the effect of imports of such merchandise otherwise depresses prices to a significant degree or prevents price increases, which otherwise would have occurred, to a significant degree.
. . .
In examining the impact required to be considered under subparagraph (B)(i)(III), the Commission shall evaluate (within the context of the business cycle and conditions of competition that are distinctive to the affected industry) all relevant economic factors which have a bearing on the state of the industry in the United States, including, but not limited to . . . (I) actual and potential decline in output, sales, market share, profits, productivity, return on investments, and utilization of capacity, (II) factors affecting domestic prices, (III) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investment, (IV) actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and (V) in {an antidumping investigation}, the magnitude of the margin of dumping.

Organization of the report

Part I of this report presents information on the subject merchandise, alleged subsidy and dumping margins, and domestic like product. *Part II* of this report presents information on conditions of competition and other relevant economic factors. *Part III* presents information on the condition of the U.S. industry, including data on capacity, production, shipments, inventories, and employment. *Parts IV* and *V* present the volume of subject imports and pricing

of domestic and imported products, respectively. *Part VI* presents information on the financial experience of U.S. producers. *Part VII* presents the statutory requirements and information obtained for use in the Commission's consideration of the question of threat of material injury as well as information regarding nonsubject countries.

MARKET SUMMARY

Wire rod generally is used as an intermediate product for drawing into wire. The leading U.S. producers of wire rod are Charter, Gerdau, Keystone, Nucor, and Sterling Steel Company, LLC ("Sterling"), while leading producers of wire rod in China include ***. The leading U.S. importers of wire rod from China are ***. The leading importer of product from nonsubject countries (primarily Canada) is ***. U.S. purchasers of wire rod are firms that draw wire and use this wire for a large variety of end products; leading purchasers include ***.

Apparent U.S. consumption of wire rod totaled approximately 5.3 million short tons ($3.8 billion) in 2013. Currently, ten firms are known to produce wire rod in the United States. U.S. producers' U.S. shipments of wire rod totaled 3.6 million short tons ($2.5 billion) in 2013, and accounted for 67.8 percent of apparent U.S. consumption by quantity and 67.3 percent by value. U.S. imports from China totaled nearly 619,000 short tons ($336 million) in 2013 and accounted for 11.7 percent of apparent U.S. consumption by quantity and 8.9 percent by value. U.S. imports from nonsubject sources totaled nearly 1.1 million short tons ($896 million) in 2013 and accounted for 20.5 percent of apparent U.S. consumption by quantity and 23.8 percent by value.

SUMMARY DATA AND DATA SOURCES

A summary of data collected in these investigations is presented in appendix C.[5] Except as noted, U.S. industry data are based on questionnaire responses of ten firms that accounted for all U.S. production of wire rod during 2011-13. U.S. imports are based on official import data and on questionnaire responses from 13 U.S. importers that are believed to have accounted for 97.5 percent of wire rod imports from China and 40.8 percent of wire rod imports from nonsubject sources during 2011-13.

[5] Table C-1 presents data for the total market and table C-2 presents data for the U.S. merchant market (excluding internal consumption and company transfers by U.S. producers).

PREVIOUS AND RELATED INVESTIGATIONS

Prior investigations

The Commission has conducted a number of previous import relief investigations on wire rod products or similar merchandise. There are currently antidumping orders in effect covering wire rod from Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine, as well as a countervailing duty order in effect covering wire rod from Brazil.[6] Table I-1 presents the Commission's countervailing and antidumping duty investigations concerning wire rod since 1982.

Table I-1
Wire rod: Previous and related Title VII investigations, 1982-2013

Original Investigation				First review		
Date[1]	Number	Country	Outcome	Date[1]	Outcome	Status
1982	731-TA-88	Venezuela	Negative	-	-	-
1982	731-TA-113	Brazil	Affirmative	-	-	ITA revoked 9/20/85
1982	731-TA-114	Trinidad & Tobago	Affirmative	-	-	ITA revoked 12/14/87
1982	701-TA-148	Brazil	Affirmative[2]	-	-	Investigation terminated 8/21/85
1982	701-TA-149	Belgium	Affirmative[2]	-	-	Petition withdrawn 11/9/82
1982	701-TA-150	France	Affirmative[2]	-	-	Petition withdrawn 11/9/82
1983	701-TA-209	Spain	Affirmative	-	-	ITA revoked 9/11/85
1983	731-TA-157	Argentina	Affirmative	1998	Negative	-
1983	731-TA-158	Mexico	Negative[2]	-	-	-
1983	731-TA-159	Poland	Negative	-	-	-
1983	731-TA-160	Spain	Affirmative	-	-	ITA revoked 9/16/85
1984	731-TA-205	East Germany	Affirmative[2]	-	-	Petition withdrawn 8/1/85

Table continued on next page.

[6] The Commission is conducting full five-year reviews of these orders; determinations are expected in June 2014. *Carbon and Certain Alloy Steel Wire Rod From Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine*, 78 FR 76653, December 18, 2013.

Table I-1--*Continued*

Wire rod: Previous and related Title VII investigations, 1982-2013

Original Investigation				First review		
Date[1]	Number	Country	Outcome	Date[1]	Number	Status
1985	701-TA-243	Portugal	Negative[2]	-	-	-
1985	701-TA-244	Venezuela	Affirmative[2]	-	-	Petition withdrawn 7/24/85
1985	731-TA-256	Poland	Affirmative[2]	-	-	Petition withdrawn 9/10/85
1985	731-TA-257	Portugal	Affirmative[2]	-	-	Petition withdrawn 11/20/85
1985	731-TA-258	Venezuela	Affirmative[2]	-	-	Petition withdrawn 8/30/85
1992	701-TA-314	Brazil	Affirmative	1999	-	ITA revoked 11/15/99
1992	701-TA-315	France	Affirmative	1999	-	ITA revoked 11/15/99
1992	701-TA-316	Germany	Affirmative	1999	-	ITA revoked 11/15/99
1992	701-TA-317	United Kingdom	Affirmative	1999	-	ITA revoked 11/15/99
1992	731-TA-552	Brazil	Affirmative	1999	-	ITA revoked 11/15/99
1992	731-TA-553	France	Affirmative	1999	-	ITA revoked 11/15/99
1992	731-TA-554	Germany	Affirmative	1999	-	ITA revoked 11/15/99
1992	731-TA-555	United Kingdom	Affirmative	1999	-	ITA revoked 11/15/99
1992	731-TA-572	Brazil	Negative	-	-	-
1993	731-TA-646	Brazil	Negative	-	-	-
1993	731-TA-647	Canada	Affirmative[2]	-	-	Petition withdrawn 4/18/94
1993	731-TA-648	Japan	Negative	-	-	-
1993	731-TA-649	Trinidad & Tobago	Negative[2]	-	-	-
1994	701-TA-359	Germany	Negative[2]	-	-	-
1994	731-TA-686	Belgium	Affirmative[2]	-	-	Petition withdrawn 7/7/94
1994	731-TA-687	Germany	Negative[2]	-	-	-
1997	701-TA-368	Canada	Negative	-	-	-
1997	701-TA-369	Germany	Negligible[3]	-	-	-
1997	701-TA-370	Trinidad & Tobago	Negative	-	-	-
1997	701-TA-371	Venezuela	Negative	-	-	-
1997	731-TA-763	Canada	Negative	-	-	-
1997	731-TA-764	Germany	Negative	-	-	-
1997	731-TA-765	Trinidad & Tobago	Negative	-	-	-
1997	731-TA-766	Venezuela	Negative	-	-	-

Table continued on next page.

Table I-1--*Continued*

Wire rod: Previous and related Title VII investigations, 1982-2013

Original Investigation				First review		
Date[1]	Number	Country	Outcome	Date[1]	Number	Status
2001	701-TA-417	Brazil	Affirmative	2007	Affirmative	Second review instituted 2013
2001	701-TA-418	Canada	Affirmative	-	-	ITA revoked 1/23/04
2001	701-TA-419	Germany	Negligible	-	-	-
2001	701-TA-420	Trinidad & Tobago	Negative[4]	-	-	-
2001	701-TA-421	Turkey	Negative[4]	-	-	-
2001	731-TA-953	Brazil	Affirmative	2007	Affirmative	Second review instituted 2013
2001	731-TA-954	Canada	Affirmative	2007	Negative	-
2001	731-TA-955	Egypt	Negligible[3]	-	-	-
2001	731-TA-956	Germany	Negligible[3]	-	-	-
2001	731-TA-957	Indonesia	Affirmative	2007	Affirmative	Second review instituted 2013
2001	731-TA-958	Mexico	Affirmative	2007	Affirmative	Second review instituted 2013
2001	731-TA-959	Moldova	Affirmative	2007	Affirmative	Second review instituted 2013
2001	731-TA-960	South Africa	Negligible[3]	-	-	
2001	731-TA-961	Trinidad & Tobago	Affirmative	2007	Affirmative	Second review instituted 2013
2001	731-TA-962	Ukraine	Affirmative	2007	Affirmative	Second review instituted 2013
2001	731-TA-963	Venezuela	Negligible[3]	-	-	-
2005	731-TA-1099	China	Negative[2]	-	-	-
2005	731-TA-1100	Germany	Negative[2]	-	-	-
2005	731-TA-1101	Turkey	Negative[2]	-	-	-

[1] Date refers to the year in which the investigation or review was instituted by the Commission.
[2] Preliminary determination.
[3] The Commission found subject imports to be negligible, and its investigation was thereby terminated. Petitioner Co-Steel Raritan (now Gerdau) appealed the Commission's preliminary determinations that imports were negligible. After a third remand in March 2008, the Court of International Trade (CIT) affirmed the views of the Commission concerning Egypt, South Africa, and Venezuela. With respect to Germany, the CIT affirmed the Commission's final determination that subject imports from Germany were negligible.
[4] The Department of Commerce made a negative determination.

Source: *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine, Investigation Nos. 701-TA-417 and 731-TA-953, 954, 957-959, 961, and 962 (Review)*, USITC Publication 4014, June 2008; *Carbon and Certain Alloy Steel Wire Rod from China, Germany, and Turkey, Investigation Nos. 731-TA-1099-1101 (Preliminary),* USITC Publication 3832, January 2006; and *Carbon and Certain Alloy Steel Wire Rod from Brazil, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine*, 78 FR 33103, June 3, 2013.

Safeguard investigation

In 1999, the Commission conducted a safeguard investigation under section 202 of the Trade Act of 1974 to determine whether steel wire rod was being imported into the United States in such increased quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing an article like or directly competitive with the imported article. The Commission was equally divided in its injury determination.[7] The President considered the determination of the Commissioners voting in the affirmative and issued Proclamation 7273 imposing relief in the form of a Tariff Rate Quota (TRQ) on imports of steel wire rod for a period of three years and one day, effective March 1, 2000.

Imports of subject products in excess of the quarterly or the annual quota amounts were assessed duties in addition to the column-1 general rates of duty in the amounts of 10 percent *ad valorem* in the first year of relief (in-quota quantity of 1,580,000 short tons); 7.5 percent *ad valorem* in the second year of relief (in-quota quantity of 1,611,600 short tons); and 5 percent *ad valorem* in the third year of relief (in-quota quantity of 1,643,832 short tons). The President subsequently issued Proclamation 7505 effective November 24, 2001, modifying the TRQ, by providing that the in-quota quantity of the TRQ be allocated among these four supplier country groupings: European Community; Commonwealth of Independent States; Trinidad and Tobago; and all other countries.[8]

NATURE AND EXTENT OF ALLEGED SUBSIDIES AND SALES AT LTFV

Alleged subsidies

On February 27, 2014, Commerce published a notice in the *Federal Register* of the initiation of its countervailing duty investigation on wire rod from China.[9] Commerce identified the following government programs in China:

A. Preferential Loans, Policy Loans, and Directed Credit
    1. Preferential Loans, Policy Loans, and Directed Credit to the Steel Wire Rod Industry
    2. Treasury Bond Loans or Grants

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[7] Pursuant to section 311(a) of the North American Free Trade Agreement (NAFTA) Implementation Act, the Commission made negative findings with respect to imports of wire rod from Canada and Mexico.

[8] *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine, Investigation Nos. 701-TA-417 and 731-TA-953, 954, 957-959, 961, and 962 (Review)*, USITC Publication 4014, June 2008, pp. I-11-I-12.

[9] *Carbon and Certain Alloy Steel Wire Rod From the People's Republic of China: Initiation of Countervailing Duty Investigation*, 79 FR 11085, February 27, 2014.

B. Grant Programs
    1. Development of Famous Brands and China World Top Brands Programs
    2. Sub-Central Government Subsidies for Development of Famous Brands and China World Top Brands
    3. Funds for Outward Expansion of Industries in Guangdong Province
    4. Provincial Fund for Fiscal and Technological Innovation
    5. State Specific Fund for Promoting Key Industries and Innovation Technologies
    6. Shandong Province's Special Fund for the Establishment of Key Enterprise Technology Centers
    7. Grants for Antidumping Investigations
    8. Shandong Province's Award Fund for Industrialization of Key Energy-Saving Technology
    9. Shandong Province's Environmental Protection Industry R&D Funds
    10. Shandong Province's Construction Fund for Promotion of Key Industries
    11. Waste Water Treatment Subsidies
    12. Funds of Guangdong Province to Support the Adoption of E-Commerce by Foreign Trade Enterprises
    13. Technology to Improve Trade R&D Fund
    14. Direct Government Grants to Angang Steel
    15. Direct Government Grants to Baosteel
    16. Direct Government Grants to HBIS
    17. Direct Government Grants to Nanjing Iron & Steel Co., Ltd. (NISCO)
    18. Direct Government Grants to Jiangsu Shagang Group
    19. Grants to Wuhan Iron and Steel Co., Ltd. (WISCO)

C. Provision of Inputs for Less than Adequate Remuneration (LTAR)
    1. The Provision of Steel Billet for LTAR
    2. The Provision of Electricity for LTAR

D. Provision of Land for LTAR
    1. The Provision of Land-Use to SOEs for LTAR
    2. Land-Use Rights Extension

E. Tax Programs
    1. Income Tax Reductions Under Article 28 of the Enterprise Income Tax Law (EIT)
    2. Tax Offsets for R&D Under the EIT
    3. The Two Free/Three Half Program for Foreign-Invested Enterprises (FIEs)
    4. Income Tax Reductions for Export-Oriented FIEs
    5. Income Tax Benefits for FIEs Based on Geographic Locations
    6. Local Income Tax Exemption and Reduction Programs for "Productive" FIEs
    7. Tax Offsets for R&D by FIEs
    8. Tax Refunds for Reinvestment of FIE Profits in Export-Oriented Enterprises
    9. Preferential Tax Programs for FIEs Recognized as HNTEs
    10. Tax Benefits to Enterprises in the Northeast Region

11. Forgiveness of Tax Arrears for Enterprises Located in the Old Industrial Bases of Northeast China

F. VAT Programs
    1. VAT and Import Duty Exemptions for Use of Imported Equipment
    2. VAT Rebates on FIE Purchases of Chinese-Made Equipment
    3. VAT and Tariff Exemptions for Purchases of Fixed Assets Under the Foreign Trade Development Fund Program

Alleged sales at LTFV

On February 27, 2014, Commerce published a notice in the *Federal Register* of the initiation of its antidumping duty investigation on wire rod from China. Commerce has initiated an antidumping duty investigation based on estimated dumping margins of 99.32 to 110.25 percent with respect to imports of wire rod from China. [10]

THE SUBJECT MERCHANDISE

Commerce's scope

Commerce has defined the scope of this investigation as follows:[11]

> *The merchandise covered by these investigations are certain hot-rolled products of carbon steel and alloy steel, in coils, of approximately round cross section, less than 19.00 mm in actual solid cross-sectional diameter. Specifically excluded are steel products possessing the above-noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (HTSUS) definitions for (a) stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; or (e) concrete reinforcing bars and rods. Also excluded are free cutting steel (also known as free machining steel) products (i.e., products that contain by weight one or more of the following elements: 0.1 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.04 percent of phosphorus, more than 0.05 percent of selenium, or more than 0.01 percent of tellurium). All products meeting the physical description of subject merchandise that are not specifically excluded are included in this scope.*

[10] *Carbon and Certain Alloy Steel Wire Rod From the People's Republic of China: Initiation of Antidumping Duty Investigation*, 79 FR 11077, February 27, 2014.

[11] *Carbon and Certain Alloy Steel Wire Rod From the People's Republic of China: Initiation of Antidumping Duty Investigation*, 79 FR 11077, February 27, 2014.

The products under investigation are currently classifiable under subheadings 7213.91.3011, 7213.91.3015, 7213.91.3020, 7213.91.3093; 7213.91.4500, 7213.91.6000, 7213.99.0030, 7227.20.0030, 7227.20.0080, 7227.90.6010, 7227.90.6020, 7227.90.6030, and 7227.90.6035 of the HTSUS. Products entered under subheadings 7213.99.0090 and 7227.90.6090 of the HTSUS also may be included in this scope if they meet the physical description of subject merchandise above. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this proceeding is dispositive.

Tariff treatment

Based upon the scope set forth by Commerce, information available to the Commission indicates that the merchandise subject to these investigations is currently imported under the following provisions of the 2014 Harmonized Tariff Schedule ("HTS") of the United States: 7213.91.3011, 7213.91.3015, 7213.91.3020, 7213.91.3093; 7213.91.4500, 7213.91.6000, 7213.99.0030, 7227.20.0030, 7227.20.0080, 7227.90.6010, 7227.90.6020, 7227.90.6030, and 7227.90.6035.[12] The column-1 General duty rate for imports of wire rod under all of these provisions is "free."

THE PRODUCT

Description and uses[13]

Wire rod is a hot-rolled intermediate steel product of circular or approximately circular cross section that typically is produced in nominal fractional diameters up to 47/64 inch (18.7 mm) and sold in irregularly wound coils, primarily for subsequent drawing and finishing by wire

[12] From 2011 through 2013, certain subject alloy wire rod products were classified with nonsubject hot-rolled bar and rod products in HTS basket category 7227.90.6085. As of January 1, 2014, HTS 7227.90.6085 was replaced with four new breakouts, including 7227.90.6030 (covering circular alloy wire rod with a diameter of less than 14 mm) and 7227.90.6035 (covering circular alloy wire rod with a diameter of 14 mm or more but less than 19 mm). The other two new HTS numbers, 7227.90.6040 (circular alloy bars and rods with a diameter of 19 mm or more) and 7227.90.6090 (cross-section shapes other than circular), are considered bar and rod products outside the scope of these investigations. *HTSUS (2014)*, "Change Record," January 1, 2014, pp. 6–7.

[13] Compiled from Petition, Vol. I, Exhibit GEN-3; *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine, Inv. Nos. 701-TA-417 and 731-TA-953, 954, 957-959, 961, and* 962 (Review), USITC Publication 4014, June 2008, pp. I-22 – I-24; and *Carbon and Certain Alloy Steel Wire Rod from China, Germany, and Turkey, Inv. Nos. 731-TA-1099-1101 (Preliminary),* USITC Publication 3832, January 2006, pp. I-6-I-7.

drawers.[14] Wire rod sold in the United States is categorized by quality according to end use. End-use categories are broad descriptions with overlapping metallurgical qualities, chemistries, and physical characteristics.[15]

Table I-2 presents quality and commodity descriptions for 11 major types of wire rod, as indicated by the Iron and Steel Society. Industrial quality wire rod currently accounts for the majority of wire rod consumed in the United States. It is primarily intended for drawing into industrial (or standard) quality wire that, in turn, is used to manufacture such products as nails, reinforcing wire mesh and chain link fence. Most of the industrial quality wire rod is produced and sold in the smallest cross-sectional diameter that is hot rolled in substantial commercial quantities (7/32 inch or 5.6 mm). [16] Industrial quality wire rod generally is manufactured from low- or medium-low-carbon steel.[17] Other relatively large-volume qualities of wire rod consumed in the United States include high- and medium-high carbon and cold-heading quality. High- and medium-high carbon wire rod are intended for drawing into wire for such products as strand, upholstery spring, mechanical spring, rope, screens, and pre-stressed concrete wire.[18]

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[14] Wire drawers (also referred to as redrawers) manufacture wire and wire products and may be independent of the wire rod manufacturers or may be affiliated parties.

The American Wire Producers Association ("AWPA") emphasized that wire rod is essentially used only to manufacture wire which is either fabricated into downstream wire products or incorporated into finished products. AWPA's postconference brief, p. 6.

[15] Steel ductility, hardness, and tensile strength are positively correlated with carbon content. Alloying elements can be added at the steel melting stage of the manufacturing process to impart various characteristics to the wire rod.

[16] Petitioners state that wire rod with a nominal diameter of less than from 7/32 inch (5.6 mm) has become commercially available in the United States since previous investigations. Petition, Vol. I, p. 6.

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

[18] The end uses of very high quality wire rod are those where manufacturing process involve large amounts of cold deformation of the steel such as in recessed quality cold heading; those that are safety critical, such as automotive wheel bolts and tire reinforcing wire; those that have very demanding consistency requirements or unusual steel chemistry requirements, such as certain welding grades; and other applications that put unusual and demanding requirements on the steel.

Table I-2

Wire rod: Quality, end uses, and important characteristics

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

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

Manufacturing process[19]

The manufacturing process for wire rod consists of several stages: (1) melting and refining to set the steel's chemical and metallurgical properties; (2) casting the steel into a semifinished shape (billet); (3) hot-rolling the billet into rod on a multistand, high-speed rolling mill; and (4) coiling and controlled cooling of the wire rod as it passes along a Stelmor deck, a specialized conveyor unique to the wire rod industry. According to one witness, the equipment used to produce wire rod is much the same throughout the world and without significant differences in production technology.[20]

U.S. and foreign wire rod manufacturers have made capital investments in their production facilities to improve processing efficiencies and product quality. Higher standards for product quality (e.g., dimensional tolerances, control over residual or trace elements, and coil weights) have been applied across the entire range of wire rod products largely in response to customer demands for improved performance on the customer's equipment. These improvements have tended to blur the distinctions among quality terms over time.[21]

Melting stage

There are two primary process routes by which steel for rod has been made in the United States and in foreign countries: the integrated process, which employs blast furnaces and basic oxygen furnaces (BOFs), and the nonintegrated (or "minimill") production processes which utilizes an electric arc furnace (EAF) to produce raw steel. In both processes, pig iron, ferrous scrap, and/or direct reduced iron (DRI)[22] are charged into BOFs or EAFs. In the United States, all steel[23] (or nearly all steel[24]) for rod production is melted from ferrous scrap in an EAF,

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[19] Compiled from Petition, Vol. 1, Exhibit GEN-3; *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine, Inv. Nos. 701-TA-417 and 731-TA-953, 954, 957-959, 961, and 962 (Review),* USITC Publication 4014, June 2008, pp. I-24 – I-27; and *Carbon and Certain Alloy Steel Wire Rod from China, Germany, and Turkey, Inv. Nos. 731-TA-1099-1101 (Preliminary),* USITC Publication 3832, January 2006, p. I-8.

[20] Conference transcript, p. 69 (Nystrom); and Nucor's postconference brief, p. 31.

[21] *Carbon and Certain Alloy Steel Wire Rod from China, Germany, and Turkey, Inv. Nos. 731-TA-1099-1101 (Preliminary)*, USITC Publication 3832, January 2006, p. I-8.

[22] The advantage of using substitute materials for scrap, including DRI, HBI, or pig iron is the low levels of residual elements (e.g., copper, chromium, nickel, molybdenum, and tin) and reduced gaseous content (particularly nitrogen) that they impart to the steel. Compared to BOF steel, EAF scrap-based steel contains higher levels of certain residuals, which adversely affect yields and drawing efficiencies, and may limit such scrap-based steel use in certain critical applications.

[23] Conference transcript, p. 61 (Kirkvliet).

[24] Conference transcript, p. 61 (Fuller).

along with other raw materials that may also be added as part of the EAF charge.[25] Alloy agents are added to the liquid steel to impart specific properties to finished steel products. The molten steel is poured or tapped from the furnace to a ladle, which is an open-topped, refractory-lined vessel that has an off-center opening in its bottom and is equipped with a nozzle. Meanwhile, the primary steelmaking vessel (either EAF or BOF) may be charged with new materials to begin another refining cycle.

Molten steel typically is further treated in a ladle metallurgy station, where its chemistry is refined to give the steel those properties required for specific applications. At the ladle metallurgy, or secondary steel making, station the chemical content (particularly that of carbon and sulfur) is adjusted, and alloying agents may be added.[26] The steel may be degassed

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[25] Minimills use ferrous scrap as their primary raw material but may add DRI or hot-briquetted iron and/or pig iron to the mix, depending on the specifications for the end product and the relative costs of the raw materials. Minimills that produce high quality rod products, such as high carbon, cold heading quality, tire cord quality, and/or other special quality wire rod may use less ferrous scrap and more DRI than other steelmakers, however the production process in general does not change.

ArcelorMittal adds DRI as a premium raw material to attain the same effects as BOF steel. Conference transcript, p. 61 (Fuller). Similarly, with addition of scrap blends and substitute materials, Nucor reportedly has the full capability to produce all steel grades currently being imported, using the EAF process compared to the BOF process. Conference transcript, p. 62 (Nystrom).

[26] Boron can be added as ferroboron to molten steel (in concentrations of 0.0015–0.0030 percent or 15–30 parts per million (ppm)) to increase the hardenability of the steel. However, because of boron's high reactivity with any dissolved oxygen and nitrogen in the molten steel, ferroboron is the last addition at the ladle metallurgy station, under controlled conditions, and only after the molten steel is "killed" (deoxidized or degassed). Shieldalloy Metallurgical Corp., "Boron," *Ferroalloys & Alloying Additives Online Handbook*, November 23, 2000.

According to the Iron & Steel Society, fine-grained, standard killed carbon steels may include 0.0005–0.003 percent (5–30 ppm) boron to enhance the steel's hardenability. Standard boron alloy steels can contain 0.0005–0.003 percent (5–30 ppm) boron. Iron & Steel Society, Note 4 to "Table 1 Standard Carbon Steels, Cast or Heat Chemical Ranges and Limits, Bars, Wire Rods, Blooms, Billets and Slabs" and footnote "a" to Standard Boron Alloy Steels in "Table 7 Standard Alloy Steels, Cast or Heat Chemical Ranges and Limits, Bars, Wire Rods, Blooms, Billets and Slabs," Pocketbook of Standard Steels, July 1996.

According to staff conference testimony, boron enhances the ductility (drawability) of low carbon steels, hardness of cold heading grade steels, and heat treatability and tensile strength of higher carbon steels. Conference transcript, p. 70 (Goettl) and pp. 70–71 (Nystrom).

According to petitioners, the vast majority of Chinese wire rod contains trace additions of boron (exceeding 0.0008 percent or 8 ppm) for it to be classified as alloy steel rather than carbon steel. In July 2010, the Chinese government removed a VAT rebate for carbon steel exports but continued offering the rebate for alloy steel exports. Subsequently, Chinese producers reportedly added boron to claim the rebate for their alloy steel exports, rather than for metallurgical purposes. *HTSUS* (2014), "Chapter 72 Iron and Steel, Note 1(f) Other Alloy Steel," January 1, 2014, p. XV 72-2; Petitioners' postconference brief, p. 37; Nucor's postconference brief, Exhibit 1, Answers to Staff Questions, pp. 23–24; and Nucor's postconference brief, Exhibit 20, ***.

Articles appearing in the industry and trade press mention boron additions to wire rod as a means of both avoiding Chinese export taxes and of gaining tax rebates. See, e.g., Frizell, Samuel, "Chinese Wire

(*continued*...)

(eliminating oxygen and hydrogen) at low pressures.[27] Ladle metallurgy stations are equipped with electric arc power to adjust the temperature of the molten steel for optimum casting and to allow it to serve as a holding reservoir for the tundish.

Casting stage

Once molten steel with the requisite properties has been produced, it is cast into a form that can enter the rolling process. Continuous (strand) casting is the method primarily used in the United States. In strand casting, the ladle containing molten steel is transferred from the ladle metallurgy station to the caster and the molten steel is poured at a controlled rate into a refractory-lined tundish (reservoir dam), which in turn controls the rate of flow of the molten steel into the molds at the top of the caster. The tundish may have a special design or employ electromagnetic stirring to ensure homogeneity of the steel. The strand caster is designed to produce billets in the desired cross-sectional dimensions, based on the dimensions of the rod and the design of the rolling mill. Billets may be sent directly ("hot-charged") into the rolling mill or, depending upon the rolling mill's schedule, sent to a storage yard. While in storage, billets may be inspected and subjected to one or more conditioning operations (e.g., grinding or turning) to prepare them for hot rolling. This preparation is more common with cold-heading quality rods intended to be made into fasteners.[28]

(…*continued*)
Rod Imports Spike," *American Metal Market*, August 19, 2013; Nagi, Catherine, "Chinese Rod Hits Shores But Avoids Import Data," *American Metal Market*, January 11, 2013; and Cowden, Michael, "Chinese Wire Rod Imports Rising: Trader," *American Metal Market*, May 22, 2012.

[27] Liquid steel absorbs gasses from the atmosphere and from the materials used in the steelmaking process. These gasses, chiefly oxygen and hydrogen, cause embrittlement, voids, and nonmetallic inclusions. Low pressures, such as in a vacuum, aid the release of oxygen in gas form without the need for additions of deoxidizers such as silicon, aluminum, or titanium, which form nonmetallic inclusions. Additionally, carbon content may be reduced more easily at low pressure (because it combines with oxygen to form carbon monoxide and is released in gas form), resulting in a more ductile steel. Moreover, hydrogen gas causes embrittlement, low ductility, and blow holes in steel; vacuum treatment more easily removes hydrogen from the steel. Hence the use of deoxidizing processes results in more efficient process and cleaner steel.

[28] The purpose of these surface treatments is to make the steel billet softer and more ductile (annealing); in the case of surface grinding, seam and folds are removed.

Rolling stage

The wire rod rolling process determines the rod's size (diameter) and dimensional precision, depth of decarburization, surface defects and seams, amount of mill scale, structural grain size, and within limits set by the chemistry, tensile strength and other physical properties. There is little or no difference among the wire rod rolling mills in the United States, or between U.S. mills and their foreign competitors.[29] A larger billet will produce a heavier coil. Also, usable coil size may be limited by the capabilities of the wire drawer's equipment and machinery.

Modern rod rolling mills consist of five parts: a roughing mill, an intermediate mill, a pre-finishing mill, a no-twist finishing mill, and a coiler combined with a conveyor cooling bed along which the coiled rod travels prior to being collected, tied, compacted, and readied for shipment. Wire rod mills typically consist of 22 to 29 rolling stands and the specialized Stelmor conveyor deck;[30] the need for uniform metallurgical properties requires close temperature control accomplished by accelerating or retarding the rod's cooling as it is rolled and conveyed along the Stelmor deck. This is accomplished by water quench, forced air drafts, or by lowering removable hoods overtop the deck. Metallurgical quality, temperature, and dimensional tolerance usually are inspected in-line.

Exiting the reheat furnace, the billet is initially reduced on the roughing mill (which usually consists of approximately five stands). It then is passed through and successively reduced in size on several more stands, termed intermediate rolling. After the last intermediate rolling stand, the rolling mill usually splits into dual lines and the product is passed along to a pre-finishing mill which reduces it further in diameter. Rod mills often employ a “twist” mill for primary and intermediate rolling, but the final rolling is nearly always on a no-twist Morgan vee mill (the rolls in each of approximately five stands are set a 90-degree angles to allow the rod to be rolled without twisting). This produces a nearly uniform non-oriented grain structure in the steel.

[29] The rolling process, however, can be optimized for various quality levels. The rolling process for higher quality steel, such as for cold heading quality and other surface sensitive products, must be designed to maximize surface integrity. This is managed by the number of rolling stands used to get to a specific end diameter, the design of the reductions taken at each step, and the design of the guiding equipment used to keep the steel moving on the proper path through the mill.

[30] The Stelmor conveyor deck allows for controlled cooling of the wire rod. The cooling speed imparts certain physical characteristics, thereby enabling producers to produce a wider range of wire rod qualities. Likewise, the Stelmor deck may be optimized for specific end products. For example, ***. Most, if not all, U.S. wire rod producers have installed controlled cooling capacities.

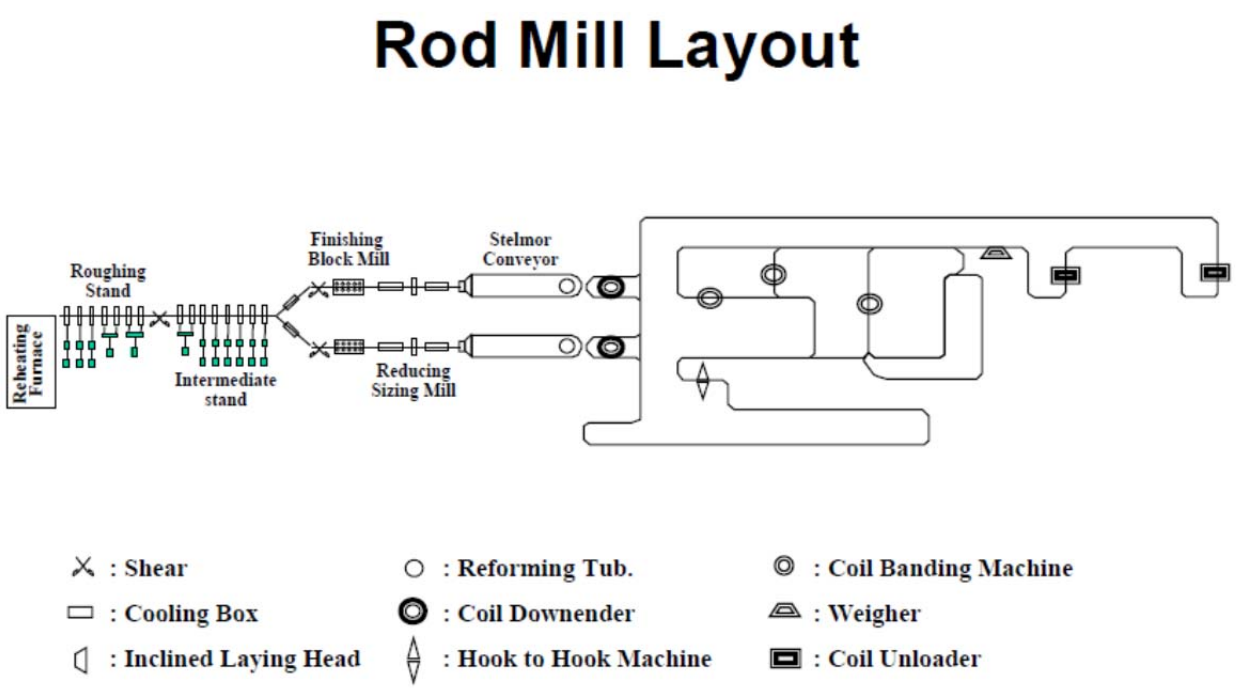
Cooling stage

After exiting the last finishing stand, the rod is coiled into concentric loops and placed on a conveyor which moves the hot wire rod along while it cools. During rolling, the rod is water-cooled as it travels along the Stelmor deck; cooling practices are varied depending on the designated end use of the rod and the customer's preferences. The speed at which the rod is cooled affects the consistency and formation of its metallurgical structure (grain structure and physical properties such as tensile strength). It also affects scale buildup, which determines yield losses at the wire drawer. The cooling rate may be varied through the use of removable covers (insulating hoods which may be independently raised or lowered) over the deck or blown-air cooling, or a combination of the two, or through varying the speed of the roller table. The end user often specifies the cooling practice of the rod purchased.

At the end of the cooling deck, workers crop the ends of each rod to remove the part of the rod which may be of lower quality due to uneven temperature control; the cropped ends are also used for testing and inspection. The rod is then collected onto a carrier, transferred to a “c” hook, compacted, tied, and readied for shipment, or for further finishing or in-house fabrication. Figure I-1 illustrates the reheat through cooling stages of the wire rod production process.

Domestic producers manufacture various types of wire rod on essentially the same equipment, in the same facilities, and with the same production personnel. While changes to production processes are limited, changes in chemical composition, alloying elements and other raw materials, stand fittings, and cooling speed determine the quality of the wire rod produced. The basic equipment, machinery, facilities, and production personnel, however, remain the same for the production of industrial quality, tire cord quality, welding quality, and cold heading quality wire rod.

Figure I-1
Wire rod: Reheat and rolling process



Source: HWE WANG Enterprises Inc., www.hwe-wang.com.tw/templates/cache/.../98011-Morgan-Rod-mill.pdf, accessed March 6, 2014.

DOMESTIC LIKE PRODUCT ISSUES

No issues with respect to domestic like product have been raised in the preliminary phase of these investigations. The petitioner contends that the domestic like product should be coextensive with the scope of the petition and consist of all hot-rolled products of carbon steel and alloy steel, in coils, of approximately round cross section, less than 19.00 mm, in solid cross-sectional diameter not specifically excluded from the scope.[31] This domestic like product definition is generally consistent with the like product definition the Commission adopted in its previous investigations and reviews of wire rod.[32] The scope in these investigations differs from

[31] Petition, Vol. I, pp. 9-12.

[32] *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine, Inv. Nos. 701-TA-417-421 and 731-TA-953, 954, 956-959, 961 and 962 (Final)*, USITC Publication 3546, October 2002, pp. 6-12.; *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine, Inv. Nos. 701-TA-417 and 731-TA-953, 954, 957-959, 961 and 962 (Review)*, USITC Publication 4014, June 2008, pp. 6-8.

existing wire rod orders in that it does not contain exclusions for grade 1080 tire cord quality and grade 1080 tire bead quality wire rod and does not reference a lower diameter range for wire rod. However, in previous investigations, the Commission found a single like product consisting of all wire rod, including the certain grade 1080 tire cord and the grade 1080 tire bead wire rod products that Commerce excluded from the scope of the investigations.[33] Petitioners also contend that removal of the lower diameter limit of 5.0 millimeters does not change the like product analysis because there was no domestic or subject foreign production of hot-rolled wire rod in diameters below 5.0 millimeters at the time of the 2002 investigations. Since then, Mexican producer Deacero S.A. de C.V has started producing wire rod in diameters of less than 5.0 millimeters.[34] No U.S. producer, however, is believed to produce wire rod in diameters of less than 5.0 millimeters.[35]

Respondents agree with the Commission's previous like product definitions including the proposed definition in these preliminary-phase investigations.[36] While Lincoln Electric does not propose a separate like product for welding quality wire rod, it hopes that the petitioners will voluntarily agree to exclude welding quality wire rod from the scope of these proceedings.[37]

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

[34] Petitioners' postconference brief, pp. 4-6.

[35] Conference transcript, pp. 42-43 (Cannon and Goettl).

[36] Conference transcript, p. 99 (Waite).

[37] Conference transcript, pp. 100-102 (Grace).

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

U.S. MARKET CHARACTERISTICS

U.S. producers and importers sell wire rod to wire drawing firms, and/or draw wire rod internally, selling wire or wire products. U.S. production that was consumed internally or transferred to related firms rose from *** percent of shipments in 2011 to *** percent in 2013. Petitioners and respondents reported that the most important industrial users of wire rod were construction, automotive, energy, and agriculture.[1] These industries accounted for the majority of U.S. demand for wire rod.[2]

CHANNELS OF DISTRIBUTION

Table II-1 presents U.S. shipments for domestically produced and imported wire rod by distribution channel during 2011-13. The majority of wire rod sold in the United States is shipped to end users. U.S. shipments of wire rod to end users accounted for more than 85 percent of U.S. wire rod shipments and most wire rod imports from nonsubject countries (more than 70 percent). Wire rod imports from China were mainly shipped to distributors in 2011 (*** percent) but by 2013, most (63.0 percent) were sold to end users.

Table II-1
Wire rod: U.S. producers' and importers' U.S. shipments, by sources and channels of distribution, 2011-13

Item	Calendar year		
	2011	2012	2013
	Share of reported shipments (*percent*)		
U.S. producers' U.S. shipments of wire rod:			
Distributors	12.0	13.3	13.1
End users	88.0	86.7	86.9
U.S. importers' U.S. shipments of wire rod from China:			
Distributors	***	***	37.0
End users	***	***	63.0
U.S. importers' U.S. shipments of wire rod from all other countries:			
Distributors	16.7	28.8	25.3
End users	83.3	71.2	74.7

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

[1] Conference transcript, pp. 53, 106 (Goettl and Korbel). Only the respondents reported that agriculture was a major end use for wire rod.

[2] Conference transcript, pp. 53-54 (Goettl and Stirnaman).

GEOGRAPHIC DISTRIBUTION

Table II-2 presents the geographic market areas served by U.S. producers and importers of wire rod. Five of the nine responding producers but none of the importers reported selling throughout the continental United States. The other four U.S. producers and nine importers reported serving specific geographic regions, primarily the Midwest (all producers, five importers) the Southeast and Central Southwest (seven importers each, and a total of eight and seven U.S. producers, respectively). The majority of U.S. producers' sales (79.2 percent) was shipped between 101 miles and 1,000 miles of their production facilities, 13.5 percent was shipped within 100 miles of their plants, and 7.3 percent was shipped over 1,000 miles. Importers reported selling the majority of their product, 54.4 percent, within 100 miles of their port of entry or their U.S. facilities, 43.7 percent between 101 and 1,000 miles of the port of entry or their U.S. facilities, and only 1.8 percent was shipped over 1,000 miles from the port of entry or the importers' U.S. facilities.

Table II-2
Wire rod: Geographic market areas in the United States served by U.S. producers and importers, by number of responding firms

Region	U.S. producers	Importers
Northeast	8	3
Midwest	9	5
Southeast	8	7
Central Southwest	7	7
Mountain	7	0
Pacific Coast	6	5
Other[1]	1	0

[1] All other U.S. markets, including AK, HI, PR, and VI, among others.

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

SUPPLY AND DEMAND CONSIDERATIONS

U.S. supply

Domestic production

Based on available information, U.S. producers of wire rod have the ability to respond to changes in demand with moderate changes in the quantity of shipments of U.S.-produced wire rod to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the availability of unused capacity and the ability to produce alternate products.

Industry capacity

Domestic capacity utilization decreased irregularly from 75.5 percent in 2011 to 72.0 percent in 2013. This relatively low level of capacity utilization suggests that U.S. producers may have moderate capacity to increase production of wire rod in response to an increase in prices.

Alternative markets

U.S. producers' exports, as a share of total shipments, were low (less than 1 percent) throughout 2011-13. U.S. producers reported that exports were limited by competition in other markets.[3]

Internal consumption and transfers to related firms

U.S. producers' internal consumption increased from *** percent of total shipments in 2011 to *** percent in 2013. Their transfers to related firms increased from *** percent of total shipments in 2011 to *** percent in 2013. Combined, these shipments ***.

Inventory levels

U.S. producers' inventories increased from 4.9 percent of total shipments in 2011 to 7.4 percent in 2013. These inventory levels suggest that U.S. producers may have some ability to respond to changes in demand with changes in the quantity shipped from inventories.

Production alternatives

Eight of nine responding U.S. producers stated that they could switch production from wire rod to other products. Other products that producers reportedly produce on the same equipment as wire rod are concrete reinforcing bar and rod (rebar) and other nonsubject bar and rod products. The relatively large volume of these other products produced on shared equipment increases U.S. ability to switch production to wire rod.

Chinese imports[4]

Based on available information, producers of wire rod from China have the ability to respond to changes in demand with large changes in the quantity of shipments of wire rod to the U.S. market. The main contributing factors to this degree of responsiveness of supply are the large and increasing to produce wire rod in China and the existence of alternate markets.

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[3] Conference transcript, pp. 78-79 (Ashby and Kirkvliet).

[4] No Chinese producers responded to the foreign producer questionnaires, therefore publicly available information is used to examine actual and potential supply of wire rod from China.

U.S. imports of wire rod from China increased from less than 1,000 short tons in 2011 to 0.6 million short tons in 2013. Estimated Chinese production increased from 134.0 million short tons in 2011 to 150.1 million in 2012.[5]

Chinese production of wire rod represents the majority of world wire rod production (including nonsubject as well as subject wire rod).[6] The large and increasing levels of Chinese production indicate that Chinese producers could substantially increase sales of wire rod into the United States.

Alternative markets

Overall, wire rod exports from China to the world increased from 3.2 million short tons to 8.7 million short tons.[7] U.S. imports represented 0.6 million short tons. The large share of exports to other markets indicates that Chinese exports to the United States could increase if product were shifted from other export markets. The largest export market for Chinese wire rod was Asia; exports were also reported to Africa, Australia, Europe, North America, and South America.

Nonsubject imports

The largest nonsubject sources of wire rod imports during 2011-13 were Canada and Japan. Combined, these countries accounted for 67.7 percent of wire rod imports from nonsubject countries in 2013.

U.S. demand

Based on available information, the overall demand for wire rod is likely to experience moderate changes in response to changes in price. The main contributing factors are the lack of substitute products - which reduces responsiveness - and the large cost share of wire rod in most of its end-use products which may increase the potential to import downstream products, thus increasing demands' responsiveness to price changes.

End uses

The majority of wire rod is sold to wire drawers or used by related wire drawers; these firms draw wire rod into wire that is used in a large variety of products. Demand for wire rod depends on the demand for these many different products.

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[5] World Steel Association's *Steel Statistical Yearbook 2013*. p. 43 (metric tons converted to short tons). Estimates were not available for 2013.

[6] World Steel Association *Steel Statistical Yearbook 2013.* p. 43. The share of total world wire rod production that was produced in China increased from 71.9 percent in 2011 to 74.7 percent in 2012.

[7] This includes HS 7213.91, HS 7227.20, HS 7213.99, and HS 7227.90 and includes some product that is not subject to these investigations.

U.S. producers and importers were asked to list the end uses separately for commercial sales and for transfers/internal consumption. Across all end uses, the most common product was wire, followed by wire mesh.[8] Other products reported by U.S. producers in both lists include: tire cord/bead; CF bar/pencil rod; fabricated wire products; and staples, nails, and fasteners. Products which U.S. producers only reported under commercial sales were wire rope and prestressed concrete (PC) strand, while products U.S. producers only reported in the transfers/internal consumption list included ***. Importers listed nails, chain link fence, and threaded rod only for sales to unrelated end users and listed *** for transfers/internal consumption.

Business cycles

Short-term demand for wire rod tends to be cyclical and follow trends in construction activity. In addition, the level of imports of downstream product will influence demand for wire rod. Four of nine responding U.S. producers and 5 of 13 responding importers indicated that the market was subject to business cycles. Specifically, two producers and one importer reported seasonal demand, two producers and three importers reported demand related to construction activity; other related sectors included the auto, agricultural, energy, and mobile equipment sectors. One producer reported that wire rod demand faced distinct conditions of competition (an import surge from China). Changes in important conditions were reported by five producers, and one importer. Four producers described the changes: two of these reported that Chinese imports have caused the conditions of competition to change since 2011; one reported that demand has not yet recovered from the recession, and one (***) reported that it had ***. The one importer that reported there had been changes in conditions of competition listed specific changes in U.S. producers' levels of production.[9]

Apparent U.S. consumption

Apparent U.S. consumption of wire rod increased unevenly during 2011-13. Overall, apparent U.S. consumption in 2013 was 3.5 percent higher than in 2011.

Demand trends

Table II-3 presents U.S. producers' and importers' perceptions of trends in demand for wire rod since 2011. Five of the 10 responding importers and two producers reported that

[8] U.S. producers and importers reported wire for both sales to unrelated end users and transfers/internal consumption. U.S. producers reported wire mesh for sales to unrelated end users and transfers/internal consumption; importers reported wire mesh only for sales to unrelated end users.

[9] It stated that "The Nucor Corporation has made an investment in new equipment at its mill in Darlington, SC. This location previously produced bar products but has entered the wire rod market with the installation of this new equipment. This investment is creating more competition in this region of the U.S. The ArcelorMittal USA in Georgetown, SC mill was shut down due to labor related issues. After successful union negotiations, the mill restarted ***."

Table II-3
Wire rod: Firms' responses regarding U.S. demand, by number of responding firms

Item	Increase	No change	Decrease	Fluctuate
Demand in the United States				
U.S. producers	2	2	4	0
Importers	5	2	0	3
Demand outside the United States				
U.S. producers	0	0	2	4
Importers	3	1	0	4

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

demand had increased since 2011, four producers reported demand had decreased, two producers and two importers reported demand was unchanged, and three importers reported demand had fluctuated. Producers reported demand had increased as the economy has slowly recovered from the recession, while importers cited increased construction activity, recovery from the recession, more downstream products produced in the United States because of duties on Chinese finished wire products, and increased consumption. Three of the four producers reporting declining U.S. demand reported that it was because demand had not recovered from the recession, while the other reported demand had declined because of imports.

Four of the eight responding importers and four of the five responding U.S. producers reported that demand outside the United States had fluctuated, three importers reported demand outside the United States had increased, one importer reported demand was unchanged, and two U.S. producers reported demand had decreased. All three importers reporting growing demand gave reasons including growth in China and Latin America, growth in developing and Asian countries, and increased consumption. Two importers gave reasons for fluctuations in demand including economic volatility/fluctuations and uncertainty. The only U.S. producer explaining its response reported demand declined because demand had not yet recovered from the recession of 2008.

Substitute products

No U.S. producer or importer reported any substitutes for wire rod. There is no substitute for wire rod in the production of wire. There are substitutes, however, in the uses of wire and by the import of downstream products. For example, wire hangers could be imported or plastic hangers could be used in the place of wire hangers. The viability of these potential substitutes in end use will be determined by end use.

Cost share

The cost of wire rod tends to be a large share of the cost of products produced from it, although cost shares vary widely due to the wide range of products that use wire rod.

Producers and importers were both asked to provide cost shares of products from commercial sales to end users and for transfers/internal consumption. Eight producers and nine importers reported cost share information for products reported by multiple firms include:[10]

- 60 to 85 percent of the cost of various types of wire
- 65 to 95 percent of the cost of various meshes
- 45 to 85 percent of the cost of nails, staples, and fasteners
- 60 to 80 percent of the cost of chain link and barbed wire for fencing
- *** percent of the cost of tire cord/tire bead

SUBSTITUTABILITY ISSUES

The degree of substitution between domestic and imported wire rod depends upon such factors as relative prices, quality (*e.g.*, grade standards, reliability of supply, defect rates, etc.), and conditions of sale (*e.g.*, price discounts/rebates, lead times between order and delivery dates, payment terms, product services, etc.). Based on available information, staff believes that, where there are identical forms of wire rod, there is usually a high degree of substitution between domestic wire rod and subject imports. For common types of wire rod (such as industrial or standard quality), product typically will be highly substitutable with other product of the same specification even when the products are not identical, although there may be a need for retooling of the process to adjust to small differences. For specialty grades, however, not all sources can produce each product, and even differences between wire rod with the same specifications from different sources may limit the degree of substitution.[11]

Lead times

Wire rod is primarily produced to order. U.S. producers and importers reported that 97.0 and 99.4 percent of their commercial shipments (respectively) were produced to order. U.S. producers reported their produced-to-order lead times ranged from 15 to 50 days (five of the eight responding producers reported lead times of 15 to 30 days). Importers reported produced-to-order lead times ranged from 60 to 120 days (three of five responding importers reporting lead times of 120 days). The remaining 3.0 percent of U.S. producers' commercial shipments came from inventories, with lead times of 3 to 5 days. Only 0.5 percent of importers' sales came from inventories (no importer reported the lead times from inventories) and 0.1 percent from overseas inventories. The only importer selling from overseas inventories reported its lead time was *** days.

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[10] Seven of the 11 products reported by only one firm had cost shared of 60 percent or higher and the remaining four had cost shares of less than 50 percent.

[11] *Carbon and Certain Alloy Steel Wire Rod From Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine: Investigation Nos. 701-TA-417 and 731-TA-953, 954, 957-959, 961, and 962 (Review)*, USITC Publication 4014, June 2008, p. II-11.

Comparisons of domestic products, subject imports, and nonsubject imports

Comparison of U.S.-produced and imported wire rod

In order to determine whether U.S.-produced wire rod can generally be used in the same applications as imports from China, U.S. producers and importers were asked whether the products can "always," "frequently," "sometimes," or "never" be used interchangeably. As shown in table II-4, most U.S. producers reported that wire rod from all country pairs was always interchangeable, while most importers reported that wire rod from all countries pairs was frequently interchangeable. Differences reported included: "if very specific tensiles and tight tolerances are required, Chinese wire rod is not always fungible with US or Canadian rods;" "quality, availability, technical support, and auto-maker's approvals are significant factors as it determines performance of the final products;" "In the one event we purchase rod from China it was for a China customer that requested rod be produced in China;" "imports to the U.S. were for specialized end uses, such as cold heading quality wire rod, high carbon wire rod, or tire cord wire rod (where) there is negligible overlap with Chinese wire rod (due to differences in) mechanical property attainment, conformity to chemistry specification, or compliance to surface quality requirement, or any combination thereof."[12]

Table II-4
Wire rod: Interchangeability between wire rod produced in the United States and in other countries, by country pairs

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. subject countries:								
U.S. vs. China	9	0	0	0	3	7	2	0
Nonsubject countries comparisons:								
U.S. vs. Canada	9	0	0	0	0	6	2	0
U.S. vs. other nonsubject	8	1	0	0	0	8	2	1
China vs. Canada	8	0	0	0	1	4	2	0
China vs. other nonsubject	8	0	0	0	0	6	2	0
Canada vs. other nonsubject	8	0	0	0	0	4	2	0

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

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

In addition, producers and importers were asked to assess how often differences other than price were significant in sales of wire rod from the United States, China, and nonsubject Canada or other countries. As presented in table II-5, most producers reported that there were "never" differences other than price, while most importers reported that there were either "frequently" or "sometimes" differences other than price. Differences included: metric vs

[12] In addition, ***.

imperial sizes; Chinese-added boron precludes some applications; cold heading quality, high carbon, and tire cord wire rod, are more available from the United States than China; delivery time reliability; lead time; mill production flow; quality is always first priority; Canadian rod made from QIT billets[13] is not available from U.S. producers; and no direct importation from Canada.

Table II-5

Wire rod: Significance of differences other than price between wire rod produced in the United States and in other countries, by country pair

Country pair	Number of U.S. producers reporting				Number of U.S. importers reporting			
	A	F	S	N	A	F	S	N
U.S. vs. subject countries:								
U.S. vs. China	0	0	0	9	2	3	5	1
Nonsubject countries comparisons:								
U.S. vs. Canada	0	0	1	8	1	3	2	0
U.S. vs. other nonsubject	0	0	2	7	2	4	3	0
China vs. Canada	0	0	1	7	1	1	2	1
China vs. other nonsubject	0	0	1	7	1	3	2	1
Canada vs. other nonsubject	0	0	1	7	1	1	2	1

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

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

[13] QIT billets are high purity billets produced from blast furnace steel and purchased from Quebec Iron and Titanium. http://www.sorelmetal.com/en/about/frset_about.htm, retrieved February 27, 2014.

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

The Commission analyzes a number of factors in making injury determinations (see 19 U.S.C. §§ 1677(7)(B) and 1677(7)(C)). Information on the alleged subsidies was presented in *Part I* of this report and information on the volume and pricing of imports of the subject merchandise is presented in *Part IV* and *Part V*. Information on the other factors specified is presented in this section and/or *Part VI* and (except as noted) is based on the questionnaire responses of ten firms that accounted for the all U.S. production of wire rod during 2013.[1]

U.S. PRODUCERS

The Commission sent U.S. producer questionnaires to ten firms based on information contained in the petition. All ten firms provided useable data on their productive operations[2] and represent all U.S. production of wire rod during 2011 through 2013.

Table III-1 lists U.S. producers of wire rod, their production locations, positions on the petition, total production, and shares of total production.

[1] Petition, Vol. 1, pp. 2-5 and Exhibit GEN-1.

[2] ***.

Table III-1
Wire rod: U.S. producers of wire rod, their positions on the petition, production locations, and shares of reported production, 2011-13

Firm	Position on petition	Production location(s)	Share of production (*percent*)
ArcelorMittal[1]	Petitioner	Georgetown, SC Chicago, IN	***
Cascade[2]	***	McMinnville, OR	***
Charter[3]	Petitioner	Saukville, WI Fostoria, OH Cuyahoga Heights, OH	***
Evraz[4]	Petitioner	Pueblo, CO	***
Gerdau[5]	Petitioner	Beaumont, TX Jacksonville, FL Perth Amboy, NJ (idled)	***
Keystone[6]	Petitioner	Peoria, IL	***
Mid American	***	Madill, OK	***
Nucor	Petitioner	Wallingford, CT Norfolk, NE Kingman, AZ Darlington, SC	***
Republic[7]	***	Lorain, OH	***
Sterling[8]	***	Sterling, IL	***
Total			100.0

[1] ArcelorMittal is ***.
[2] Cascade is ***.
[3] Charter is ***.
[4] Evraz is ***.
[5] Gerdau is ***.
[6] Keystone is ***.
[7] Republic is ***.
[8] Sterling is ***.

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

As indicated in table III-1, no U.S. producers are related to producers of wire rod in China and no U.S. producers are related to U.S. importers of wire rod from China. In addition, no U.S. producers directly import wire rod from China or purchase Chinese wire rod from U.S. importers.

Producers were asked to report any changes in operations since January 2011. Table III-2 presents selected information regarding the U.S. wire rod industry during 2011-13.

Table III-2
Wire rod: Selected U.S. industry events, 2011-13

Year	Firm	Event
2011	ArcelorMittal	**Plant reopening**: ArcelorMittal reopened its Georgetown, SC plant after a shutdown from June 2009 through January 2011.[1]
2012	Charter	***.
2012	ArcelorMittal	**Production curtailment:** In Q4 2012, ArcelorMittal reduced operations at its Georgetown, SC mill by one third and laid off 40 workers due to market conditions.[2]
2013	Mid American	***.
2013	Keystone	**Production curtailment:** Keystone had four one-week rolling mill shutdowns and nine one-week melt shop shutdowns laying off all workers who make wire rod during those shutdowns.[3]
2013	Nucor	**Expansion:** Installed a new wire rod rolling mill in Darlington, SC and started production in late 2013.[4] The new mill has a capacity of 300,000 short tons.[5]
2011-13	Cascade	***.
2011-13	Nucor	***.
2011-13	Nucor	***.
2011-13	Mid American	***.

[1] Conference transcript, p. 23 (Fuller).
[2] Conference transcript, p. 24 (Fuller).
[3] Conference transcript, pp. 14-15 (Stirnaman).
[4] Conference transcript, pp. 17-18 (Nystrom), and Nucor's postconference brief, p. 5, no 20.
[5] AWPA's postconference brief, Exhibit 9, "Nucor's new rod mill begins shipments," *American Metal Market*, October 9, 2013.

Source: Cited sources and compiled from data submitted in response to Commission questionnaires.

U.S. PRODUCTION, CAPACITY, AND CAPACITY UTILIZATION

Table III-3 and figure III-1 present U.S. producers' capacity, production, and capacity utilization during 2011-13. U.S. capacity for wire rod decreased between 2011 and 2013 by 1.9 percent, while production decreased by 6.5 percent between 2011 and 2013. Most firms did not report changes in capacity; however ***.[3] ***. In addition, Gerdau testified that it has one facility idled since 2009 in Perth Amboy, New Jersey that is almost entirely dedicated to wire rod production, and has a capacity of 750,000 short tons.[4] While most firms reported decreases in production over the period, four firms, *** reported modest increases in production from 2011 and 2013, ranging between *** and *** percent.

[3] ***.
[4] Conference transcript, p. 41 (Kerkvliet). It would take approximately ***. Petitioners' postconference brief, p. 23, no. 14.

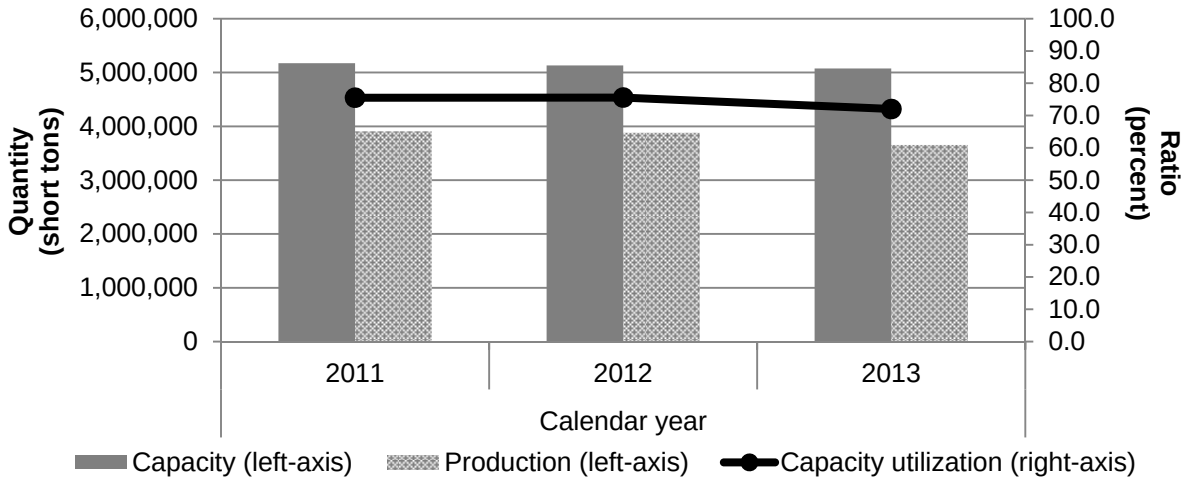
Table III-3
Wire rod: U.S. producers' capacity, production, and capacity utilization, 2011-13

Item	Calendar year		
	2011	2012	2013
	Quantity (*short tons*)		
Capacity	5,173,168	5,131,954	5,073,815
Production	3,907,416	3,879,060	3,655,088
	Ratio (*percent*)		
Capacity utilization	75.5	75.6	72.0

Note.— ***.

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

Figure III-1
Wire rod: U.S. producers' capacity, production, and capacity utilization, 2011-13



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

Reported constraints in the manufacturing process for the U.S. producers include melting capacity, which is constrained by environmental air permits; steel availability; speed of equipment, and rolling capacity. Most U.S. producers noted that they are not operating at full capacity due to the market conditions and that weakened demand due to import competition limits their ability to produce more wire rod.

All producers *** reported production or anticipating production of other products, including rebar, on the same equipment and machinery used to produce wire rod. Table III-4 and figure III-2 present U.S. producers' overall capacity and production of other products produced on the same production equipment used to produce wire rod. U.S. producers were asked to describe the constraints that set the limits on their firm's ability to shift production capacity between products. *** stated that they can readily shift between coiled reinforcing bar and coiled carbon wire rod, while *** stated that it cannot easily shift production and ***

indicated that is has some ability to shift between wire rod and rebar. *** ability to switch production is dependent on customer demand for those products. Charter stated ***.

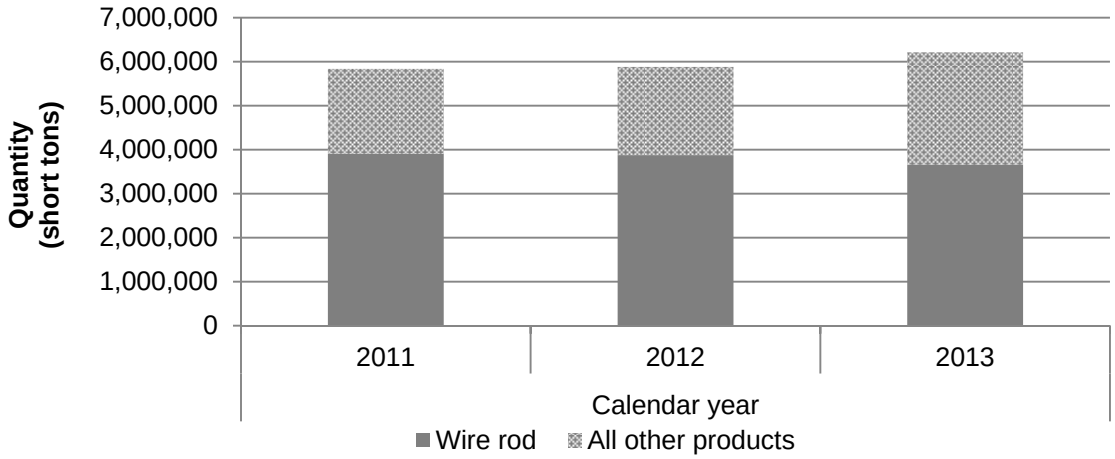
Table III-4
Wire rod: U.S. producers' overall capacity, production, and capacity utilization, 2011-13

Item	Calendar year		
	2011	2012	2013
	Quantity (*short tons*)		
Overall capacity	7,918,772	8,010,018	8,918,066
Production:			
Subject wire rod	3,907,416	3,879,060	3,655,088
Nonsubject products:			
Rebar	808,532	879,761	1,070,115
All other products	1,123,174	1,122,994	1,488,908
Subtotal, nonsubject production	1,931,706	2,002,755	2,559,023
Total production	5,839,122	5,881,815	6,214,111
	Ratio (*percent*)		
Overall capacity utilization	73.7	73.4	69.7
	Share of quantity (*percent*)		
Share of production:			
Subject wire rod	66.9	66.0	58.8
Nonsubject products:			
Rebar	13.8	15.0	17.2
All other products[1]	19.2	19.1	24.0
Subtotal, nonsubject production	33.1	34.0	41.2
Total production	100.0	100.0	100.0

Note.— ***.

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

Figure III-2
Wire rod: U.S. producers' shifting of production, 2011-13



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

U.S. PRODUCERS' SHIPMENTS

Table III-5 presents U.S. producers' U.S. shipments, export shipments, and total shipments. The quantity of U.S. producers' U.S. shipments decreased from 2011 to 2013 by 7.1 percent. The value of U.S. producers' U.S. shipments decreased as well from 2011 to 2013 by 16.0 percent. The unit values of U.S. shipments decreased by 9.6 percent from 2011 to 2013. U.S. producers reported exports to be less than one percent of total shipments during 2011-13. Five out of ten producers reported exporting, predominately to Canada and Mexico, as well as to ***. U.S. producers contend that it is hard to compete in the export market due to lower priced product, particularly from the Chinese producers. Evraz does export some high end value products to Mexico.[5]

[5] Conference transcript, pp. 78-79 (Ashby and Kirkvliet).

Table III-5
Wire rod: U.S. producers' U.S. shipments, export shipments, and total shipments, 2011-13

Item	Calendar year		
	2011	2012	2013
		Quantity (*short tons*)	
Commercial U.S. shipments	2,944,416	2,815,567	2,595,200
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Subtotal, U.S. shipments	3,876,145	3,809,728	3,599,459
Export shipments	34,687	26,748	24,319
Total shipments	3,910,832	3,836,476	3,623,778
		Value (*1,000 dollars*)	
Commercial U.S. shipments	2,340,739	2,143,895	1,875,625
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Subtotal, U.S. shipments	3,012,054	2,826,974	2,529,487
Export shipments	28,888	31,597	22,566
Total shipments	3,040,942	2,858,571	2,552,053
		Unit value (*dollars per short ton*)	
Commercial U.S. shipments	795	761	723
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Subtotal, U.S. shipments	777	742	703
Export shipments	833	1,181	928
Total shipments	778	745	704
		Share of quantity (*percent*)	
Commercial U.S. shipments	75.3	73.4	71.6
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Subtotal, U.S. shipments	99.1	99.3	99.3
Export shipments	0.9	0.7	0.7
Total shipments	100.0	100.0	100.0
		Share of value (*percent*)	
Commercial U.S. shipments	77.0	75.0	73.5
Internal consumption	***	***	***
Transfers to related firms	***	***	***
Subtotal, U.S. shipments	99.1	98.9	99.1
Export shipments	0.9	1.1	0.9
Total shipments	100.0	100.0	100.0

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

U.S. shipments by application

Table III-6 presents U.S. producers' U.S. shipments by type in 2013. Most U.S. producers reported U.S. shipments of both high/medium-high carbon industrial/standard and low/medium-low carbon industrial/standard quality wire rod. Evraz produces low carbon mesh and industrial grade wire rod, however its product mix is weighted heavily toward high and medium carbon steels. Evraz also produces medium carbon grades of wire rod for the furniture and bedding spring rod business as well as high carbon rod for the making of PC strand, rubber re-enforcement and wire row. In addition, Evraz produces welding quality wire rod.[6] Gerdau produces a wide variety of wire rod types ranging from low to high carbon rod, welding rod, cold-heading quality rod and many other special types of rod as well.[7] ArcelorMittal makes a wide variety of wire rod grades at its facilities, including low, medium, high carbon, tire cord, tire bead, and welding wire rod.[8]

U.S. producers were asked to describe the qualitative differences among the different types of wire rod. Three firms said there were no or little differences. Other firms stated that wire rod is on a continuum of grades, qualities, chemistry variances, and end uses and that the qualitative differences between each relate to charge design and scrap cost to create a higher carbon product. One firm stated that some overlap occurs especially if higher quality materials are used in a lower quality application. For example, cold heading quality could be used in some industrial quality applications or welding wire could be used in industrial quality applications. One firm stated that cold heading quality, other special carbon and alloy, and tire cord are the highest quality.

[6] Conference transcript, p. 26 (Ashby).
[7] Conference transcript, p. 12 (Kerkvliet).
[8] Conference transcript, p. 22 (Fuller).

Table III-6
Wire rod: U.S. producers' U.S. shipments, by type, 2013

Item	2013				
	Commercial shipments	Internal consumption	Transfers to related firms	U.S. shipments	
	Quantity (*short tons*)				Number of firms
U.S. shipments of wire rod of: Low/medium-low carbon industrial/standard quality	1,139,810	***	***	1,768,914	9
High/medium-high carbon industrial/standard quality	685,917	***	***	1,002,954	10
Tire cord quality or tire bead quality	***	***	***	***	***
Welding quality	***	***	***	***	***
Cold heading quality (CHQ)	***	***	***	***	***
Other specialty carbon and alloy quality	***	***	***	***	***
All others	***	***	***	***	***
Total U.S. shipments	2,595,201	***	***	3,599,460	10
	Share of shipments by shipment type (*percent down*)				
U.S. shipments of wire rod of: Low/medium-low carbon industrial/standard quality	43.9	***	***	49.1	
High/medium-high carbon industrial/standard quality	26.4	***	***	27.9	
Tire cord quality or tire bead quality	***	***	***	***	
Welding quality	***	***	***	***	
Cold heading quality (CHQ)	***	***	***	***	
Other specialty carbon and alloy quality	***	***	***	***	
All others	***	***	***	***	
Total U.S. shipments	100.0	100.0	100.0	100.0	
	Share of shipments by product type *(percent across)*				
U.S. shipments of wire rod of: Low/medium-low carbon industrial/standard quality	64.4	***	***	100.0	
High/medium-high carbon industrial/standard quality	68.4	***	***	100.0	
Tire cord quality or tire bead quality	***	***	***	100.0	
Welding quality	***	***	***	100.0	
Cold heading quality (CHQ)	***	***	***	100.0	
Other specialty carbon and alloy quality	***	***	***	100.0	
All others	***	***	***	100.0	
Total U.S. shipments	72.1	***	***	100.0	

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

U.S. producers reportedly do not produce grade 1080 tire cord wire rod.[9] Certain mills in China are believed to be able to produce this product.[10] *** U.S. producers produce cold heading quality (CHQ) wire rod. U.S. producers indicate that this is a niche market in the United States which has not seen imports from during 2011-13.[11]

CAPTIVE CONSUMPTION

Section 771(7)(C)(iv) of the Act states that–

> *If domestic producers internally transfer significant production of the domestic like product for the production of a downstream article and sell significant production of the domestic like product in the merchant market, and the Commission finds that–*
>
> *(I) the domestic like product produced that is internally transferred for processing into that downstream article does not enter the merchant market for the domestic like product,*
>
> *(II) the domestic like product is the predominant material input in the production of that downstream article, and*
>
> *(III the production of the domestic like product sold in the merchant market is not generally used in the production of that downstream article,*
>
> *then the Commission, in determining market share and the factors affecting financial performance . . ., shall focus primarily on the merchant market for the domestic like product.*

Transfers and sale of significant production of the domestic like product

As reported in table III-5 above, internal consumption accounted for between *** and *** percent of U.S. producers' U.S. shipments of wire rod; transfers to related firms accounted for between *** and *** percent.[12] Seven firms, ***, reported internally consuming or transferring wire rod to a related firm to produce a downstream product. Commercial U.S. shipments accounted for between 75.3 and 71.6 percent of total shipments and, in contrast to internal consumption and transfers to related firms, declined from 2011 to 2013.

---

[9] Grade1080 tire cord wire rod was excluded from the scope of previous wire rod investigations.
[10] Conference transcript, p. 92 (Korbel).
[11] Conference transcript, p. 78 (Cannon).
[12] ***.

Domestic producers note that the Commission should consider the significant level of internal transfers to comprise a relevant condition of competition and should examine both the total industry and the merchant market sector in assessing the impact of wire rod imports from China.[13]

First statutory criterion

The first requirement for application of the captive consumption provision is that the domestic like product that is internally transferred for processing into that downstream article not enter the merchant market for the domestic like product. U.S. producers reported internal consumption and company transfers of wire rod for the production of nails, garment hangers, wire shelving, prestressed concrete strand, oil tempered and other high carbon wire, drawn wire (including tire bead, high carbon and fine wire quality), cold finished bars, cold headed parts, mesh, agricultural fencing, armoring wire, galvanized wire, concrete reinforcing mesh, and bed spring components. One U.S. producer (***), however, reported diverting ***[14] of wire rod intended for internal consumption to the merchant market for the production of ***.

Second statutory criterion

The second criterion of the captive consumption provision concerns whether the domestic like product is the predominant material input in the production of the downstream article that is captively produced. With respect to the downstream articles resulting from captive production, wire rod reportedly typically comprises 70-80 percent of the finished cost of mesh, industrial wire, welded wire reinforcement, drawn wire, and fencing products. U.S. producers also reported producing other downstream articles resulting from captive production, where wire rod comprised between 28 and 90 percent of the finished product.

Third statutory criterion

The third criterion of the captive consumption provision is that the production of the domestic like product sold in the merchant market is not generally used in the production of the downstream article. The share of U.S. producers' captive shipments internally transferred for processing into the same downstream wire products that their customers for wire rod manufacture was 50.2 percent.[15] The six producers[16] reporting merchant sales of wire rod used

[13] Domestic producers' postconference brief, p. 13.

[14] This represents only *** percent of internal consumption and transfers to related firms in 2013. Such shipments in 2013 were *** short tons.

[15] Total captive shipments totaled *** short tons. The following firms reported their shares as ***. Applying these shares, 2013 captive shipments that are produced into products that compete with U.S. producers' customers totaled *** short tons.

[16] ***.

by its customers to produce the same downstream product that it produces from captively produced wire rod reported shares ranging from 7 to 100 percent.

U.S. PRODUCERS' INVENTORIES

Table III-7 presents U.S. producers' end-of-period inventories and the ratio of these inventories to U.S. producers' production, U.S. shipments, and total shipments over 2011-13**.** U.S. producers' inventories of wire rod increased by 38.1 percent from 2011 to 2013. Inventories relative to total shipments increased by 2.5 percentage points from 2011 to 2013.

Table III-7
Wire rod: U.S. producers' inventories, 2011-13

Item	Calendar year		
	2011	2012	2013
	Quantity (*short tons*)		
U.S. producers' end-of-period inventories	193,261	235,846	266,868
	Ratio (*percent*)		
Ratio of inventories to.--			
U.S. production	4.9	6.1	7.3
U.S. shipments	5.0	6.2	7.4
Total shipments	4.9	6.1	7.4

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

U.S. EMPLOYMENT, WAGES, AND PRODUCTIVITY

Table III-8 shows U.S. producers' employment-related data during 2011-13. Almost all employment-related indicators decreased from 2011 to 2013. The level of production-related workers (PRWs) decreased by 2.1 percent; total hours worked decreased by 4.9 percent; wages paid decreased by 5.7 percent; and productivity decreased by 1.6 percent. Hourly wages and unit labor costs increased in 2012, but declined in 2013.

Table III-8
Wire rod: Average number of production and related workers, hours worked, wages paid to such employees, hourly wages, productivity, and unit labor costs, 2011-13

Item	Calendar year		
	2011	2012	2013
Production-related workers (PRWs) (*number*)	2,239	2,269	2,192
Total hours worked (*1,000 hours*)	4,552	4,587	4,329
Hours worked per PRW (*hours*)	2,033	2,022	1,975
Wages paid *($1,000*)	166,385	174,648	156,838
Hourly wages (*dollars per hour*)	$36.55	$38.07	$36.23
Productivity (*short tons per 1,000 hours*)	858.4	845.7	844.3
Unit labor costs (*dollars per short ton*)	$42.58	$45.02	$42.91

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

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

U.S. IMPORTERS

The Commission issued importer questionnaires to 26 firms believed to be importers of subject wire rod, as well as to all U.S. producers of wire rod.[1] Usable questionnaire responses were received from 13 companies, representing 97.5 percent of total imports from China and 40.8 percent from nonsubject sources between 2011 and 2013 entered under the relevant HTS statistical reporting numbers.[2] Table IV-1 lists all responding U.S. importers of wire rod from China and other sources, their locations, and their shares of U.S. imports in 2013.

[1] The Commission issued questionnaires to those firms identified in the petition, along with firms that, based on a review of data provided by U.S. Customs and Border Protection ("Customs"), may have accounted for more than one percent of total imports under HTS subheadings 7213.91.3011, 7213.91.3015, 7213.91.3020, 7213.91.3093; 7213.91.4500, 7213.91.6000, 7213.99.0030, 7227.20.0030, 7227.20.0080, 7227.90.6010, 7227.90.6020, and 7227.90.6085 in 2011, 2012, or 2013.

[2] Coverage was based on proprietary Customs data. The Commission received questionnaires from 12 importers of wire rod from China, including the top five importers, and from nine importers of wire rod from nonsubject sources, including the *** nonsubject importer from Canada (representing *** percent of total nonsubject imports in 2011-13).

Table IV-1
Wire rod: U.S. importers by source, 2011-13

Firm	Headquarters	Share of reported imports by source (*percent*)	
		China	All other sources
Bekaert Corp.[1]	Orrville, OH	***	***
C&F International Inc.[2]	Houston, TX	***	***
Commercial Metals Co.[3]	Irving, TX	***	***
Duferco Steel Inc.[4]	Matawan, NJ	***	***
Heico 2004 Member Inc.[5]	L'Orignal, ON (Canada)	***	***
Kurt Orban Partners LLC	Burlingame, CA	***	***
Lincoln Electric Company	Cleveland, OH	***	***
Macsteel International USA Corp.[6]	White Plains, NY	***	***
Metal One America, Inc.	Rosemont, IL	***	***
Stemcor USA Inc.[7]	New York, NY	***	***
Stena Metal Inc.[8]	Stamford, CT	***	***
Tata Steel International (North America) Ltd.[9]	Schaumburg, IL	***	***
Tree Island Wire USA, Inc.[10]	Walnut, CA	***	***
Total		100.0	100.0

[1]Bekaert is ***.
[2]C&F International is ***.
[3]Commercial Metals is related to ***.
[4]Duferco is ***.
[5]Heico 2004 Member is ***.
[6]Macsteel is ***.
[7]Stemcor USA is ***.
[8]Stena Metal is ***.
[9]Tata Steel International (North America) is ***.
[10]Tree Island Wire USA is ***.

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

U.S. IMPORTS

U.S. imports from China and from nonsubject countries

Table IV-2 presents data for U.S. imports of wire rod from China and all other sources. U.S. import data are compiled from official import statistics based on HTS statistical reporting numbers 7213.91.3011, 7213.91.3015, 7213.91.3020, 7213.91.3093; 7213.91.4500, 7213.91.6000, 7213.99.0030, 7227.20.0030, 7227.20.0080, 7227.90.6010, 7227.90.6020, and 7227.90.6085. Imports of wire rod from China increased from 144 short tons in 2011 to more than 600,000 short tons in 2013. Imports of wire rod from nonsubject sources decreased by 13.1 percent between 2011 and 2013, while total imports of wire rod increased by 36.3 percent.

Table IV-2 also presents data on the ratio of U.S. imports to U.S. production. Imports of wire rod from China were equivalent to 16.9 percent of U.S. production in 2013, while they were less than 0.05 percent in 2011. Imports of wire rod from nonsubject sources were equivalent to 29.8 percent of U.S. production in 2013, a decrease of 2.3 percentage points since 2011. Total imports of wire rod were equivalent to 46.7 percent of U.S. production in 2013, an increase of 14.6 percentage points since 2011.

Table IV-3 presents data for U.S. imports of wire rod from the top five nonsubject sources. Imports of wire rod from nonsubject sources decreased by 13.1 percent from 2011 to 2013. The leading nonsubject source of wire rod imports is Canada, which accounted for 28.1 percent of total imports in 2013.

Table IV-2
Wire rod: U.S. imports by source, 2011-13

Item	Calendar year		
	2011	2012	2013
	Quantity (*short tons*)		
U.S. imports from.--			
China	144	241,938	618,818
Nonsubject sources	1,253,533	1,276,955	1,089,818
Total U.S. imports	1,253,677	1,518,893	1,708,635
	Value (*1,000 dollars*)[1]		
U.S. imports from.--			
China	162	146,221	335,879
Nonsubject sources	1,142,676	1,115,063	895,764
Total U.S. imports	1,142,838	1,261,284	1,231,643
	Unit value (*dollars per short ton*)		
U.S. imports from.--			
China	1,123	604	543
Nonsubject sources	912	873	822
Total U.S. imports	912	830	721
	Share of quantity (*percent*)		
U.S. imports from.--			
China	(2)	15.9	36.2
Nonsubject sources	100.0	84.1	63.8
Total U.S. imports	100.0	100.0	100.0
	Share of value (*percent*)		
U.S. imports from.--			
China	(2)	11.6	27.3
Nonsubject sources	100.0	88.4	72.7
Total U.S. imports	100.0	100.0	100.0
	Ratio to U.S. production (*percent*)		
U.S. imports from.--			
China	(2)	6.2	16.9
Nonsubject sources	32.1	32.9	29.8
Total U.S. imports	32.1	39.2	46.7

[1] Landed, duty-paid.
[2] Less than 0.05 percent.

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

Source: Compiled from official Commerce statistics, HTS statistical reporting numbers 7213.91.3011, 7213.91.3015, 7213.91.3020, 7213.91.3093; 7213.91.4500, 7213.91.6000, 7213.99.0030, 7227.20.0030, 7227.20.0080, 7227.90.6010, 7227.90.6020, and 7227.90.6085. HTS statistical reporting number 7227.90.6085 is a broader category and may contain out of scope product including circular alloy bars and rods with a diameter of 19 mm or more and shapes other than circular.

Table IV-3
Wire rod: Nonsubject imports by source, 2011-13

Item	Calendar year		
	2011	2012	2013
	Quantity (*short tons*)		
U.S. imports from major nonsubject sources.--			
Canada	501,045	491,131	480,784
Japan	236,084	262,265	257,503
Brazil	116,513	102,517	96,639
Germany	91,884	72,546	73,002
United Kingdom	46,323	70,107	56,395
All other nonsubject sources	261,684	278,389	125,494
Imports from nonsubject sources	1,253,533	1,276,955	1,089,818
	Share of total imports (*percent*)		
U.S. imports from major nonsubject sources.--			
Canada	40.0	32.3	28.1
Japan	18.8	17.3	15.1
Brazil	9.3	6.7	5.7
Germany	7.3	4.8	4.3
United Kingdom	3.7	4.6	3.3
All other nonsubject sources	20.9	18.3	7.3
Imports from nonsubject sources[1 2]	100.0	84.1	63.8

[1] Share of total imports (including imports from China).
[2] Nonsubject share of total imports in 2011 was less than 100 percent but greater than 99.95 percent.

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

Source: Compiled from official Commerce statistics, HTS statistical reporting numbers 7213.91.3011, 7213.91.3015, 7213.91.3020, 7213.91.3093; 7213.91.4500, 7213.91.6000, 7213.99.0030, 7227.20.0030, 7227.20.0080, 7227.90.6010, 7227.90.6020, and 7227.90.6085. HTS statistical reporting number 7227.90.6085 is a broader category and may contain out of scope product including circular alloy bars and rods with a diameter of 19 mm or more and shapes other than circular.

U.S. shipments of imports by application

Table IV-6 presents share data on U.S. shipments of imported wire rod in 2013. Nine out of 13 responding U.S. importers reported shipping low/medium-low carbon industrial/standard quality wire rod from China, while six out of 13 responding U.S. importers reported shipping this type from nonsubject sources. *** U.S. importers reported shipping cold heading quality (CHQ) wire rod from China. Lincoln Electric accounts for *** of the imports of welding quality wire rod from China; the company reported that such imports were high-quality specifications not currently produced in the United States.[3] U.S. producer Evraz observed that wire rod from China in 2012 appeared to be primarily low carbon and mesh grades but over the course of the last two years it has seen a move toward the medium and high carbon grades of wire rod.[4]

[3] Lincoln did note that U.S. producers *** are qualified to supply welding quality wire rod to Lincoln. Lincoln imports welding quality wire rod from ***. Lincoln's postconference brief, pp. 2 and 4-5. Conference transcript, p. 87 (DeShane).

[4] Conference transcript, p. 26 (Ashby).

Table IV-6

Wire rod: U.S. importers' U.S. shipments of imports from by type, 2013

Item	2013			
	Commercial shipments	Internal consumption / transfers	U.S. shipments	
CHINA				
	Quantity (*short tons*)			**Number of firms**
U.S. shipments of imported wire rod by quality: Low/medium-low carbon industrial/standard	***	***	372,722	9
High/medium-high carbon industrial/standard	***	***	***	***
Tire cord quality or tire bead	***	***	***	***
Welding	***	***	***	***
Cold heading quality (CHQ)	***	***	***	***
Other specialty carbon and alloy	***	***	***	***
All others	***	***	***	***
Total U.S. shipments of imports from China	***	***	591,267	12
	Share of shipments by shipment type (*percent down*)			
U.S. shipments of imported wire rod by quality: Low/medium-low carbon industrial/standard	***	***	63.0	
High/medium-high carbon industrial/standard	***	***	***	
Tire cord quality or tire bead	***	***	***	
Welding	***	***	***	
Cold heading quality (CHQ)	***	***	***	
Other specialty carbon and alloy	***	***	***	
All others	***	***	***	
Total U.S. shipments of imports from China	100.0	100.0	100.0	
	Share of shipments by product type (*percent across*)			
U.S. shipments of imported wire rod by quality: Low/medium-low carbon industrial/standard	***	***	100.0	
High/medium-high carbon industrial/standard	***	***	***	
Tire cord quality or tire bead	***	***	***	
Welding	***	***	***	
Cold heading quality (CHQ)	***	***	***	
Other specialty carbon and alloy	***	***	***	
All others	***	***	***	
Total U.S. shipments of imports from China	***	***	100.0	

Table continued on next page.

Table IV-6--*Continued*

Wire rod: U.S. importers' U.S. shipments of imports from by type, 2013

Item	2013			
	Commercial shipments	Internal consumption / transfers	U.S. shipments	
ALL OTHER SOURCES				
	Quantity (*short tons*)			**Number of firms**
U.S. shipments of imported wire rod by quality: Low/medium-low carbon industrial/standard	***	***	65,561	6
High/medium-high carbon industrial/standard	***	***	***	***
Tire cord quality or tire bead	***	***	***	***
Welding	***	***	***	***
Cold heading quality (CHQ)	***	***	***	***
Other specialty carbon and alloy	***	***	***	***
All others	***	***	***	***
Total U.S. shipments of imports from all other sources	***	***	502,381	9
	Share of shipments by shipment type (*percent down*)			
U.S. shipments of imported wire rod by quality: Low/medium-low carbon industrial/standard	***	***	13.1	
High/medium-high carbon industrial/standard	***	***	***	
Tire cord quality or tire bead	***	***	***	
Welding	***	***	***	
Cold heading quality (CHQ)	***	***	***	
Other specialty carbon and alloy	***	***	***	
All others	***	***	***	
Total U.S. shipments of imports from all other sources	100.0	100.0	100.0	
	Share of shipments by product type (*percent across*)			
U.S. shipments of imported wire rod by quality: Low/medium-low carbon industrial/standard	***	***	100.0	
High/medium-high carbon industrial/standard	***	***	***	
Tire cord quality or tire bead	***	***	***	
Welding	***	***	***	
Cold heading quality (CHQ)	***	***	***	
Other specialty carbon and alloy	***	***	***	
All others	***	***	***	
Total U.S. shipments of imports from all other sources	71.9	28.1	100.0	

Table continued on next page.

Table IV-6--*Continued*

Wire rod: U.S. importers' U.S. shipments of imports from by type, 2013

Item	2013			
	Commercial shipments	Internal consumption / transfers	U.S. shipments	
ALL SOURCES				
	Quantity (*short tons*)			**Number of firms**
U.S. shipments of imported wire rod by quality: Low/medium-low carbon industrial/standard	***	***	438,283	10
High/medium-high carbon industrial/standard	***	***	***	***
Tire cord quality or tire bead	***	***	***	***
Welding	***	***	***	***
Cold heading quality (CHQ)	***	***	***	***
Other specialty carbon and alloy	***	***	***	***
All others	***	***	***	***
Total U.S. shipments of imports from all sources	***	***	1,093,648	13
	Share of shipments by shipment type (*percent down*)			
U.S. shipments of imported wire rod by quality: Low/medium-low carbon industrial/standard	***	***	40.1	
High/medium-high carbon industrial/standard	***	***	***	
Tire cord quality or tire bead	***	***	***	
Welding	***	***	***	
Cold heading quality (CHQ)	***	***	***	
Other specialty carbon and alloy	***	***	***	
All others	***	***	***	
Total U.S. shipments of imports from all sources	100.0	100.0	100.0	
	Share of shipments by product type (*percent across*)			
U.S. shipments of imported wire rod by quality: Low/medium-low carbon industrial/standard	***	***	100.0	
High/medium-high carbon industrial/standard	***	***	***	
Tire cord quality or tire bead	***	***	***	
Welding	***	***	***	
Cold heading quality (CHQ)	***	***	***	
Other specialty carbon and alloy	***	***	***	
All others	***	***	***	
Total U.S. shipments of imports from all sources	***	***	100.0	

Source: Compiled from data submitted in response to Commission questionnaires

Negligible imports

The statute requires that an investigation be terminated without an injury determination if imports of the subject merchandise are found to be negligible.[5] Negligible imports are generally defined in the Tariff Act of 1930, as amended, as imports from a country of merchandise corresponding to a domestic like product where such imports account for less than 3 percent of the volume of all such merchandise imported into the United States in the most recent 12-month period for which data are available that precedes the filing of the petition or the initiation of the investigation. However, if there are imports of such merchandise from a number of countries subject to investigations initiated on the same day that individually account for less than 3 percent of the total volume of the subject merchandise, and if the imports from those countries collectively account for more than 7 percent of the volume of all such merchandise imported into the United States during the applicable 12-month period, then imports from such countries are deemed not to be negligible.[6] Imports from China accounted for 36.2 percent of total imports of wire rod by quantity during the 12-month period of January-December 2013.

APPARENT U.S. CONSUMPTION AND MARKET SHARES

Total apparent U.S. consumption and market shares

Table IV-4 and figure IV-1 present data on total apparent U.S. consumption and U.S. market shares for wire rod during 2011-13.[7] Apparent U.S. consumption, based on quantity, increased by 3.5 percent from 2011 to 2013. Apparent U.S. consumption, based on value, decreased by 9.5 percent. U.S. producers' share of apparent U.S. consumption, based on quantity, decreased steadily from 2011 to 2013, declining by 7.8 percentage points overall. The market share of imports of wire rod from China increased steadily from 2011 to 2013, increasing overall by 11.7 percentage points.

[5] Sections 703(a)(1), 705(b)(1), 733(a)(1), and 735(b)(1) of the Act (19 U.S.C. §§ 1671b(a)(1), 1671d(b)(1), 1673b(a)(1), and 1673d(b)(1)).

[6] Section 771 (24) of the Act (19 U.S.C § 1677(24)).

[7] Total apparent U.S. consumption includes internal consumption and transfers to related firms by U.S. producers.

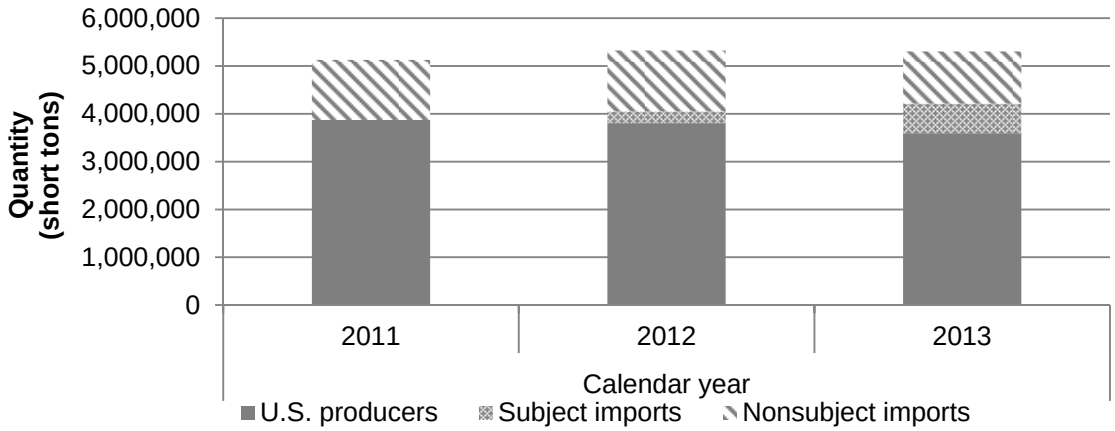
Table IV-4
Wire rod: Apparent U.S. consumption and market shares, 2011-13

Item	Calendar year		
	2011	2012	2013
	Quantity (*short tons*)		
U.S. producers' U.S. shipments	3,876,145	3,809,728	3,599,459
U.S. imports from.--			
Subject sources (i.e. China)	144	241,938	618,818
Nonsubject sources	1,253,533	1,276,955	1,089,818
Total U.S. imports	1,253,677	1,518,893	1,708,635
Apparent U.S. consumption	5,129,822	5,328,621	5,308,094
	Value (*1,000 dollars*)		
U.S. producers' U.S. shipments	3,012,054	2,826,974	2,529,487
U.S. imports from.--			
Subject sources (i.e. China)	162	146,221	335,879
Nonsubject sources	1,142,676	1,115,063	895,764
Total U.S. imports	1,142,838	1,261,284	1,231,643
Apparent U.S. consumption	4,154,892	4,088,258	3,761,130
	Share of quantity (*percent*)		
U.S. producers' U.S. shipments	75.6	71.5	67.8
U.S. imports from.--			
Subject sources (i.e. China)	([1])	4.5	11.7
Nonsubject sources	24.4	24.0	20.5
Total U.S. imports	24.4	28.5	32.2
	Share of value (*percent*)		
U.S. producers' U.S. shipments	72.5	69.1	67.3
U.S. imports from.--			
Subject sources (i.e. China)	([1])	3.6	8.9
Nonsubject sources	27.5	27.3	23.8
Total U.S. imports	27.5	30.9	32.7

[1] Less than 0.05 percent.

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics, HTS statistical reporting numbers 7213.91.3011, 7213.91.3015, 7213.91.3020, 7213.91.3093; 7213.91.4500, 7213.91.6000, 7213.99.0030, 7227.20.0030, 7227.20.0080, 7227.90.6010, 7227.90.6020, and 7227.90.6085. HTS statistical reporting number 7227.90.6085 is a broader category and may contain out of scope product including circular alloy bars and rods with a diameter of 19 mm or more and shapes other than circular.

Figure IV-1
Wire rod: Apparent U.S. consumption, 2011-13



Source: Table IV-4.

Merchant market apparent U.S. consumption and market shares

Table IV-5 and figure IV-2 present data on merchant market apparent U.S. consumption and U.S. market shares for wire rod during 2011-13.[8] Merchant market apparent U.S. consumption, based on quantity, increased by 2.5 percent from 2011 to 2013. Merchant market apparent U.S. consumption, based on value, decreased by 10.8 percent. U.S. producers' share of merchant market apparent U.S. consumption, based on quantity, decreased steadily from 2011 to 2013, by 9.8 percentage points. The market share of imports of wire rod from China increased steadily from 2011 to 2013, reaching 14.4 percent in 2013.

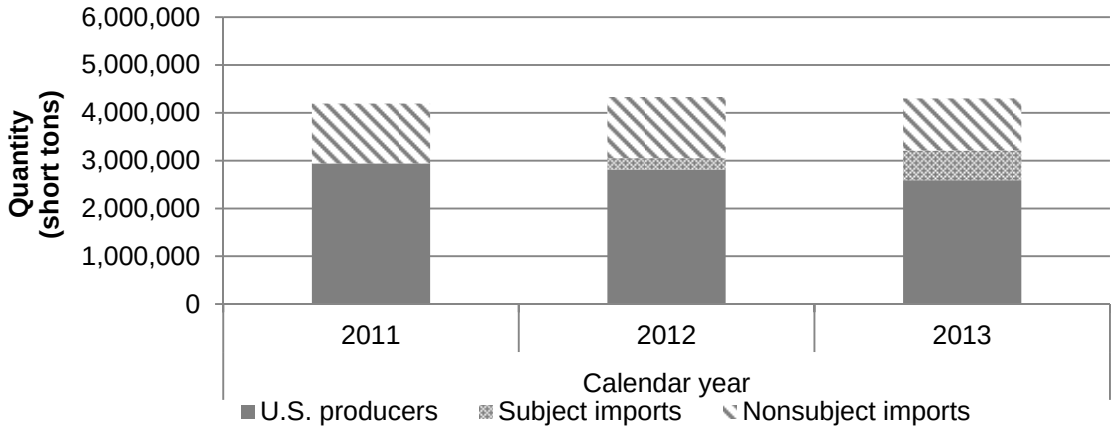
[8] Merchant market apparent consumption does not include internal consumption and transfers to related firms by U.S. producers.

Table IV-5
Wire rod: Merchant market apparent U.S. consumption and market shares, 2011-13

Item	Calendar year		
	2011	2012	2013
	Quantity (*short tons*)		
U.S. producers' commercial U.S. shipments	2,944,416	2,815,567	2,595,200
U.S. imports from.--			
Subject sources (i.e. China)	144	241,938	618,818
Nonsubject sources	1,253,533	1,276,955	1,089,818
Total U.S. imports	1,253,677	1,518,893	1,708,635
Merchant market apparent U.S. consumption	4,198,093	4,334,460	4,303,835
	Value (*1,000 dollars*)		
U.S. producers' commercial U.S. shipments	2,340,739	2,143,895	1,875,625
U.S. imports from.--			
Subject sources (i.e. China)	162	146,221	335,879
Nonsubject sources	1,142,676	1,115,063	895,764
Total U.S. imports	1,142,838	1,261,284	1,231,643
Merchant market apparent U.S. consumption	3,483,577	3,405,179	3,107,268
	Share of quantity (*percent*)		
U.S. producers' commercial U.S. shipments	70.1	65.0	60.3
U.S. imports from.--			
Subject sources (i.e. China)	([1])	5.6	14.4
Nonsubject sources	29.9	29.5	25.3
Total U.S. imports	29.9	35.0	39.7
	Share of value (*percent*)		
U.S. producers' commercial U.S. shipments	67.2	63.0	60.4
U.S. imports from.--			
Subject sources (i.e. China)	([1])	4.3	10.8
Nonsubject sources	32.8	32.7	28.8
Total U.S. imports	32.8	37.0	39.6

Source: Compiled from data submitted in response to Commission questionnaires and from official Commerce statistics, HTS statistical reporting numbers 7213.91.3011, 7213.91.3015, 7213.91.3020, 7213.91.3093; 7213.91.4500, 7213.91.6000, 7213.99.0030, 7227.20.0030, 7227.20.0080, 7227.90.6010, 7227.90.6020, and 7227.90.6085. HTS statistical reporting number 7227.90.6085 is a broader category and may contain out of scope product including circular alloy bars and rods with a diameter of 19 mm or more and shapes other than circular.

Figure IV-2
Wire rod: Merchant market apparent U.S. consumption, 2011-13



Source: Table IV-5.

PART V: PRICING DATA

FACTORS AFFECTING PRICES

Raw material costs

The primary inputs used in the production of wire rod are billets produced from steel scrap, natural gas, and electricity. Petitioners report that the price of wire rod "is based upon the supply and demand in the market place." "Scrap is a component of the cost of the material, but just a component."[1] Respondents (AWPA) report that "our members believe that price fluctuations for wire rod are driven largely by the price of steel scrap."[2]

Different types of steel scrap are used in different types of wire rod, with busheling scrap used to produce higher-end product and heavy melt used to produce less-specialized wire rod.[3] The price of steel scrap fluctuated between 2011 and 2013, overall decreasing very slightly between the first week of January 2011 and the last week of December 2013. In 2014, however, the price of scrap has increased (figure V-1).

Energy prices have also fluctuated since 2011. Natural gas prices have fluctuated more than electricity prices. Gas prices fell between 2011 and 2013, while electricity prices fluctuated modestly, with no net change between 2011 and 2013 (table V-1).

Figure V-1
U.S. ferrous scrap prices: Weekly scrap prices (dollars per short ton), January 2011-February 2014

* * * * * * *

Table V-1
U.S. natural gas and electricity prices for industrial customers, 2011-13

Item	2011	2012	2013
U.S. natural gas industrial price[1]	5.13	3.89	4.66
Electricity industrial price[2]	6.82	6.67	6.82

[1] In dollars per thousand cubic feet.
[2] In cents per kilowatt-hour.

Source: U.S. Energy Information Administration, http://www.eia.doe.gov, retrieved March 4, 2014.

[1] Conference transcript, p. 55 (Kirkvliet).
[2] Conference transcript, p. 84 (Korbel).
[3] *Carbon and Certain Alloy Steel Wire Rod From Brazil, Canada, Germany, Indonesia, Mexico, Moldova, Trinidad and Tobago, Turkey, and Ukraine: Investigations Nos. 701-TA-417 and 731-TA-953, 954, 957-959, 961, and 962 (Review)*, USITC Publication 4014, June 2008, p. V-1.

U.S. inland transportation costs

All 9 responding U.S. producers and 5 of 11 importers reported that they typically arrange transportation to their customers. U.S. producers reported that their U.S. inland transportation costs ranged from 5 to 8 percent while importers reported costs of 2 to 10 percent, with five of the 8 responding importers reporting shipping costs between 5 and 7 percent.

PRICING PRACTICES

Pricing methods

Table V-2 presents the methods of price setting reported by U.S. producers and importers. Transaction-by-transaction negotiations are by far the most common method. U.S. producers and importers also sell using contracts and "other methods." "Other methods" reported by the U.S. producers included monthly price negotiations based on market conditions and the cost of raw material, a price indexed to scrap prices (reported by 2 producers), and customer-by-customer price determination. [4]

Table V-2
Wire rod: U.S. producers and importers reported price setting methods, by number of responding firms[1]

Method	U.S. producers	Importers
Transaction-by-transaction	7	10
Contract	3	1
Set price list	0	0
Other	4	2

[1] The sum of responses may not add up to the total number of responding firms as each firm was instructed to check all applicable price setting methods employed.

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

Wire rod sales in the United States typically involve either short term contracts or spot sales. Half of U.S. producers' sales were through short term contacts, with 46.4 percent of sales on the spot market and only 3.6 percent via long term contracts (table V-3). In contrast, Chinese imports' sales were reported to be spot sales. Five producers reported short term contracts, ranging from 1 month to one year, with four of the five responses being either 30 or 40 days.

[4] "Other methods" were reported by two importers that did not sell wire rod; both consumed the wire rod internally.

Table V-3
Wire rod: U.S. producers' and importers' shares of U.S. commercial shipments by type of sale, 2013

Type of sale	U.S. producers	Importers
Long-term contracts	3.6	0.0
Short-term contracts	50.0	0.0
Spot sales	46.4	100.0
Total	100.0	100.0

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

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

Three of the five producers reported no price negotiations during the contract, three reported fixed price, one fixed both price and quantity, and one fixed only quantity. Four of five reported that their contracts contained no meet-or-release provision. Two U.S. producers reported using long term contracts, which lasted 2 years.

U.S. producers and importers were asked to describe the role of scrap costs in their prices. Most producers (8 of 9) and importers (6 of 8) included scrap costs in their prices. Two of the producers reporting including scrap prices in their prices also reported surcharges for scrap. The producer reporting not including scrap prices in cost nor using scrap surcharges, stated that its use of these had been undermined by imports. Two importers reported that they did not include scrap costs in their prices. One of these used a scrap surcharge, and the other reported looking "at scrap prices for informational purposes only."

Sales terms and discounts

U.S. producers and importers typically quote prices both on an f.o.b. and a delivered basis. Five of nine producers reported f.o.b. sales while 6 of 10 importers sold on a delivered basis. Most producers (6 of 9) reported no discount policy, although two reported some quantity and volume discounts and one stated that it only offered early payment discounts.[5] Nine of the 10 responding importers reported no discounts, while the other reported only cash discounts. Five producers reported sales terms of ½ percent 10 net 30, two reported 1 percent 10 net 30, and three reported net 30. In contrast, 8 of 10 responding importers reported sales terms of net 30 days and the remaining 2 reported net 60 days.[6]

[5] One producer reporting "other" explained that it offered no discounts. Therefore, its response is included with the firms reporting "no discount policy". One of the firms reporting "no discount policy" also reported volume, quantity, and "other" (cash) discounts. It has been excluded from firms reporting no discount policy.

[6] One firm did not report its selling method, reporting that its imports had been a one-time purchase.

PRICE DATA

The Commission requested U.S. producers and importers to provide quarterly data for the total quantity and f.o.b. value of the following wire rod products shipped to unrelated U.S. customers during 2011-13.

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

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

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

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

Product 5.--Industrial quality wire, Grades C1060 through 1065, 5.5mm (7/32 inch) through 17.5 mm (11/16 inch) in diameter, for spring wire rod used in upholstery and mechanical applications, as well as oil-tempered spring applications.

Nine U.S. producers, nine U.S. importers of wire rod from China, and one importer of wire rod from Canada provided usable pricing data for sales of the requested products, although not all firms reported pricing for all products for all quarters. Pricing data reported by these firms accounted for approximately 45.5 percent of U.S. producers' commercial shipments of wire rod and 85.9 percent of U.S. imports from China in 2013.

Price data for products 1-5 are presented in tables V-4 to V-8 and figures V-2 to V-6.

Table V-4
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 1[1] and margins of underselling/(overselling), by quarters, January 2011-December 2013

Period	United States		China			Canada *(nonsubject)*	
	Price (*per short ton*)	Quantity (*short tons*)	Price (*per short ton*)	Quantity (*short tons*)	Margin (*percent*)	Price (*per short ton*)	Quantity (*short tons*)
2011:							
January-March	698.00	51,890	--	0	--	--	0
April-June	744.56	52,991	--	0	--	***	***
July-September	746.73	55,490	--	0	--	***	***
October-December	726.85	57,352	--	0	--	***	***
2012:							
January-March	740.50	51,424	***	***	***	***	***
April-June	742.21	50,288	***	***	***	***	***
July-September	665.62	51,449	***	***	***	***	***
October-December	647.05	47,934	***	***	***	***	***
2013:							
January-March	661.33	52,525	***	***	***	***	***
April-June	661.07	57,184	***	***	***	***	***
July-September	647.37	39,538	***	***	***	***	***
October-December	623.69	60,619	***	***	***	***	***

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

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

Table V-5
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 2[1] and margins of underselling/(overselling), by quarters, January 2011-December 2013

Period	United States		China			Canada *(nonsubject)*	
	Price (*per short ton*)	Quantity (*short tons*)	Price (*per short ton*)	Quantity (*short tons*)	Margin (*percent*)	Price (*per short ton*)	Quantity (*short tons*)
2011:							
January-March	682.67	124,344	***	***	***	***	***
April-June	740.67	144,345	--	0	--	***	***
July-September	725.42	124,031	--	0	--	***	***
October-December	710.89	136,296	--	0	--	***	***
2012:							
January-March	719.17	130,660	***	***	***	***	***
April-June	716.02	126,868	***	***	***	***	***
July-September	651.68	108,924	***	***	***	***	***
October-December	636.11	80,176	599.48	32,296	5.8	***	***
2013:							
January-March	644.23	109,879	582.92	48,890	9.5	***	***
April-June	661.44	96,010	587.77	35,970	11.1	***	***
July-September	630.02	82,624	603.00	53,475	4.3	***	***
October-December	623.66	82,123	558.80	62,536	10.4	***	***

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

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

Table V-6
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 3[1] and margins of underselling/(overselling), by quarters, January 2011-December 2013

Period	United States		China		
	Price (*per short ton*)	Quantity (*short tons*)	Price (*per short ton*)	Quantity (*short tons*)	Margin (*percent*)
2011:					
January-March	681.10	108,039	--	0	--
April-June	731.77	102,588	--	0	--
July-September	737.62	101,646	--	0	--
October-December	712.68	117,620	--	0	--
2012:					
January-March	723.55	142,543	***	***	***
April-June	717.05	128,694	685.40	17,091	4.4
July-September	656.07	132,341	***	***	***
October-December	629.74	103,770	***	***	***
2013:					
January-March	641.10	122,648	597.77	51,042	6.8
April-June	657.84	125,272	***	***	***
July-September	630.93	109,866	606.96	75,545	3.8
October-December	621.26	96,799	***	***	***

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

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

Table V-7
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 4[1] and margins of underselling/(overselling), by quarters, January 2011-December 2013

Period	United States		China			Canada *(nonsubject)*	
	Price (*per short ton*)	Quantity (*short tons*)	Price (*per short ton*)	Quantity (*short tons*)	Margin (*percent*)	Price (*per short ton*)	Quantity (*short tons*)
2011:							
January-March	748.30	13,504	--	0	--	***	***
April-June	796.76	20,259	--	0	--	***	***
July-September	809.62	13,466	--	0	--	***	***
October-December	777.38	14,267	--	0	--	***	***
2012:							
January-March	759.20	19,791	***	***	***	***	***
April-June	771.36	24,867	***	***	***	***	***
July-September	722.56	12,511	***	***	***	***	***
October-December	703.88	13,051	***	***	***	***	***
2013:							
January-March	725.67	14,648	***	***	***	***	***
April-June	716.15	17,987	***	***	***	***	***
July-September	694.08	14,279	***	***	***	***	***
October-December	708.74	12,702	***	***	***	***	***

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

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

Table V-8
Wire rod: Weighted-average f.o.b. prices and quantities of domestic and imported product 5[1] and margins of underselling/(overselling), by quarters, January 2011-December 2013

Period	United States		China		
	Price (*per short ton*)	Quantity (*short tons*)	Price (*per short ton*)	Quantity (*short tons*)	Margin (*percent*)
2011:					
January-March	742.26	23,794	--	0	--
April-June	783.80	22,259	--	0	--
July-September	781.98	16,113	--	0	--
October-December	744.84	15,646	--	0	--
2012:					
January-March	767.36	28,927	***	***	***
April-June	749.94	28,241	***	***	***
July-September	699.39	20,886	***	***	***
October-December	677.38	18,742	***	***	***
2013:					
January-March	691.53	23,088	***	***	***
April-June	690.30	22,396	***	***	***
July-September	662.98	21,411	***	***	***
October-December	663.61	19,877	***	***	***

[1] Product 5: Industrial quality wire, Grades C1060 through 1065, 5.5mm (7/32 inch) through 17.5 mm (11/16 inch) in diameter, for spring wire rod used in upholstery and mechanical applications, as well as oil-tempered spring applications.

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

Figure V-2
Wire rod: Weighted-average prices and quantities of domestic and imported product 1, by quarters, January 2011-December 2013

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Figure V-3
Wire rod: Weighted-average prices and quantities of domestic and imported product 2, by quarters, January 2011-December 2013

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Figure V-4
Wire rod: Weighted-average prices and quantities of domestic and imported product 3, by quarters, January 2011-December 2013

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Figure V-5
Wire rod: Weighted-average prices and quantities of domestic and imported product 4, by quarters, January 2011-December 2013

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Figure V-6
Wire rod: Weighted-average prices and quantities of domestic and imported product 5, by quarters, January 2011-December 2013

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Price trends

Table V-9 summarizes the price trends, by country and by product. Prices for each of the five pricing products decreased during 2011-13. Price decreases for U.S.-produced wire rod ranged from 5.3 to 10.6 percent during 2011-13 while price decreases for imported wire rod from China ranged from *** to *** percent.

Table V-9
Wire rod: Summary of weighted-average f.o.b. prices for products 1-5 from the United States and China

Item	Number of quarters	Low price (*per unit*)	High price (*per unit*)	Change in price[1] (*percent*)
Product 1				
United States	12	$623.69	$746.73	(10.6)
China	8	***	***	***
Product 2				
United States	12	623.66	740.67	(8.6)
China	9	558.80	***	***
Product 3				
United States	12	621.26	737.62	(8.8)
China	8	***	***	***
Product 4				
United States	12	694.08	809.62	(5.3)
China	8	***	***	***
Product 5				
United States	12	662.98	783.80	(10.6)
China	8	***	***	***

[1] Percentage change from the first quarter in which data were available to the last quarter in which price data were available, based on rounded data. For all products except product 2, prices for imported wire rod from China were only available for 2012 and 2013. U.S. prices however increased between the first quarter of 2011 and the first quarter of 2012. The price reductions for imported wire rod from China for products 1, 3, 4, and 5 may be compared to the changes in U.S. prices between 2012 and 2013. Over this two year period U.S. prices fell by 15.8 percent for product 1, 14.1 percent for product 3, 6.6 percent for product 4, and 13.5 percent for product 5.

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

Price comparisons

As shown in table V-10, prices for imported wire rod from China were below those for U.S.-produced product in 36 of 41 instances; margins of underselling ranged from 0.2 to 17.5 percent. In the remaining five instances, (all in 2012) prices for imported wire rod from China were between 0.3 and 3.2 percent above prices for the domestic product.

Table V-10
Wire rod: Instances of underselling/overselling and the range and average of margins, January 2011-December 2013

	Underselling			Overselling		
Source	Number of instances	Range (*percent*)	Average margin (*percent*)	Number of instances	Range (*percent*)	Average margin (*percent*)
China	36	0.2-17.5	7.9	5	(0.3)-(3.2)	(2.0)

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

LOST SALES AND LOST REVENUE

The Commission requested U.S. producers of wire rod to report any instances of lost sales or revenue they experienced due to competition from imports of wire rod from China since January 2011. All eight responding U.S. producers reported that they had reduced prices and seven reported that they had to roll back announced price increases. The 97 lost sales allegations totaled $165.1 million and involved 265,083 short tons of wire rod and the 14 lost revenue allegations totaled $1.4 million dollars and involved 38,250 short tons of wire rod.[7] Staff contacted 13 purchasers and a summary of the information obtained appears below and in tables V-11 and V-12.[8]

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***.[10]

***.[11] ***.

Purchasers responding to the lost sales and lost revenue allegations also were asked whether they shifted their purchases of wire rod from U.S. producers to suppliers of wire rod from China since 2011. In addition, they were asked whether U.S. producers reduced their prices in order to compete with suppliers of wire rod from China. Five of the 12 responding purchasers reported that they had shifted purchases of wire rod from U.S. producers to subject imports since 2011; all five of these purchasers reported that price was the reason for the shift.

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[7] The petition included one lost revenue from 2010 in which the producer had to reduce the price on *** short tons of wire rod from ***. This has not been included in the tables nor was the purchaser requested to respond to the allegation. In a number of cases a range of quantities or prices were provided. In order to calculate the number of short tons and the value of the lost sales, the lowest values for quantities and prices reported were used. If no price was given in the allegation the value was not estimated.

[8] U.S. producers did not provide fax numbers for two lost sales and two lost revenue allegations. These allegations are included in the tables but the purchasers were not contacted.

[9] ***, however, *** did not receive this information and therefore its response does not cover this ***.

[10] One lost sale allegation was inadvertently not sent.

[11] One lost sale allegation was inadvertently not sent.

Three of nine responding purchasers reported that the U.S. producers had reduced their prices in order to compete with the prices of subject imports since 2011.[12] Purchasers' responses when they answered that they had not shifted purchases from U.S. produced wire rod to wire rod imported Chinese product and that U.S. producers had not reduced their prices in response to lower priced imports from China are in tables V-13 and V-14.

Table V-11
Wire rod: U.S. producers' lost sales allegations

* * * * * * *

Table V-12
Wire rod: U.S. producers' lost revenue allegations

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Table V-13
Wire rod: Purchasers reporting that they had not shifted purchases from U.S.-produced wire rod to wire rod imported from China

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Table V-14
Wire rod: Purchasers reporting that U.S. producers of wire rod had not reduced their price of wire rod in response to wire rod imported from China

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[12] Because some of the purchasers reported that they did not know or their responses were unclear, there are fewer responses to these questions than to the lost sales and lost revenue overall.

PART VI: FINANCIAL EXPERIENCE OF U.S. PRODUCERS

BACKGROUND

Ten U.S. producers provided useable financial data for their total operations on wire rod as well as their merchant market operations on wire rod.[1] Each of the firms reported commercial sales (and exports) that were the same as their merchant market sales. *** firms reported internal consumption of wire rod which was used in-house for the production of wire and wire products, and *** firms reported transfers of wire rod to affiliates for the production of wire and wire products. The reported data are believed to account for all known sales by U.S. producers of wire rod.

***, each of the reporting firms produces other products in their facilities that make wire rod, including rebar and other bar and rod products. Wire rod accounted for 59 to 67 percent of the firms' total production during 2011-13.[2] Differences in average unit values of sales and costs are largely attributable to differences in product mix between firms. Several of the reporting firms produce downstream wire and wire products either in the same facilities or in affiliated facilities.

OPERATIONS ON WIRE ROD

Table VI-1 presents aggregated data on U.S. producers' total operations side-by-side with their merchant market operations only in relation to wire rod during 2011-13. Generally speaking, total net sales, costs, operating income, net income, and cash flows fell steadily in dollar terms between 2011 and 2013. As a ratio to sales, cost of goods sold ("COGS") increased as did selling, general and administrative ("SG&A") expenses while operating income declined. On a per-unit basis, sales, COGS, and operating income declined between 2011 and 2013. The industry's operating income fell from 2011 to 2013 and the number of firms reporting operating losses increased. Net income before taxes and cash flows also fell during 2011-13. These changes and trends in financial indicators for the industry's merchant market shipments were similar.

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[1] These firms are: ArcelorMittal; Cascade ***; Charter; Evraz; Gerdau; Keystone; Nucor; Mid American ***; and Sterling. The data for Republic were taken from the firm's questionnaire response to the Commission's five-year review on wire rod from six countries, Investigation Nos. 731-TA-417 and 731-TA-953, 957-959, and 961-962. Unless otherwise noted, each has a fiscal year that ends on or about December 31. Very small differences between the trade and financial sections of the Commission's questionnaire are due to rounding.

[2] Calculated from questionnaire data (comparing wire rod production to total production), section II-3. ***. It should also be noted that firms like ArcelorMittal, Evraz, Gerdau, and Nucor produce a broad range of long products and flat-rolled products in other facilities and wire rod represents a small fraction of these firms' total operations.

Table VI-1
Wire rod: Results of total operations and merchant market operations of U.S. producers, fiscal years 2011-13

Item	Total operations			Merchant market operations		
	2011	2012	2013	2011	2012	2013
	Quantity (*short tons*)					
Net sales:						
Commercial sales	2,979,103	2,842,314	2,619,518	2,979,103	2,842,314	2,619,518
Internal consumption[1]	***	***	***	0	0	0
Company transfers[1]	***	***	***	0	0	0
Total sales	3,910,832	3,836,475	3,623,777	2,979,103	2,842,314	2,619,518
	Value (*$1,000*)					
Net sales:						
Commercial sales	2,369,626	2,175,493	1,898,192	2,369,626	2,175,493	1,898,192
Internal consumption[1]	***	***	***	0	0	0
Company transfers[1]	***	***	***	0	0	0
Total sales	3,040,941	2,858,572	2,552,054	2,369,626	2,175,493	1,898,192
Cost of goods sold:[2]						
Raw materials	2,016,353	1,837,144	1,611,114	1,548,308	1,373,248	1,179,200
Direct labor	124,945	125,154	114,347	110,752	109,358	97,527
Other factory costs	595,635	660,289	632,874	479,006	524,800	485,620
Total COGS	2,736,933	2,622,588	2,358,335	2,138,066	2,007,406	1,762,348
Gross profit	304,008	235,984	193,719	231,560	168,087	135,844
SG&A expenses	86,722	87,633	86,025	69,833	69,485	67,354
Operating income	217,286	148,351	107,694	161,727	98,602	68,490
Other income/(expense), net[3]	(18,629)	(11,130)	(11,264)	(12,445)	(4,473)	(4,103)
Net income	198,657	137,221	96,430	149,282	94,129	64,387
Depreciation/amortization	46,192	47,134	48,420	37,012	36,983	37,269
Cash flow	244,849	184,355	144,850	186,294	131,112	101,656
	Ratio to net sales (*percent*)					
Cost of goods sold:						
Raw materials	66.3	64.3	63.1	65.3	63.1	62.1
Direct labor	4.1	4.4	4.5	4.7	5.0	5.1
Other factory costs	19.6	23.1	24.8	20.2	24.1	25.6
Total COGS	90.0	91.7	92.4	90.2	92.3	92.8
Gross profit	10.0	8.3	7.6	9.8	7.7	7.2
SG&A expenses	2.9	3.1	3.4	2.9	3.2	3.5
Operating income	7.1	5.2	4.2	6.8	4.5	3.6
Net income	6.5	4.8	3.8	6.3	4.3	3.4

Table continued on next page.

Table VI-1--*Continued*
Wire rod: Results of total operations and merchant market operations of U.S. producers, fiscal years 2011-13

Item	Total operations			Merchant market operations		
	2011	2012	2013	2011	2012	2013
	Average unit value (*dollars per short ton*)					
Net sales:						
Commercial sales[1]	795	765	725	795	765	725
Internal consumption[1]	***	***	***	0	0	0
Company transfers	***	***	***	0	0	0
Total net sales	778	745	704	795	765	725
Cost of goods sold:[2]						
Raw materials	516	479	445	520	483	450
Direct labor	32	33	32	37	38	37
Other factory costs	152	172	175	161	185	185
Total COGS	700	684	651	718	706	673
Gross profit	78	62	53	78	59	52
SG&A expenses	22	23	24	23	24	26
Operating income	56	39	30	54	35	26
	Number of firms reporting:					
Operating losses[4]	***	***	***	***	***	***
Data	10	10	10	10	10	10

[1] Internal consumption was reported by ***. Transfers to related firms were reported by ***. The average unit values of internal consumption and transfers are lower than those of commercial sales because of product mix.
[2] Republic allocated the components of COGS ***. Commission staff reallocated the components of COGS based on the average ratio of these components to total COGS that were reported by the other reporting firms.
[3] Consists of other expense (accounted for ***) and interest expense. ***. E-mails to Commission staff from *** and ***, respectively, February 28, 2014.
[4] Operating losses were reported by ***.

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

Table VI-2 presents data for the wire rod operations of U.S. producers on a firm-by-firm basis. Results of total operations of U.S. producers are presented side-by-side with their merchant market operations.

Table VI-2
Wire rod: Results of total operations and merchant market operations of U.S. producers, by firm, fiscal years 2011-13

* * * * * * *

Total net sales quantity and value

As shown in table VI-1, total net sales includes commercial sales (and exports), internal consumption, and transfers to related firms. Total sales declined from 2011 to 2013 in terms of

quantity, value, and average unit value. The quantity reported for internal consumption and transfers increased,[3] comparing 2011 to 2013 (unlike that of commercial sales), but the sales value of both categories was lower in 2013 compared with 2011 because of the lower average unit values. Total merchant market sales likewise fell on a quantity, value, and average unit value basis from 2011 to 2013.

Table VI-2 shows that most of the reporting U.S. producers reported lower commercial sales quantities in 2013 compared to 2011 (the exceptions were *** for which sales were *** higher). The quantity of reported internal consumption by ***, comparing 2013 to 2011, while the value of internal consumption ***. The total quantity of transfers was greater in 2013 compared to 2011, but was lower in 2013 compared to 2011 in total value because the average unit value of transfers was lower in 2013 than in 2011.[4] *** firms reported an increase in the quantity while *** firms reported that the quantity of transfers declined or irregularly declined. The value of transfers rose *** for *** firms while it declined for *** firms between 2011 and 2013.

Operating costs and expenses

As shown in table VI-1, raw material costs represent the single largest component of overall COGS, averaging approximately 70.8 percent of total COGS on a cumulative basis during 2011-13, and ranging from 66.3 percent of sales value (in 2011) to 63.1 percent of sales value (in 2013). As shown in table VI-2, average raw material costs, direct labor, and other factory costs (i.e., conversion costs) vary from company to company. These costs generally reflect underlying differences in input costs from types of scrap and conversion costs (labor and overhead). The highest average raw material costs as a ratio to sales were reported by ***. Location and sales product mix may account for some of the costs; ***. Table VI-2 shows that most U.S. producers reported lower raw material costs in 2013 than in 2011 on both a per-unit basis and as expressed as a ratio to sales.[5]

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[3] More than *** percent of commercial shipments were of industrial/standard wire rod (low, medium, or high carbon) and cold-heading quality wire rod in 2013. Industrial/standard quality wire rod (low, medium, or high carbon) made up nearly *** percent of internal consumption (which accounted for less than *** percent of total shipments in 2013). Industrial/standard quality wire rod (low, medium, or high carbon) accounted for nearly *** percent of reported transfers (which accounted for about *** percent of total shipments in 2013). These data are presented in full in table III-6.

[4] Differences between the average unit values of commercial (or merchant market) sales, internal consumption, and transfers to related firms are attributable to differences in product mix being sold in those categories. For example, ***. E-mail to Commission staff from ***, February 26, 2014.

[5] The steel industry often uses the term "metal spread", defined as the difference in total dollars or in dollars per ton of product between the sales price and the cost of a firm's raw material inputs, primarily scrap. The term "metal margin" refers to the metal spread as a percentage of the product price, which, in effect, is the inverse of the ratio of raw material costs to total net sales. An increasing metal spread indicates a widening between a firm's sales value and its cost of raw materials, for example when a firm's sales price is rising faster than is the cost of its raw materials, or that the raw materials' costs are

(*continued*...)

With regard to the merchant market, average raw material costs for U.S. producers were slightly lower as a ratio to total COGS (69.4 percent average on a cumulative basis) or when expressed as a ratio to merchant market sales compared to raw material costs for total operations' sales and, likewise, declined from 2011 to 2013. As a per-unit measure, raw material costs were slightly higher overall when compared with the producers' total operations. Company-by-company reporting was mixed although the difference was not large in any case.

After raw materials, the largest component of reported COGS is other factory costs,[6] which as a ratio to sales rose by about 5 percentage points and by about $23 per short ton from 2011 to 2013. Direct labor costs, the smallest component of COGS, also rose *** between 2011 and 2013 as a ratio to sales. Both other factory costs and direct labor have more of a fixed cost component than do raw material costs (which have more of a variable cost component). With the decline in production and capacity utilization, other factory costs rose on a per-unit basis while direct labor costs fluctuated and were the same in 2013 as in 2011. SG&A expenses also increased as a ratio to sales as well as on a per-unit basis between 2011 and 2013.

With regard to the merchant market, average labor and other factory costs for U.S. producers were higher when expressed as a ratio to sales compared to those two cost categories for total sales. As a per-unit measure, both were higher overall when compared with the producers' total operations. Company-by-company reporting was mixed although the difference was not large in any case.

Profitability

Table VI-1 shows that the industry's gross profit, on an absolute and relative basis, fell from 2011 to 2013. Changes in the industry's gross profit margin primarily reflect the decline in volume and average unit value of sales that were partially offset by lower raw material costs but relatively higher labor and other factory costs. Operating income was substantially lower in 2013 than in 2011. As depicted in table VI-2, a majority of the reporting firms were consistently profitable although the number of firms reporting losses increased between 2011 and 2013.[7] ***. On the other hand, ***.

(…*continued*)
declining faster than a firm's sales price, whereas a decreasing metal spread indicates the opposite. Changes in the metal margin indicate similar aspects of changes in the underlying factors. As presented in table VI-1, total raw material costs fell from 2011 to 2013 (raw material costs also fell between those years for each of the companies reporting data). Overall, the wire rod metal spread in absolute dollars narrowed by 8.2 percent and 12.5 percent for the total market and merchant market respectively. The metal spread in dollars per short ton (of sales) declined by $2 per short ton (i.e., was relatively flat) for both the firms' total operations (from $262 per ton to $260 per ton) and for their merchant market operations (from $276 per ton to $274 per ton) between 2011 and 2013. The metal margin widened by 3.2 percentage points from 2011 to 2013 for both the total market and for the merchant market.

[6] One firm, ***, reported non-recurring charges that were included in other factory costs. These ranged from $*** in 2011 to $*** in 2013. The largest amount, $***, was for ***. *See* questionnaire response of ***, sections II-2 and III-9.

[7] ***.

With regard to the merchant market, as show in table VI-1, operating profit was lower on an overall basis than for total operations. The trend was similar in that operating profit was substantially lower in 2013 than in 2011. As a ratio to sales and on a per-unit basis, merchant market gross profit and operating profit were similar to those measures for the industry's total operations although slightly lower. Besides the ***.

VARIANCE ANALYSIS

A variance analysis for the operations of U.S. producers of wire rod on their total operations and on their merchant market operations is presented side-by-side in table VI-3.[8] The information for this variance analysis is derived from table VI-1. The operating income variance was negative between each of the years because the unfavorable price variance (unit prices fell) was greater than a favorable net cost/expense variance (unit costs fell).

[8] The Commission's variance analysis is calculated in three parts: Sales variance, cost of sales variance (COGS variance), and SG&A expense variance. Each part consists of a price variance (in the case of the sales variance) or a cost or expense variance (in the case of the COGS and SG&A expense variance), and a volume variance. The sales or cost/expense variance is calculated as the change in unit price or per-unit cost/expense times the new volume, while the volume variance is calculated as the change in volume times the old unit price or per-unit cost/expense. Summarized at the bottom of the table, the price variance is from sales; the cost/expense variance is the sum of those items from COGS and SG&A variances, respectively, and the volume variance is the sum of the volume components of the net sales, COGS, and SG&A expense variances. The overall volume component of the variance analysis is generally small.

Table VI-3
Wire rod: Variance analysis on the operations of U.S. producers, between fiscal years 2011-13

Item	Between fiscal years					
	Total operations			Merchant market operations		
	2011-13	2011-12	2012-13	2011-12	2012-13	2013-14
Net sales:	Value (*$1,000*)					
Commercial sales:						
Price variance	(185,414)	(85,329)	(106,774)	(185,414)	(85,329)	(106,774)
Volume variance	(286,020)	(108,804)	(170,527)	(286,020)	(108,804)	(170,527)
Trade sales variance	(471,434)	(194,133)	(277,301)	(471,434)	(194,133)	(277,301)
Internal Consumption:						
Price variance	***	***	***	0	0	0
Volume variance	***	***	***	0	0	0
Trade sales variance	***	***	***	0	0	0
Company Transfers:						
Price variance	***	***	***	0	0	0
Volume variance	***	***	***	0	0	0
Transfer variance	***	***	***	0	0	0
Total net sales:						
Price variance	(265,682)	(124,551)	(148,036)	(185,414)	(85,329)	(106,774)
Volume variance	(223,205)	(57,818)	(158,482)	(286,020)	(108,804)	(170,527)
Total net sales variance	(488,887)	(182,369)	(306,518)	(471,434)	(194,133)	(277,301)
Cost of sales:						
Cost variance	177,707	62,307	118,854	117,648	32,488	87,706
Volume variance	200,891	52,038	145,399	258,070	98,172	157,351
Total cost variance	378,598	114,345	264,253	375,718	130,660	245,058
Gross profit variance	(110,289)	(68,024)	(42,265)	(95,716)	(63,473)	(32,243)
SG&A expenses:						
Expense variance	(5,668)	(2,560)	(3,250)	(5,950)	(2,858)	(3,316)
Volume variance	6,365	1,649	4,858	8,429	3,206	5,447
Total SG&A variance	697	(911)	1,608	2,479	348	2,131
Operating income variance	(109,592)	(68,935)	(40,657)	(93,237)	(63,125)	(30,112)
Summarized as:						
Price variance	(265,682)	(124,551)	(148,036)	(185,414)	(85,329)	(106,774)
Net cost/expense variance	172,039	59,748	115,604	111,698	29,630	84,391
Net volume variance	(15,949)	(4,131)	(8,225)	(19,521)	(7,426)	(7,729)

Note.--Unfavorable variances are shown in parentheses; all others are favorable. The data are comparable to changes in operating income as presented in table VI-1.

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

CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT EXPENSES

Table VI-4 presents capital expenditures and research and development ("R&D") expenses by firm. The increase in capital expenditures in ***.

Table VI-4
Wire rod: Capital expenditures and research and development expenses of U.S. producers, by firm, fiscal years 2011-13

Item	2011	2012	2013
	Value (*$1,000*)		
Capital expenditures			
ArcelorMittal	***	***	***
Cascade	***	***	***
Charter	***	***	***
Evraz	***	***	***
Gerdau	***	***	***
Keystone	***	***	***
Mid American	***	***	***
Nucor	***	***	***
Republic	***	***	***
Sterling	***	***	***
Total	54,987	79,929	178,827
R&D expenses			
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
Total	2,376	***	***

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

The Commission's questionnaire requested firms to describe the focus or nature of their capital expenditures. Their responses are presented in the tabulation below:

Firm	Nature or focus of capital expenditures

* * * * * * *

ASSETS AND RETURN ON INVESTMENT

Table VI-5 presents data on the U.S. producers' total assets and their return on investment ("ROI"). ROI is calculated as the ratio of operating income (or loss) to total assets. Operating income fell between 2011 and 2013, as noted earlier. If total assets had remained the same, ROI would have declined, but as total assets increased, ***, ROI fell at a greater rate.

Table VI-5
Wire rod: U.S. producers' total assets and return on investment, by firm, fiscal years, 2011-13

Item	2011	2012	2013
Total assets	**Value (*$1,000*)**		
ArcelorMittal	***	***	***
Cascade	***	***	***
Charter	***	***	***
Evraz	***	***	***
Gerdau	***	***	***
Keystone	***	***	***
Mid American	***	***	***
Nucor	***	***	***
Republic	***	***	***
Sterling	***	***	***
Total	787,470	764,284	876,250
ROI	**Ratio of operating income to total assets (*percent*)**		
ArcelorMittal	***	***	***
Cascade	***	***	***
Charter	***	***	***
Evraz	***	***	***
Gerdau	***	***	***
Keystone	***	***	***
Mid American	***	***	***
Nucor	***	***	***
Republic	***	***	***
Sterling	***	***	***
Average	27.6	19.4	12.3

Note.--these data are consistent with the operating income or (loss) shown in tables VI-1 and VI-2.

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

CAPITAL AND INVESTMENT

The Commission requested U.S. producers of wire rod to describe any actual or potential negative effects of imports of wire rod from China on their firms' growth, investment, ability to raise capital, development and production efforts, or the scale of capital investments. Their comments are on the following pages.

Actual negative effects

ArcelorMittal: ***.
Cascade: ***.
Charter: ***.
Evraz: ***.
Gerdau: ***.
Keystone: ***.
Mid American: ***.
Nucor: ***.
Sterling: ***.

Anticipated negative effects

ArcelorMittal: ***.
Cascade: ***.
Charter: ***.
Evraz: ***.
Gerdau: ***.
Keystone: ***.
Mid American: ***.
Nucor: ***.
Sterling: ***.

PART VII: THREAT CONSIDERATIONS AND INFORMATION ON NONSUBJECT COUNTRIES

Section 771(7)(F)(i) of the Act (19 U.S.C. § 1677(7)(F)(i)) provides that—

> *In determining whether an industry in the United States is threatened with material injury by reason of imports (or sales for importation) of the subject merchandise, the Commission shall consider, among other relevant economic factors*[1]*--*
>
> *(I) if a countervailable subsidy is involved, such information as may be presented to it by the administering authority as to the nature of the subsidy (particularly as to whether the countervailable subsidy is a subsidy described in Article 3 or 6.1 of the Subsidies Agreement), and whether imports of the subject merchandise are likely to increase,*
>
> *(II) any existing unused production capacity or imminent, substantial increase in production capacity in the exporting country indicating the likelihood of substantially increased imports of the subject merchandise into the United States, taking into account the availability of other export markets to absorb any additional exports,*
>
> *(III) a significant rate of increase of the volume or market penetration of imports of the subject merchandise indicating the likelihood of substantially increased imports,*
>
> *(IV) whether imports of the subject merchandise are entering at prices that are likely to have a significant depressing or suppressing effect on domestic prices, and are likely to increase demand for further imports,*
>
> *(V) inventories of the subject merchandise,*

---

[1] Section 771(7)(F)(ii) of the Act (19 U.S.C. § 1677(7)(F)(ii)) provides that "The Commission shall consider {these factors} . . . as a whole in making a determination of whether further dumped or subsidized imports are imminent and whether material injury by reason of imports would occur unless an order is issued or a suspension agreement is accepted under this title. The presence or absence of any factor which the Commission is required to consider . . . shall not necessarily give decisive guidance with respect to the determination. Such a determination may not be made on the basis of mere conjecture or supposition."

(VI) the potential for product-shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products,

(VII) in any investigation under this title which involves imports of both a raw agricultural product (within the meaning of paragraph (4)(E)(iv)) and any product processed from such raw agricultural product, the likelihood that there will be increased imports, by reason of product shifting, if there is an affirmative determination by the Commission under section 705(b)(1) or 735(b)(1) with respect to either the raw agricultural product or the processed agricultural product (but not both),

(VIII) the actual and potential negative effects on the existing development and production efforts of the domestic industry, including efforts to develop a derivative or more advanced version of the domestic like product, and

(IX) any other demonstrable adverse trends that indicate the probability that there is likely to be material injury by reason of imports (or sale for importation) of the subject merchandise (whether or not it is actually being imported at the time).[2]

Information on the nature of the alleged subsidies was presented earlier in this report; information on the volume and pricing of imports of the subject merchandise is presented in *Parts IV* and *V*; and information on the effects of imports of the subject merchandise on U.S. producers' existing development and production efforts is presented in *Part VI*. Information on inventories of the subject merchandise; foreign producers' operations, including the potential for "product-shifting;" any other threat indicators, if applicable; and any dumping in third-country markets, follows. Also presented in this section of the report is information obtained for consideration by the Commission on nonsubject countries.

[2] Section 771(7)(F)(iii) of the Act (19 U.S.C. § 1677(7)(F)(iii)) further provides that, in antidumping investigations, ". . . the Commission shall consider whether dumping in the markets of foreign countries (as evidenced by dumping findings or antidumping remedies in other WTO member markets against the same class or kind of merchandise manufactured or exported by the same party as under investigation) suggests a threat of material injury to the domestic industry."

THE INDUSTRY IN CHINA

China is the world's largest producer of wire rod; production of all forms of wire rod in China totaled 150.1 million short tons in 2012, representing 74.7 percent of total global wire rod production.[3] By one estimate, wire rod capacity in 2011 totaled 160.9 million short tons, and increased to 167.6 million short tons in 2012 and then to 172.0 million short tons in 2013. Capacity is expected to grow to 176.4 million short tons by 2015 with renovation and technical improvement.[4]

Domestic producers estimate the total capacity for subject wire rod in China to be even higher - *** short tons in 2013; and total production to be *** short tons in 2013. They identified the top five Chinese producers of wire rod (producing more than *** short tons each in 2013 as ***).[5]

Some wire rod exported from China receives an export tax rebate. Chinese producers allegedly qualify for these rebates if they add a trace amount of boron to the wire rod.[6] Minimal amounts of boron (exceeding 0.0008 percent (8 ppm) by weight) added to wire rod allow it to be classified for customs purposes as alloy wire rod in HTSUS subheading 7227.90.[7] The addition of boron permits Chinese producers to take advantage of a 9 percent export tax rebate on exports of alloy wire rod.[8] Boron-added wire rod is used in many of the same applications as non-boron added wire rod. It reportedly costs relatively little to add limited amounts of boron to wire rod. While boron can increase drawability in some products, it does not change the characteristics of wire rod in most cases.[9]

The Commission issued foreign producers' or exporters' questionnaires to 48 firms believed to produce and/or export wire rod from China.[10] The Commission did not receive any questionnaire responses from Chinese firms. Table VII-1 presents data on the top Chinese exporters of wire rod to the United States, obtained through proprietary Customs data. Table VII-2 presents Chinese exports of bar and rod (including wire rod) from 2011-13 as reported by China Customs.

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[3] World Steel Association, *Steel Statistical Yearbook 2013*, p. 43. Production number may be over-inclusive because it encompasses all wire rod, including that outside of the scope of these investigations.

[4] World Steel Dynamics, *Chinese Steel Hits the Great Wall IV*, May 2013, pp. 18 and 30.

[5] Domestic producers' postconference brief, p. 33 and exhibit 12.

[6] Conference transcript, p. 10 (Kerkvliet).

[7] *HTSUS* (2014), "Chapter 72 Iron and Steel, Note 1(f) Other Alloy Steel," January 1, 2014, p. XV 72-2.

[8] Petition, Vol. II, exhibit PRC-6.

[9] Conference transcript, pp. 20 and 71-73 (Nystrom and Price).

[10] These firms were identified through a review of information submitted in the petition and contained in proprietary Customs records.

Table VII-1

Wire rod: U.S. imports from China by identified foreign manufacturer, January 2011 through November 2013

* * * * * * *

Table VII-2

Bars and rod (including wire rod): Exports from China, 2011-13

Country	Calendar year		
	2011	2012	2013
	Quantity (*short tons*)		
Korea	1,103,936	1,271,032	1,222,563
Thailand	467,369	834,352	1,112,951
Vietnam	250,939	429,740	754,186
United States	93	332,198	691,493
Indonesia	105,205	418,667	609,818
Philippines	170,531	315,037	573,987
All others	1,058,559	2,460,567	3,736,056
Total	3,156,631	6,061,592	8,701,054

Source: Compiled from Global Trade Atlas, HS 7213.91, Bars And Rods, Hot-Rolled, In Irregularly Wound Coils, Of Iron Or Nonalloy Steel, Of Circular Cross-Section Measuring Less Than 14 Mm In Diameter, Nesoi; HS 7227.20, Bars And Rods Of Silico-Manganese Steel, Hot-Rolled, In Irregularly Wound Coils; and HS 7227.90, Bars And Rods Of Alloy Steel (Other Than Stainless), Hot-Rolled, In Irregularly Wound Coils, Nesoi. Retrieved February 24, 2014.

U.S. INVENTORIES OF IMPORTED MERCHANDISE

Table VII-3 presents data on U.S. importers' reported inventories of wire rod held at year-end 2011, 2012, and 2013.

Table VII-3
Wire rod: U.S. importers' end-of-period (EOP) inventories, 2011-13

Item	Calendar year		
	2011	2012	2013
	Quantity (*short tons*)		
U.S. importers' EOP inventories of imports from China	0	***	132,312
	Ratio (*percent*)		
U.S. importers' EOP inventories of imports from China to-- U.S. imports	0.0	***	19.4
Total shipments	0.0	***	22.4
	Quantity (*short tons*)		
U.S. importers' EOP inventories of imports from All other sources	54,949	***	***
	Ratio (*percent*)		
U.S. importers' EOP inventories of imports from All other sources to-- U.S. imports	8.7	***	***
Total shipments	8.9	***	***
	Quantity (*short tons*)		
U.S. importers' EOP inventories of imports from all sources	54,949	72,757	***
	Ratio (*percent*)		
U.S. importers' EOP inventories of imports from all sources to-- U.S. imports	8.7	8.0	***
Total shipments	8.9	8.1	***

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

U.S. IMPORTERS' CURRENT ORDERS

The Commission requested importers to indicate whether they imported or arranged for the importation of wire rod from China after December 31, 2013. Eleven of 13 responding U.S. importers reported that they imported or arranged for imports of wire rod in 2014. Table VII-4 presents data reported by U.S. importers concerning their arranged imports of wire rod.

Table VII-4
Wire rod: U.S. importers' arranged imports, 2014

Item	2014			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
U.S. importers' imports arranged from.--China	132,136	197,198	0	0
All other sources[1]	***	***	***	***
Total arranged imports	***	***	***	***

[1] Other sources were ***.

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

ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS

In July 2009, the European Union imposed an antidumping duty order on imports of wire rod from China. The duty rate for China is 38.6 percent for Valin Group and 52.3 percent for all others. In November 2012, Thailand initiated an antidumping investigation on high carbon steel wire rod from China, alleged to be dumped at 15.98 percent.[11] In February 2013, effective for five years, Malaysia imposed antidumping duties with a rate of 25.2 percent[12] on imports of wire rod from China. In addition, Indonesia initiated a safeguard investigation on imports of wire rod from China in January 2014.[13]

INFORMATION ON NONSUBJECT COUNTRIES

Japan is the world's second largest producer of wire rod; its wire rod production in 2012 totaled 6.4 million short tons, representing 3.2 percent of total global wire rod production. Other large producers of wire rod include Germany, which produced 5.7 million short tons in 2009,[14] Italy which produced 4.1 million short tons in 2012, and Brazil which produced 3.3 million short tons in 2012.[15]

Table VII-5 presents world exports of wire rod from 2011 to 2013.

---

[11] Department of Foreign Trade Notification on an Initiation of Anti-Dumping Investigation of High Carbon Steel Wire Rod including High Carbon Steel Wire Rod Added Other Elements Originating in the People's Republic of China B.E. 2555 (2012), November 29, 2012, found at http://btir.dft.go.th/DocFiles/229_130306092725_Initiation%20Notification_HCWR.pdf.

[12] Jiangsu Shagang International Trade Co Ltd. and Jiangsu Yonggang Group Co Ltd. are exempt from the order.

[13] Petitioners' postconference brief, pp. 39-40 and exhibit 11.

[14] Data were not available for 2010-12.

[15] Production number may be over-inclusive because it encompasses all wire rod, including that outside of the scope of these investigations. World Steel Association, *Steel Statistical Yearbook 2013*, pp. 42-43.

Table VII-5
Wire rod: World exports, by country, 2011-13

Country	Calendar year		
	2011	2012	2013
	Value (*1,000 dollars*)		
China	2,064,861	3,385,439	4,376,910
Japan	861,996	871,378	881,700
Germany	465,589	480,845	(1)
Austria	313,427	271,796	(1)
Belgium	256,593	261,479	(1)
Czech Republic	250,058	194,526	175,208
Canada	190,057	189,972	169,330
All others	1,741,133	1,343,573	608,561
Total	6,143,713	6,999,008	6,211,709

[1] Data not available.

Note.—Data for some countries only available through partial year 2013.

Source: Compiled from Global Trade Atlas, HS 7227.20, Bars And Rods Of Silico-Manganese Steel, Hot-Rolled, In Irregularly Wound Coils; HS 7227.90, Bars And Rods Of Alloy Steel (Other Than Stainless), Hot-Rolled, In Irregularly Wound Coils, Nesoi; and 7213.99, Bars And Rods, Hot-Rolled, In Irregularly Wound Coils, Of Iron Or Nonalloy Steel, Nesoi. Retrieved February 24, 2014.

Canada

The industry in Canada is not among the larger global producers and exporters of wire rod. Nonetheless, Canada is a leading source of U.S. wire rod imports. The largest wire rod producers in Canada are Ivaco Inc. (Heico) and ArcelorMittal. Combined, these producers have an estimated wire rod and bar/rod/sections rolling capacity of nearly *** short tons.[16]

Other leading sources of wire rod to the United States

The industries in Japan and Germany are among the largest global producers and exporters of wire rod. The largest wire rod producers in Japan include JFE, Nippon Steel & Sumitomo Metal Corp., Kobe Steel, and Nakayama Steel Works. Combined, these and smaller producers have an estimated wire rod and bar/rod/sections rolling capacity of more than *** short tons.[17] The largest wire rod producers in Germany include ArcelorMittal, Badische

[16] ***. EuroStrategy Corporation, *The World Steel Capacity Book, First Edition 2010,* table 9.3.1. Capacity may be overstated due to shared production.

[17] ***. EuroStrategy Corporation, *The World Steel Capacity Book, First Edition 2010,* table 4.3.4. Capacity may be overstated due to shared production.

Stahlwerke, Riva Stahl, and Saarstahl. Combined, these and smaller producers have an estimated wire rod and bar/rod/sections rolling capacity of more than *** short tons.[18]

The industries in Brazil and the United Kingdom are not among the larger global producers and exporters of wire rod. Nonetheless, they have maintained a presence in the United States. The largest wire rod producers in Brazil include ArcelorMittal, Gerdau, and Votorantim Metais. Combined, these and smaller producers have an estimated wire rod and bar/rod/sections rolling capacity of more than *** short tons.[19] The largest wire rod producers in the United Kingdom include Celsa and Tata Steel. Combined, these and smaller producers have an estimated wire rod and bar/rod/sections rolling capacity of nearly *** short tons.[20]

[18] ***. EuroStrategy Corporation, *The World Steel Capacity Book, First Edition 2010*, table 7.3.9. Capacity may be overstated due to shared production.

[19] ***. EuroStrategy Corporation, *The World Steel Capacity Book, First Edition 2010*, table 12.3.2. Capacity may be overstated due to shared production.

[20] ***. EuroStrategy Corporation, *The World Steel Capacity Book, First Edition 2010*, table 7.3.23. Capacity may be overstated due to shared production.

APPENDIX A
FEDERAL REGISTER NOTICES

The Commission makes available notices relevant to its investigations and reviews on its website, www.usitc.gov. In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
79 FR 7225 February 6, 2014	*Carbon and Certain Alloy Steel Wire Rod From China; Institution of Antidumping and Countervailing Duty Investigations and Scheduling of Preliminary Phase Investigations*	https://federalregister.gov/a/2014-02494
79 FR 11077 February 27, 2014	*Carbon and Certain Alloy Steel Wire Rod From the People's Republic of China: Initiation of Antidumping Duty Investigation*	https://federalregister.gov/a/2014-04345
79 FR 11085 February 27, 2014	*Carbon and Certain Alloy Steel Wire Rod From the People's Republic of China: Initiation of Countervailing Duty Investigation*	https://federalregister.gov/a/2014-04343

APPENDIX B

CALENDAR OF THE PUBLIC STAFF CONFERENCE

CALENDAR OF PUBLIC PRELIMINARY CONFERENCE

Those listed below appeared as witnesses at the United States International Trade Commission's staff conference:

Subject: Carbon and Certain Alloy Steel Wire Rod from China

Inv. Nos.: 701-TA-512 and 731-TA-1248 (Preliminary)

Date and Time: February 21, 2014 - 9:30 am

Sessions were held in connection with the preliminary phase of these investigations in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, DC.

OPENING REMARKS:

Petitioners (**Paul C. Rosenthal**, Kelley Drye & Warren LLP)
Respondents (**NONE**)

In Support of the Imposition of
Antidumping and Countervailing Duty Orders:

Kelley Drye & Warren LLP
Washington, DC
on behalf of

ArcelorMittal USA
Gerdau Ameristeel
Charter Steel
Evraz Pueblo
Keystone Consolidated Industries

James Kerkvliet, Vice President of Sales and Marketing, Gerdau Ameristeel US

Edward Goettl, Manager of Wire Rod Sales, Gerdau Ameristeel US

Vic Stirnaman, President, Keystone Consolidated Industries

Daniel Fuller, Director of Wire Rod Sales, ArcelorMittal USA

In Support of the Imposition of
Antidumping and Countervailing Duty Orders (continued):

Stephen Ashby, Director of Rod and Bar Sales, Evraz Pueblo

Holly Hart, Legislative Director, United Steelworkers

Gina Beck, Economist, Georgetown Economic Consulting Services

Paul C. Rosenthal)
Kathleen W. Cannon)
) – OF COUNSEL
R. Alan Luberda)
Benjamin B. Caryl)

Wiley Rein
Washington, DC
on behalf of

Nucor Corporation

Eric Nystrom, National Marketing Manager for Wire Rod, SBQ, and Cold Finish Products, Nucor Corporation

Alan H. Price)
) – OF COUNSEL
Daniel B. Pickard)

In Opposition to the Imposition of
Antidumping and Countervailing Duty Orders:

Vorys, Sater, Seymour and Pease LLP
Washington, DC
on behalf of

The American Wire Producers Association (AWPA)

Kimberly A. Korbel, Executive Director, AWPA

Frederick P. Waite)
) – OF COUNSEL
Kimberly R. Young)

Covington & Burling
Washington, DC
on behalf of

The Lincoln Electronic Company

P. Michael DeShane, Director, North America Consumable Purchasing, The Lincoln Electric Company

David R. Grace) – OF COUNSEL

REBUTTAL/CLOSING REMARKS:

Petitioners (**Paul C. Rosenthal**, Kelley Drye & Warren LLP; *and*
Daniel B. Pickard, Wiley Rein)
Respondents (**Frederick P. Waite**, Vorys, Sater, Seymour and Pease LLP)

APPENDIX C

SUMMARY DATA

Table C-1
Wire rod: Summary data concerning the U.S. market, 2011-13
(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Report data			Period changes		
	Calendar year			Calendar year		
	2011	2012	2013	2011-13	2011-12	2012-13
U.S. consumption quantity:						
Amount	5,129,822	5,328,621	5,308,094	3.5	3.9	(0.4)
Producers' share (fn1)	75.6	71.5	67.8	(7.8)	(4.1)	(3.7)
Importers' share (fn1):						
China	0.0	4.5	11.7	11.7	4.5	7.1
All others sources, nonsubject	24.4	24.0	20.5	(3.9)	(0.5)	(3.4)
Total imports	24.4	28.5	32.2	7.8	4.1	3.7
U.S. consumption value:						
Amount	4,154,892	4,088,258	3,761,130	(9.5)	(1.6)	(8.0)
Producers' share (fn1)	72.5	69.1	67.3	(5.2)	(3.3)	(1.9)
Importers' share (fn1):						
China	0.0	3.6	8.9	8.9	3.6	5.4
All others sources, nonsubject	27.5	27.3	23.8	(3.7)	(0.2)	(3.5)
Total imports	27.5	30.9	32.7	5.2	3.3	1.9
U.S. imports from:						
China:						
Quantity	144	241,938	618,818	429,778.4	167,968.5	155.8
Value	162	146,221	335,879	207,726.4	90,374.7	129.7
Unit value	$1,123	$604	$543	(51.7)	(46.2)	(10.2)
Ending inventory quantity	0	***	132,312	fn2	fn2	231.4
All other sources:						
Quantity	1,253,533	1,276,955	1,089,818	(13.1)	1.9	(14.7)
Value	1,142,676	1,115,063	895,764	(21.6)	(2.4)	(19.7)
Unit value	$912	$873	$822	(9.8)	(4.2)	(5.9)
Ending inventory quantity	54,949	***	***	***	***	***
Total imports:						
Quantity	1,253,677	1,518,893	1,708,635	36.3	21.2	12.5
Value	1,142,838	1,261,284	1,231,643	7.8	10.4	(2.4)
Unit value	$912	$830	$721	(20.9)	(8.9)	(13.2)
Ending inventory quantity	54,949	72,757	***	***	32.4	***
U.S. producers':						
Average production capacity quantity	5,173,168	5,131,954	5,073,815	(1.9)	(0.8)	(1.1)
Production quantity	3,907,416	3,879,060	3,655,088	(6.5)	(0.7)	(5.8)
Capacity utilization (fn1)	75.5	75.6	72.0	(3.5)	0.1	(3.5)
U.S. shipments:						
Quantity	3,876,145	3,809,728	3,599,459	(7.1)	(1.7)	(5.5)
Value	3,012,054	2,826,974	2,529,487	(16.0)	(6.1)	(10.5)
Unit value	$777	$742	$703	(9.6)	(4.5)	(5.3)
Export shipments:						
Quantity	34,687	26,748	24,319	(29.9)	(22.9)	(9.1)
Value	28,888	31,597	22,566	(21.9)	9.4	(28.6)
Unit value	$833	$1,181	$928	11.4	41.8	(21.4)
Ending inventory quantity	193,261	235,846	266,868	38.1	22.0	13.2
Inventories/total shipments (fn1)	4.9	6.1	7.4	2.4	1.2	1.2
Production workers	2,239	2,269	2,192	(2.1)	1.3	(3.4)
Hours worked (1,000s)	4,552	4,587	4,329	(4.9)	0.8	(5.6)
Wages paid ($1,000)	166,385	174,648	156,838	(5.7)	5.0	(10.2)
Hourly wages (dollars per hour)	$36.55	$38.07	$36.23	(0.9)	4.2	(4.8)
Productivity (short tons per 1,000 hours)	858	846	844	(1.6)	(1.5)	(0.2)
Unit labor costs	$42.58	$45.02	$42.91	0.8	5.7	(4.7)
Net sales:						
Quantity	3,910,832	3,836,475	3,623,777	(7.3)	(1.9)	(5.5)
Value	3,040,941	2,858,572	2,552,054	(16.1)	(6.0)	(10.7)
Unit value	$778	$745	$704	(9.4)	(4.2)	(5.5)
Cost of goods sold (COGS)	2,736,933	2,622,587	2,358,335	(13.8)	(4.2)	(10.1)
Gross profit of (loss)	304,008	235,985	193,719	(36.3)	(22.4)	(17.9)
SG&A expenses	86,722	87,633	86,025	(0.8)	1.1	(1.8)
Operating income or (loss)	217,286	148,352	107,694	(50.4)	(31.7)	(27.4)
Capital expenditures	54,987	79,929	178,827	225.2	45.4	123.7
Unit COGS	$700	$684	$651	(7.0)	(2.3)	(4.8)
Unit SG&A expenses	$22	$23	$24	7.1	3.0	3.9
Unit operating income or (loss)	$56	$39	$30	(46.5)	(30.4)	(23.1)
COGS/sales (fn1)	90.0	91.7	92.4	2.4	1.7	0.7
Operating income or (loss)/sales (fn1)	7.1	5.2	4.2	(2.9)	(2.0)	(1.0)

fn1.--Report data are in percent and period changes are in percentage points.
fn2.--Undefined.

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

Table C-2
Wire rod: Summary data concerning the U.S. merchant market, 2011-13
(Quantity=short tons; Value=1,000 dollars; Unit values, unit labor costs, and unit expenses=dollars per short ton; Period changes=percent--exceptions noted)

	Report data			Period changes		
	Calendar year			Calendar year		
	2011	2012	2013	2011-13	2011-12	2012-13
U.S. consumption quantity:						
Amount	4,198,093	4,334,460	4,303,835	2.5	3.2	(0.7)
Producers' share (fn1)	70.1	65.0	60.3	(9.8)	(5.2)	(4.7)
Importers' share (fn1):						
China	0.0	5.6	14.4	14.4	5.6	8.8
All others sources, nonsubject	29.9	29.5	25.3	(4.5)	(0.4)	(4.1)
Total imports	29.9	35.0	39.7	9.8	5.2	4.7
U.S. consumption value:						
Amount	3,483,577	3,405,179	3,107,268	(10.8)	(2.3)	(8.7)
Producers' share (fn1)	67.2	63.0	60.4	(6.8)	(4.2)	(2.6)
Importers' share (fn1):						
China	0.0	4.3	10.8	10.8	4.3	6.5
All others sources, nonsubject	32.8	32.7	28.8	(4.0)	(0.1)	(3.9)
Total imports	32.8	37.0	39.6	6.8	4.2	2.6
U.S. imports from:						
China:						
Quantity	144	241,938	618,818	429,778.4	167,968.5	155.8
Value	162	146,221	335,879	207,726.4	90,374.7	129.7
Unit value	$1,123	$604	$543	(51.7)	(46.2)	(10.2)
Ending inventory quantity	0	***	132,312	fn2	fn2	231.4
All other sources:						
Quantity	1,253,533	1,276,955	1,089,818	(13.1)	1.9	(14.7)
Value	1,142,676	1,115,063	895,764	(21.6)	(2.4)	(19.7)
Unit value	$912	$873	$822	(9.8)	(4.2)	(5.9)
Ending inventory quantity	54,949	***	***	***	***	***
Total imports:						
Quantity	1,253,677	1,518,893	1,708,635	36.3	21.2	12.5
Value	1,142,838	1,261,284	1,231,643	7.8	10.4	(2.4)
Unit value	$912	$830	$721	(20.9)	(8.9)	(13.2)
Ending inventory quantity	54,949	72,757	***	***	32.4	***
U.S. producers':						
Average production capacity quantity (fn 3)	5,173,168	5,131,954	5,073,815	(1.9)	(0.8)	(1.1)
Production quantity (fn 3)	3,907,416	3,879,060	3,655,088	(6.5)	(0.7)	(5.8)
Capacity utilization (fn1)	75.5	75.6	72.0	(3.5)	0.1	(3.5)
Commercial U.S. shipments:						
Quantity	2,944,416	2,815,567	2,595,200	(11.9)	(4.4)	(7.8)
Value	2,340,739	2,143,895	1,875,625	(19.9)	(8.4)	(12.5)
Unit value	$795	$761	$723	(9.1)	(4.2)	(5.1)
Export shipments:						
Quantity	34,687	26,748	24,319	(29.9)	(22.9)	(9.1)
Value	28,888	31,597	22,566	(21.9)	9.4	(28.6)
Unit value	$833	$1,181	$928	11.4	41.8	(21.4)
Ending inventory quantity (fn 3)	193,261	235,846	266,868	38.1	22.0	13.2
Inventories/total merchant market shipments (fn1)	6.5	8.3	10.2	3.7	1.8	1.9
Production workers (fn 3)	2,239	2,269	2,192	(2.1)	1.3	(3.4)
Hours worked (1,000s) (fn 3)	4,552	4,587	4,329	(4.9)	0.8	(5.6)
Wages paid ($1,000) (fn 3)	166,385	174,648	156,838	(5.7)	5.0	(10.2)
Hourly wages (dollars per hour) (fn 3)	$36.55	$38.07	$36.23	(0.9)	4.2	(4.8)
Productivity (short tons per 1,000 hours) (fn 3)	858	846	844	(1.6)	(1.5)	(0.2)
Unit labor costs (fn 3)	$42.58	$45.02	$42.91	0.8	5.7	(4.7)
Net sales:						
Quantity	2,979,103	2,842,314	2,619,518	(12.1)	(4.6)	(7.8)
Value	2,369,626	2,175,493	1,898,192	(19.9)	(8.2)	(12.7)
Unit value	$795	$765	$725	(8.9)	(3.8)	(5.3)
Cost of goods sold (COGS)	2,138,066	2,007,406	1,762,347	(17.6)	(6.1)	(12.2)
Gross profit of (loss)	231,560	168,087	135,845	(41.3)	(27.4)	(19.2)
SG&A expenses	69,832	69,485	67,354	(3.5)	(0.5)	(3.1)
Operating income or (loss)	161,728	98,602	68,491	(57.7)	(39.0)	(30.5)
Unit COGS	$718	$706	$673	(6.3)	(1.6)	(4.7)
Unit SG&A expenses	$23	$24	$26	9.7	4.3	5.2
Unit operating income or (loss)	$54	$35	$26	(51.8)	(36.1)	(24.6)
COGS/sales (fn1)	90.2	92.3	92.8	2.6	2.0	0.6
Operating income or (loss)/sales (fn1)	6.8	4.5	3.6	(3.2)	(2.3)	(0.9)

fn1.--Report data are in percent and period changes are in percentage points.
fn2.--Undefined.
fn3.--Represents firms' overall wire rod operations, not specific to merchant market operations.

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