BEFORE
THE UNITED STATES INTERNATIONAL TRADE COMMISSION
WASHINGTON, D.C.

IN THE MATTER OF CARBON AND CERTAIN ALLOY STEEL WIRE ROD FROM BELARUS, ITALY, KOREA, RUSSIA, SOUTH AFRICA, SPAIN, TURKEY, UKRAINE, THE UNITED ARAB EMIRATES, AND THE UNITED KINGDOM	USITC INV. NOS. 701-TA-573—574 AND 731-TA-1349—1358 (FINAL)

TESTIMONY OF KIMBERLY KORBEL
EXECUTIVE DIRECTOR, AMERICAN WIRE PRODUCERS ASSOCIATION

NOVEMBER 16, 2017

Good afternoon.

My name is Kimberly Korbel, and I am the Executive Director of the American Wire Producers Association or AWPA.

The member companies of the AWPA account for between 75 and 85 percent of all wire rod purchased in the open market in the United States. Our members buy wire rod in all grades and types and draw it into wire for literally thousands of downstream applications. Wire is Everywhere.

Five members of the AWPA are here today to discuss conditions in the domestic rod market and to explain their purchasing decisions. These five wire companies alone employ 4,500 American workers at 27 plants in 17 states, and in 2016, they purchased 1.2 million tons of wire rod for their U.S. wire operations. According to the public *Prehearing Report*, that's nearly a quarter of total apparent domestic consumption of wire rod last year. (ADC=5,321,081 short tons). Our witnesses are eager to respond to your questions about why they buy imports of wire rod to support their large volume of purchases of domestic rod.

I also want to emphasize the importance of steel scrap prices in establishing wire rod prices. Our witnesses will address this issue in more detail. We hope that you will look carefully at the correlation of scrap price changes and wire rod price changes. Because our members recognize the close relationship between the cost of scrap and the domestic industry's wire rod prices, at almost every Annual Meeting of the association, I invite economic experts to talk about the scrap market, including the Institute of Scrap Recycling Industries. It is a topic of great importance to our members, and to this case, as well.

Finally, I know that Petitioners want to blame imports for the declines in their performance. But the real problem faced by the domestic rod mills, including the Petitioners, is that the total demand for wire rod has declined.

The direct effect of the trade cases that they have filed over the years is the decline of wire rod demand. Prior to the filing of dumping and subsidy cases against 12 countries in 2001, apparent consumption of wire rod in the United States exceeded 8 million tons annually, and the U.S. rod mills produced about 5.5 million tons of that rod. Following the orders on 7 of those countries, and the more recent orders against China, U.S. apparent consumption of wire rod in the United States has fallen to less than 6 million tons. However, U.S. production has declined to less than 4 million tons. The decline in U.S. apparent consumption is NOT the result of rod imports. Significant increases in imports of wire and wire products are displacing wire production by AWPA members, and, importantly, wire consumption by their customers who use wire for the manufacture of their finished goods.

Here are some examples of wire products sold at Wal-Mart, that are imported, rather than being made by U.S. wire producers.

Ultimately, the domestic rod industry's markets have contracted, not because of imports wire rod, but because of the loss of U.S. production of wire and wire products.

Our first witness is the current President of the AWPA—John T. Johnson of Mid-South Wire.

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THURSDAY, NOVEMBER 16, 2017

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AMERICAN WIRE PRODUCERS ASSOCIATION

PUBLIC EXHIBIT: PHOTOGRAPHS

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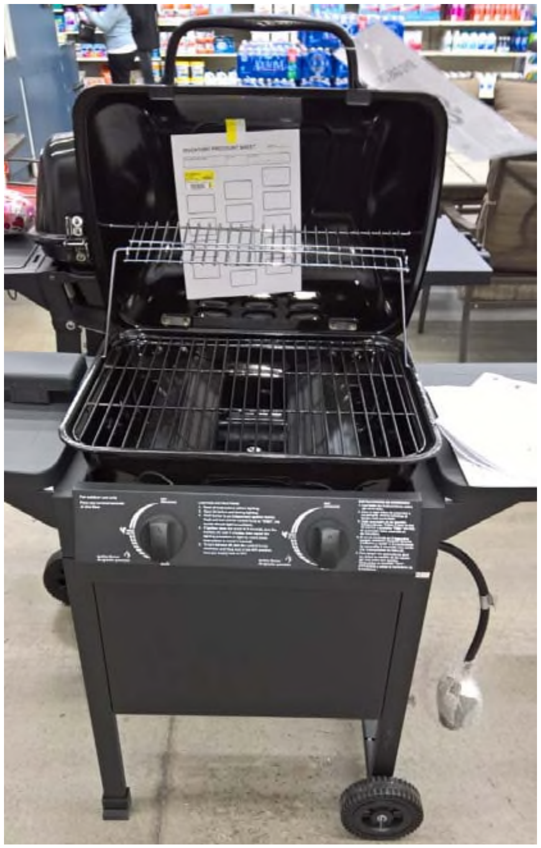

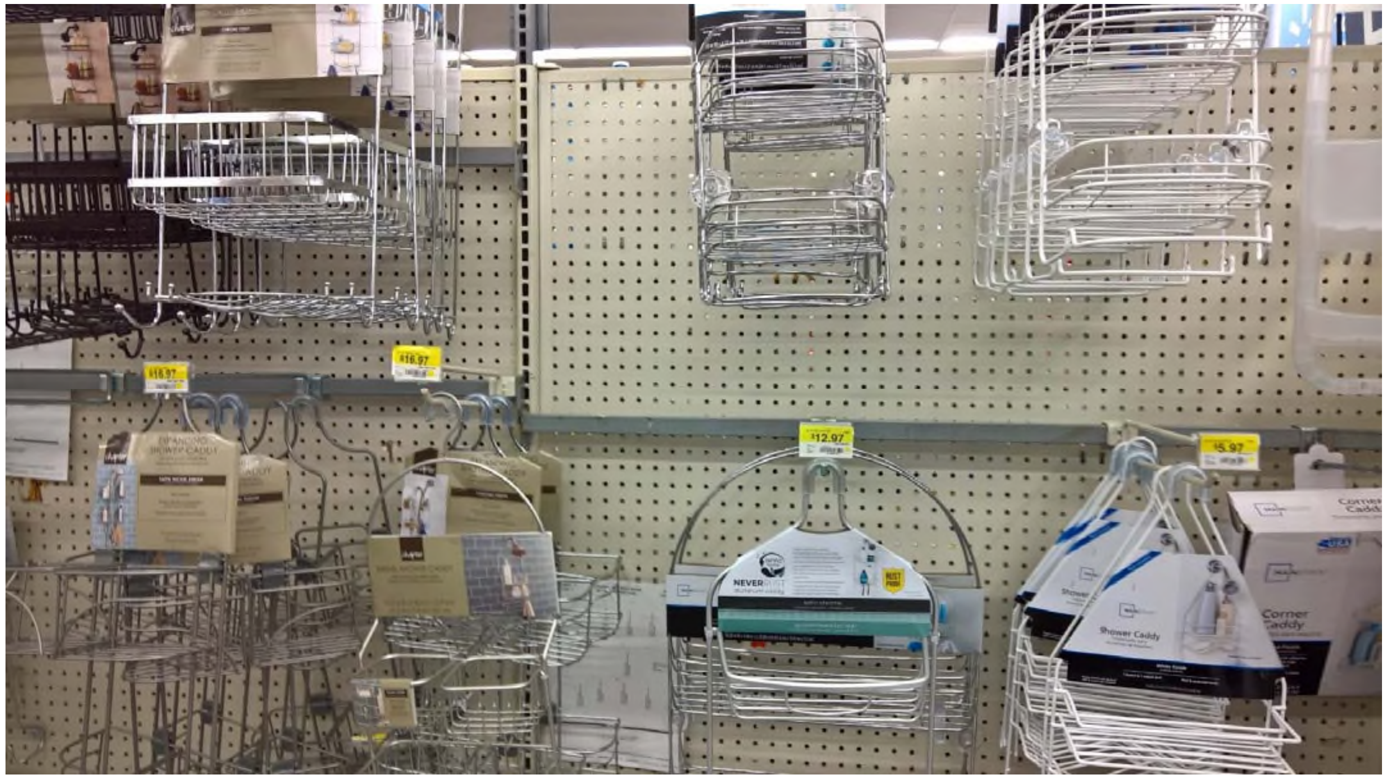
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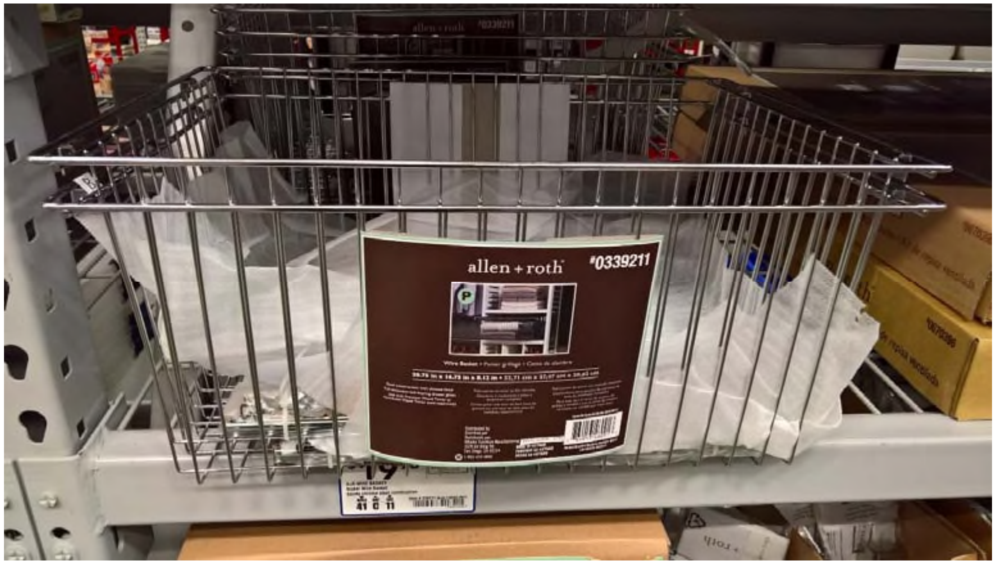
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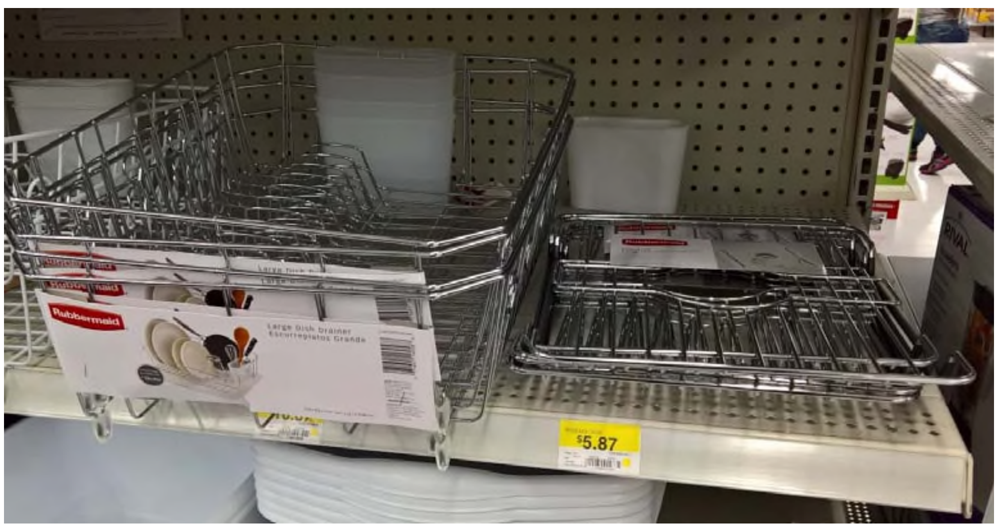
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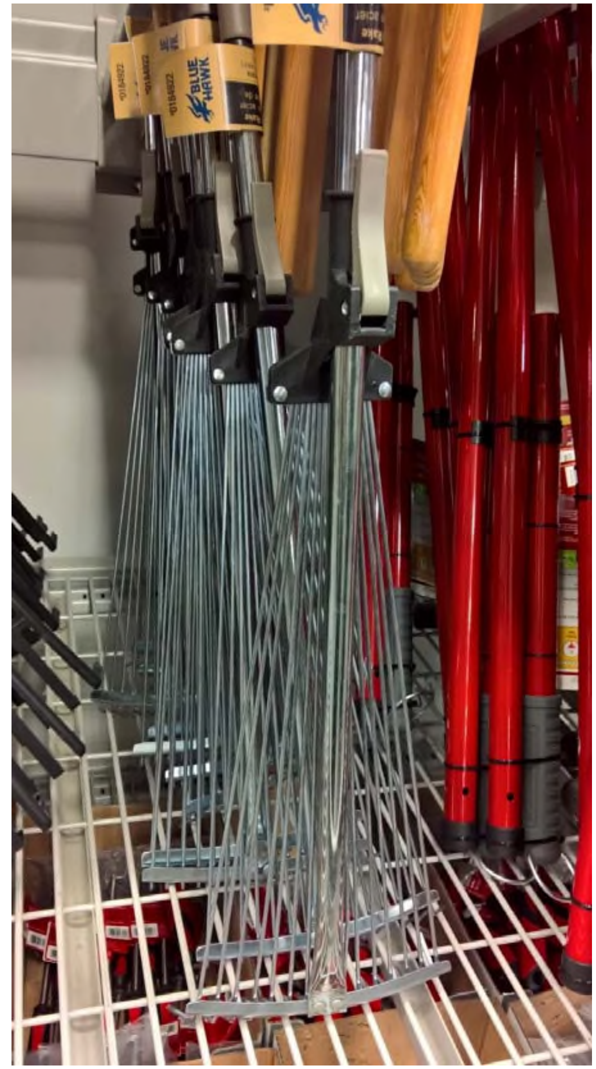
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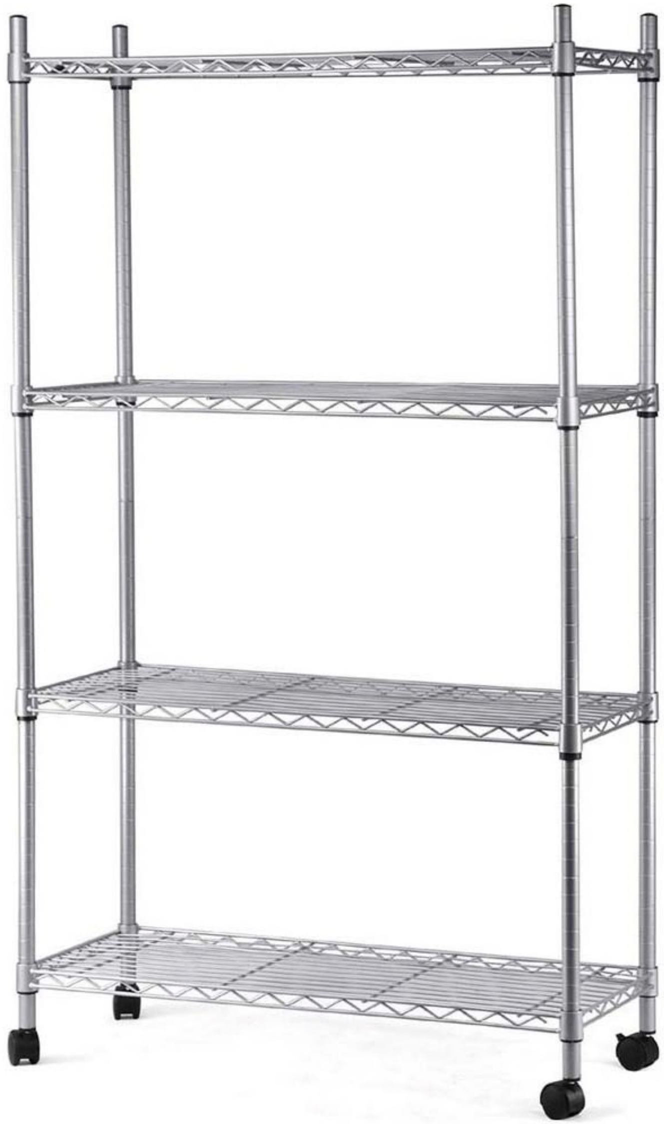

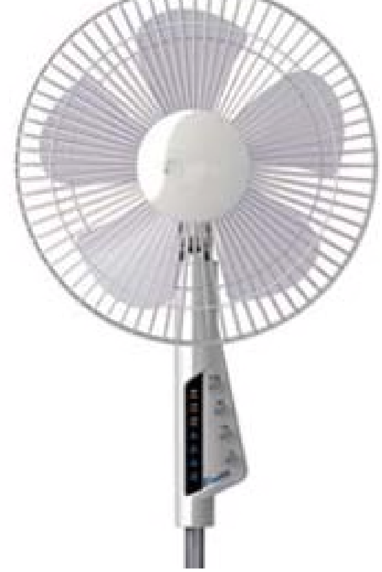

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TESTIMONY OF ROBERT MOFFITT
VICE PRESIDENT—PURCHASING, HEICO WIRE GROUP

NOVEMBER 16, 2017

Good afternoon.

My name is Bob Moffitt, and I am Vice President—Purchasing for the Heico Wire Group.

The Wire Group is the largest consumer of wire rod in western North America and one of the largest in the United States. We employ approximately 650 people at wire facilities in four states.

The Heico Wire Group is a strong supporter of the U.S. rod industry. During the past four years, we have bought between 75 and 85 percent of our total rod requirements from U.S. sources. Actually, we prefer to buy domestic. But as I have testified many times before, we learned through experience that it is essential to maintain multiple sources of wire rod. As a result, we made a strategic business decision some years ago that we would purchase between 25 and 30 percent of our wire rod requirements from offshore producers and the remaining—between 70 and 75 percent—

domestically. When we purchase imported rod, we are not buying it "instead of" domestically-produced rod. It is not a question of either domestic rod or imports; it is a matter of needing to have both sources available.

In deciding where to source rod, the three most important considerations for me are (1) the cost of the rod—as opposed to its price; (2) timely delivery, and (3) the relationship I have with the vendor.

The cost of the rod is critical. By cost, I do not mean the price on the supply contract, but the actual cost to my company for using the rod in our wire-drawing operations. The lowest-priced rod is not necessarily the lowest-cost rod. Prior to any price negotiations, I evaluate several factors that affect the cost of the rod, including coil size, scale weight, mill trimming practices, surface quality, and the physical and mechanical properties of the wire rod. All of these factors vary from mill to mill—whether import or domestic. For example, the weight of a coil of rod is important because a smaller coil requires more welds to maintain continuous drawing and smaller coils generate more scrap—so more steel is lost per ton. This increases our costs. With imported rod, we often find damage from mishandling and poor packaging which contributes to breaks during the wire-drawing process. Higher breakage rates and slower drawing speeds mean that fewer pounds of rod can be drawn per hour. This increases our costs. Domestic mills ship via rail and truck usually with one heat per load. Imported rod comes in consignments of 5,000 to 30,000 tons and heats are always commingled. This makes it more difficult for us to manage our inventory and, thus, increases our costs. Imported rod must be carried in inventory for longer periods of time because of the larger consignments which adds to the cost of the material. So I must always consider the effect of all of these various factors on the cost of our raw material—not simply the price we pay for it.

Another key consideration in my purchasing decisions is timely delivery. The cheapest rod in the world is of little use to me if it is delivered late or not at all—or if it arrives in an unacceptable condition. Our wire companies cannot operate efficiently without a reliable and predictable supply of raw materials.

This leads me to vendor relationships which are a very significant factor in my sourcing decisions. Vendor relationships are important because I am aware of the capabilities, quality, and reliability of each of my suppliers, and I know the mills that I can depend on to ship rod that meets our company's standards. At times, we pay a higher price to these domestic mills than their domestic competitors because of these vendor relationships.

Now that I have talked about the cost of rod, let me address price – or rather how rod prices are generally set—at least according to the domestic mills. Domestic rod pricing is driven by monthly changes in the price of steel scrap—specifically, the price of Chicago shredded as reported by *American Metal Market*. Movements in scrap pricing are always a part of any supply negotiation with the U.S. rod mills because scrap prices are a key indicator of market changes in wire rod prices. When the AMM publishes their scrap analysis, the U.S. rod mills use the scrap price in their wire rod pricing for the subsequent month. As a result, purchasers closely monitor scrap prices for any indication of likely changes in rod prices. The trends in scrap prices between 2014 and today are closely correlated with wire rod prices and show that domestic prices declined in 2014 and 2015 as a direct result of declines in the price of steel scrap. Scrap prices began to increase in 2016 and they have continued to rise in 2017. Wire rod prices have followed this same trend—as evidenced by the numerous price increase announcements issued by the domestic mills in 2016 and 2017.

Finally, I feel it is important to point out that the real threat to the domestic rod mills is not imported rod but rather imported wire. The reason I say this is because total rod demand keeps declining as the result of the trade cases filed by the U.S. rod industry. The last rod case against China in 2014 is a perfect example of the damage that a trade case can do to the domestic rod industry. After the case against China, our largest competitor located in Vancouver, British Columbia had no restrictions on its imports of rod from China. Canadian statistics show a dramatic increase in shipments of wire rod from China to Canada, and we have seen a dramatic increase in imported wire from Canada at prices substantially below what we can offer our wire. My company actually bought fewer tons of rod—domestic and imported—as a result of that case. In the end, countries denied access to the U.S. market will continue to produce wire rod, but that rod will end up being imported into the U.S. as a finished wire product. This is the real threat—not just to the U.S. wire industry but to the U.S. rod industry, too.

Thank you.

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TESTIMONY OF JOHN T. JOHNSON, JR.
PRESIDENT, MID-SOUTH WIRE COMPANY
PRESIDENT, AMERICAN WIRE PRODUCERS ASSOCIATION

NOVEMBER 16, 2017

Good afternoon.

I am John T. Johnson, the Owner and President of Mid-South Wire in Nashville, Tennessee. I am also the current President of the American Wire Producers Association.

Mid-South Wire was founded in 1967 as a family owned business that draws steel wire rod into wire for a wide variety of wire products. Together with our affiliated sister company, Nashville Wire Products, we employ over 1,000 American workers in plants located in four states.

Each year Mid-South purchases about 200,000 tons of wire rod. I want to emphasize up front that we rely on the domestic rod industry—including the Petitioners—for a majority of our material. We have a good relationship with our domestic suppliers and will continue to work closely with them. However, there are certain advantages for us in buying imported rod that have nothing to do with price but with our overall costs.

One important advantage of imported rod is that we can purchase in barge lot quantities. Our plant in Nashville is strategically located on the Cumberland River—so we prefer to buy in multiple barge loads of 1,500 tons each. We have made extensive investments in high-volume cranes and equipment for unloading barges. All of our imported rod arrives by barge at our plants. However, many of the domestic mills do not have the capability to ship by barge. Each barge is equivalent to 75 truckloads. While it takes only four hours to unload a barge, it takes considerably more time and manpower to marshal 75 truckloads of domestic rod in our receiving yard. If we are unable to source imported rod as the result of this case, we will have to rely on more truck deliveries, and we estimate that the increased transportation costs alone would amount to $1 million annually.

Buying imported rod also allows us to secure business that requires guaranteed long-term pricing. We have customers who request confirmed pricing for two quarters up to a year, but the domestic rod mills are unwilling to provide that kind of predictable pricing. Our domestic suppliers generally will confirm pricing for only one month at a time because domestic rod mill prices are generally tied to scrap prices which can be extremely volatile and unpredictable. Generally speaking, scrap prices have been increasing since the first quarter of 2016, and Petitioners have been announcing price increases for wire rod almost on a monthly basis. They are not willing to lock-in a rod price for us when scrap prices are continuing to rise.

Another point I want to highlight is the fact that we compete in our downstream wire markets with our domestic rod suppliers, including all four of the Petitioners. They compete with us in the chain link fence market, lawn and garden products, and the appliance industry—just to name a few. In the event of competing demands for a finite supply of wire rod, we expect that the U.S. rod mills will take care of their internal and related wire operations before they ship to outside customers like Mid-South and other independent wire drawers. In fact, we are already hearing from some U.S. rod mills about tonnage constraints in the near future, and they tell us they are either fully booked or getting booked. If the domestic mills are the only game in town, I have real concerns about whether my company and other independent wire producers will be able to get the wire rod needed to operate our businesses. In addition, it is never a good practice for any business—in any industry—to be wholly dependent upon your competitors for raw materials.

Finally, the domestic rod industry's reliance on trade cases to restrict our access to the global rod market makes us uncompetitive in a global economy, often forcing our customers to move production and jobs overseas. Like other independent wire producers, we are frequently caught in a cost/price squeeze when it comes to our raw material input. Our downstream customers are caught in the same squeeze. When rod prices increase so do our wire prices. Our customers demand that we be competitive if they are to continue to buy from us and make their products in the U.S. Unfortunately, over the past several years, a number of our end-use customers have moved some or all of their production out of the United States as the result of rising rod and wire prices. Let me mention two of the many examples—we used to supply wire for the production of bicycles and barbeque grills in the United States. When was the last time you saw a "made in the USA" bicycle or BBQ grill? They aren't anymore.

If we are held hostage by the domestic rod mills and denied the ability to buy rod in a globally competitive market, more of our customers will move to import options instead of buying from us to meet their needs. As a result, wire rod consumption in the United States will continue to decline—hurting both wire producers and the domestic rod mills. Ultimately, if we lose customers, so will the rod mills.

Thank you.