

## **CHAPTER 5**

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### **STAINLESS STEEL**



## PART I: OVERVIEW (STAINLESS STEEL)

### ORGANIZATION OF THIS SECTION

Information in this stainless steel<sup>1</sup> section is organized into five parts: (1) overview of issues concerning the industries producing stainless steel; (2) industry and market data for stainless bar; (3) industry and market data for stainless rod; (4) industry and market data for stainless wire; and (5) adjustment efforts of U.S. stainless steel producers. Information collected on foreign industries producing the subject products is presented in appendix G.

### U.S. PRODUCERS

Information on the number of reporting U.S. producers of stainless steel and a summary of U.S. producers' positions with respect to the section 203 relief is presented in table STAINLESS I-1.<sup>2</sup> A list of U.S. producers of stainless steel providing a response to the Commission's producers' questionnaire in this investigation is presented in table STAINLESS I-2.

**Table STAINLESS I-1**

**Stainless steel: Summary of U.S. producers' positions with respect to the section 203 relief, by products and forms**

Item	Support relief	Oppose relief	Take no position	No response	Total
Stainless bar	7	0	2	0	9
Stainless rod	4	0	0	0	4
Stainless wire	11	2	1	0	14

<sup>1</sup> Responses are shown only for products a firm produces and for which it provided data. A firm may produce more than one of the products or forms.

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

**Table STAINLESS I-2**

**Stainless products: U.S. producers' production, by products, April 2002-March 2003**

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<sup>1</sup> For purposes of this report, the term "stainless steel" consists of subject stainless bar, stainless rod, and stainless wire.

<sup>2</sup> As previously mentioned, information on U.S. producers' positions with respect to the section 203 import relief, by firms and by products, is presented in app. E. In some instances, firms have expressed positions for products they do not produce.

## STRUCTURAL DEVELOPMENTS

Information on developments in the domestic industries producing stainless bar, stainless rod, and stainless wire, including bankruptcy protection filings, mergers and acquisitions, and significant capital investments is presented below. A list of U.S. producers that have recently filed for bankruptcy protection is presented in table STAINLESS I-3. Table STAINLESS I-4 presents industry mergers and acquisitions. Table STAINLESS I-5 presents major publicly announced capital investments of U.S. producers.

**Table STAINLESS I-3**

**Stainless steel: U.S. producers<sup>1</sup> of subject products that have filed for bankruptcy protection, 1997-2003**

Month and year of bankruptcy filing	Company and location(s)	Products	Status	Raw steel capability (million short tons)	Employees affected	Comments
December 1997	AL Tech Specialty Steel <i>Dunkirk, NY</i>	Stainless steel bar, rod, wire, and seamless tube	Operating as Universal Stainless & Alloy	None	280 <sup>2</sup>	Bankruptcy was due to failure of its Korean parent company, Sammi. Emerged from bankruptcy November 1999 as Empire Specialty Steel, Inc. Shut down June 29, 2001. Operating assets acquired by Universal Stainless & Alloy Products, Inc., and restarted March 2002.
June 2003	Slater Steels <i>Fort Wayne, IN</i> <i>Lemont, IL</i> <i>Canada</i>	Stainless steel bar and light structural sections and carbon and alloy hot-rolled and cold-finished bars	Operating	None <sup>3</sup>		Filing of Canadian parent company under Canadian law concurrent with filing in United States.

<sup>1</sup> Republic Technologies International, primarily a producer of carbon and alloy long products, filed for bankruptcy in April 2001 and many of its facilities were sold off to other firms that continue to operate them. Although Republic Technologies had some sales of stainless bar—\*\*\*, such sales were incidental to its primary business (\*\*\*) and Republic Technologies International is not considered to be a producer of subject stainless products for the purposes of this investigation.

<sup>2</sup> Number of employees affected by AL Tech's 1997 bankruptcy.

<sup>3</sup> Slater Steels' Fort Wayne melt shop closed in April 2001 so now the firm purchases all of its steel requirements as semifinished products.

Source: Compiled from various public sources.

### Timeline

There were no bankruptcies during the period examined;<sup>3</sup> figure STAINLESS I-1 illustrates the timeline for mergers and acquisitions of companies in the stainless sector. There were few events during the period and raw steel capability data shown may be misleading.<sup>4</sup>

<sup>3</sup> Although there were no bankruptcies during the April 2000-March 2003 period depicted, Slater Steels filed for bankruptcy protection in June 2003.

<sup>4</sup> There was no real measurable change in the raw steel capability of the purchasing firms as a result of the acquisitions. There was no raw steel capability at Empire Specialty's Dunkirk, NY facility purchased by Universal Stainless and Alloy. Although Slater Steels has announced that it intends to produce carbon and stainless long products at the Lemont, IL facility it purchased from Auburn Steel (0.5 million short ton raw steel capability), the facility produced only carbon and alloy long products prior to being shuttered by Auburn Steel.

**Table STAINLESS I-4**

**Stainless steel: Significant steel company mergers and acquisitions, 1998-2003**

Month and year	Company	Description and capabilities
		<i>Million short tons of raw steel</i>
February 1998	Carpenter Technology	Carpenter, (0.2 capability) a major producer of stainless steel long products, acquired Talley Metals, a diversified company that included a stainless long products mill with no raw steel capability. Operations other than the stainless steel mill were disposed of.
February 2002	Universal Stainless & Alloy <sup>1</sup>	Acquired and restarted the Dunkirk, NY assets (no raw steel capability) of Empire Specialty Steel, Inc., a producer of stainless steel bar, rod, and wire products that had been shut down since June 29, 2001.
September 2002	Slater Steels, Inc.	Slater, a Canadian steel company and the parent company of Fort Wayne Specialty Steel, a producer of stainless steel bar products, acquired the Lemont, IL minimill (0.5 capability <sup>2</sup> that has been shuttered since February 2001) from Auburn Steel. In December 2002, Slater re-commissioned the mill with plans to ramp up production of carbon and stainless steel merchant and special quality bars and rebar.
<p><sup>1</sup> Universal's raw steel capability is unknown. However, Universal is believed to have only one 50-ton EAF, so capability is likely to be no more than 100,000 short tons per year and would include both stainless and alloy products. Additionally, Universal produces both flat and long steel in the same establishment.</p> <p><sup>2</sup> Although some of the Lemont plant raw steel capability may be used to produce stainless in the future inasmuch as the announced plans are for the plant to produce carbon and stainless long products; however, prior to being shuttered by Auburn Steel, the facility is believed to have produced carbon and alloy steel, but not stainless steel.</p>		
Source: Compiled by Commission staff from various public sources.		

**Table STAINLESS I-5**

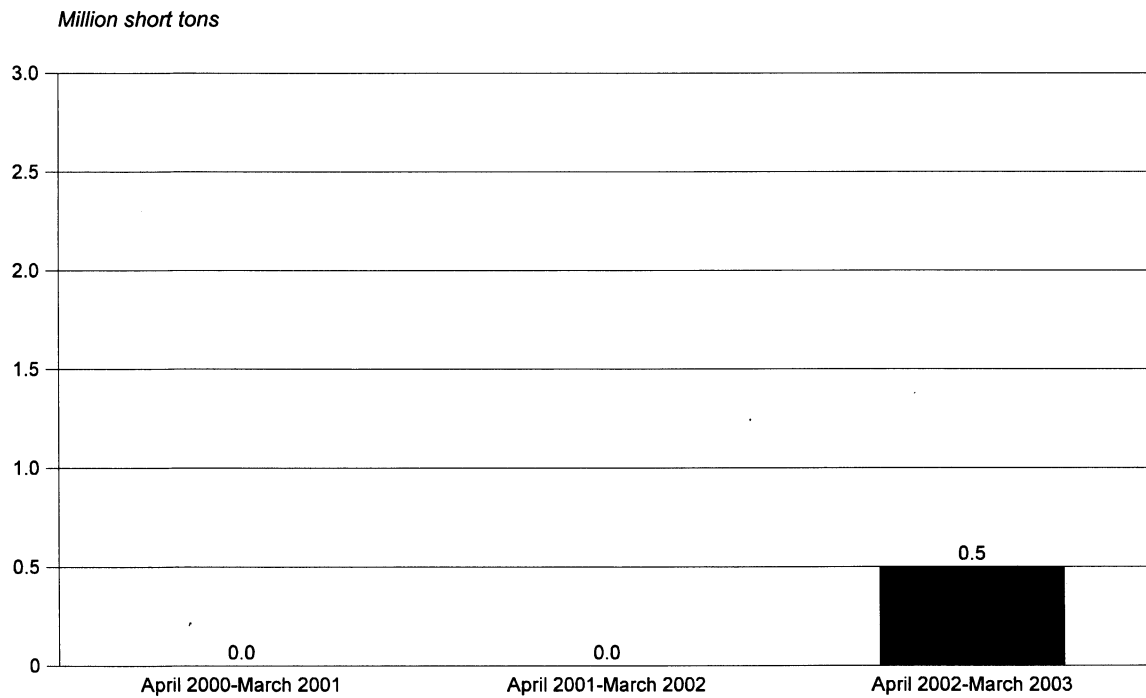
**Stainless steel: Major capital investments of U.S. steel companies, as reported in public sources, 1998-2003**

Year	Company and location	Facility	Reported investment
			<i>Million dollars<sup>1</sup></i>
1998	Carpenter Technology <i>Hartsville, SC</i>	Investment in Talley rolling mill to increase induction heating capability, which will speed up the hot-rolling process and effectively nearly double its hot-rolling capacity from approximately 40,000 hot-rolled short tons per year to 78,500 short tons.	6.8
1999	Carpenter Technology <i>Reading, PA</i>	New 4,500-ton forging press for stainless steel and specialty alloys.	42
1999	Universal Stainless and Alloy <i>Bridgeville, PA</i>	New stainless steel round bar finishing facility.	10
2002	Universal Stainless and Alloy <i>Dunkirk, NY</i>	Startup of purchased rolling mill.	0.4
2002	North American Stainless <i>Ghent, KY</i>	Investment to build a new state-of-the-art bar and rod facility.	

<sup>1</sup> Where no value is given, data were not reported in source.

Source: Selected entries from *Developments in the North American Iron and Steel Industry*, Annual Reports 1996 through 1999; *Iron and Steel Engineer*; 2000, AISE Steel technology; *Carpenter Expands Talley, Reading Plants*, Business Wire, April 22, 1998; transcript of Commission hearing (July 10, 2003) at 146.

**Figure STAINLESS I-1**  
**Stainless steel: Mergers and acquisitions and related raw steel capability, April 2000-March 2003**



Safeguard begins ↘

Universal acquires Empire Specialty Steel<sup>1</sup>

Slater Steels acquires Auburn-Lemont<sup>2</sup>

Apr	Jun	Aug	Oct	Dec	Feb	Apr	Jun	Aug	Oct	Dec	Feb	Apr	Jun	Aug	Oct	Dec	Feb	
	May	Jul	Sep	Nov	Jan	Mar	May	Jul	Sep	Nov	Jan	Mar	May	Jul	Sep	Nov	Jan	Mar
2000					2001					2002					2003			

<sup>1</sup> Universal's raw steel capability data are not available; Empire had no raw steel capability.

<sup>2</sup> Slater Steels had no raw steel capability; Auburn Steel's Lemont plant's capacity were for carbon and alloy steel prior to shuttering.

Source: Table STAINLESS I-4 and other publicly available information.

## PART II: INDUSTRY AND MARKET DATA (STAINLESS BAR)

### DESCRIPTION AND USES

Stainless steel bar and light shapes (stainless bar) are articles of stainless steel in straight lengths having a uniform solid cross-section in the shape of circles, segments of circles, ovals, rectangles, squares, triangles, or other convex polygons. Also included are angles, shapes, and sections (such as U, I, or H sections) not further worked than hot-rolled, hot-drawn, or extruded and concrete rebar, which had indentations, ribs, grooves, or other deformations produced during the rolling process.

Stainless bar is used in a wide variety of applications where its corrosion resistance, head resistance, and/or appearance are desired. A nonexhaustive list of end users includes the aerospace industry, automotive industry, chemical processing industry, dairy industry, and food processing industry; stainless bar is used for pharmaceutical equipment, marine applications, and pumps and connectors for fluid handling systems. HTS statistical reporting numbers for subject stainless bar are presented in table STAINLESS II-1.

**Table STAINLESS II-1**

**Stainless bar: Subject HTS statistical reporting numbers**

Item	Statistical reporting numbers				
Stainless bar <sup>1</sup>	7221.00.0045	7222.19.0050	7222.30.0000	7222.40.3045	7222.40.3085
	7222.11.0005	7222.20.0005	7222.40.3020	7222.40.3060	7222.40.6000
	7222.11.0050	7222.20.0045	7222.40.3025	7222.40.3065	
	7222.19.0005	7222.20.0075	7222.40.3040	7222.40.3080	

<sup>1</sup> The temporary HTS subheadings for stainless bar established by proclamation or delegated authority pursuant to trade legislation are:

- (1) 9903.73.97 for products outside the scope of the section 201 investigation and therefore excluded from the section 203 remedy, and 9903.73.98, 9903.77.62 through 9903.77.67, 9903.77.70, 9903.77.72, 9903.77.75, 9903.77.77, 9903.77.79 through 9903.77.84, 9903.82.10, 9903.82.11, and 9903.82.13 through 9903.82.15 for other products excluded from the section 203 remedy,
- (2) 9903.77.61, 9903.77.68, 9903.77.69, 9903.77.73, 9903.77.74, 9903.77.76, 9903.77.78, 9903.82.12, 9903.82.16, and 9903.82.17 for products entered in quantities up to stated limits (ranging from 5 tons to 5,000 tons) without additional tariffs, and
- (3) 9903.74.04, 9903.74.05, and 9903.74.06 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 15 percent *ad valorem* additional tariffs through March 19, 2003, 12 percent additional tariffs through March 19, 2004, and 9 percent additional tariffs through March 20, 2005.

As indicated in (2), certain temporary subheadings specify particular types of stainless bar which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of stainless bar exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.

Source: Harmonized Tariff Schedule of the United States (2003).

## MARKET ENVIRONMENT

### Changes in U.S. Demand

Stainless bar is used in a wide variety of applications where its corrosion resistance, head resistance, and/or appearance are desired. Stainless bar end users include the aerospace, automotive, chemical processing, dairy, and food processing industries. Stainless bar is also used for pharmaceutical equipment, marine applications, and pumps and connectors for fluid handling systems.

The data collected by the Commission (which do not include 100 percent of U.S. production) indicate that apparent U.S. consumption of stainless bar decreased by 22.4 percent from April 2000-March 2001 to April 2002-March 2003.

Demand for stainless bar has been weak; the value of U.S. manufacturers' shipments of transportation equipment increased only slightly, by 0.7 percent, between the first quarter of 2002 and the first quarter of 2003 (table OVERVIEW II-1). The value of U.S. manufacturers' shipments of stainless steel forgings fared worse, decreasing by 6.1 percent between the first quarter of 2002 and the first quarter of 2003.

Most responding U.S. stainless bar producers and importers reported that U.S. demand for steel has decreased since March 20, 2002.<sup>1</sup> U.S. producers generally cited the slowing U.S. economy, particularly downturns in the aerospace, power generation, petrochemical, capital goods, and automotive markets. Stainless steel importers agreed, also citing the slowing U.S. economy and greater competition for end products using stainless bar, such as in the aerospace, power generation, capital goods, and oil and gas industries.<sup>2</sup>

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<sup>1</sup> One producer reported that demand has stayed the same. Ten importers reported that demand has stayed the same, and two reported that demand has increased.

<sup>2</sup> One domestic producer testified that the economic slowdown that has only worsened, and demand for stainless bar and angle has fallen to the lowest levels in recent history. Depressed demand for stainless bar and angle has been a reflection of the weakness in various industries that use these products as production inputs, including aerospace, power generation, petrochemical and capital goods. As a result of the dismal conditions in the U.S. market for stainless bar and angle, Slater was forced to file for credit protection under chapter 11 of the U.S. Bankruptcy Code in June of this year. Testimony of Daniel Anderson, Vice-President, Sales and Marketing, Slater Steels Corp., transcript of Commission hearing (July 10, 2003) at 34-35, 37. A second domestic producer observed that, since the safeguard was initiated in 2001, the stainless bar industry has experienced the "perfect storm." Economic conditions have further deteriorated due largely to the events of September 11, and market demand for stainless bar remains depressed. Testimony of Jack Simmons, Manager, Marketing and Product Development, Electralloy, transcript of Commission hearing (July 10, 2003) at 41-42. A third domestic producer characterized stainless steel demand as relatively low. He did not anticipate demand increasing during the next three to six months. Testimony of Michael Shor, Senior Vice-President, Carpenter Technology Corp., transcript of Commission hearing (July 10, 2003) at 99 and 123. One respondent cited a downturn in the U.S. economy and in the steel consuming industries. He stated that U.S. stainless steel demand has not increased, and at least in the near term is not projected to increase sufficiently to offset the impact of North American Stainless (NAS)'s additional capacity. Arcelor does not think that U.S. demand is going to increase sufficiently over the next two years to warrant substantial imports into the United States. Testimony of Christopher Ryan, counsel to Arcelor, transcript of Commission hearing (July 10, 2003) at 153, 156 and 171. A second respondent maintained that the United States is in the down part of a business cycle, whereas the rest of the world is not. He cited in particular very strong demand in Asia. Testimony of Charles Blum, representative of the European Confederation of Iron and Steel Industries, transcript of Commission hearing (July 10, 2003) at 165.



All responding U.S. stainless bar producers and most importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.

### **Changes in U.S. Supply**

AL Tech Specialty Steel, a producer of stainless bar, rod, wire, and seamless tube, filed for bankruptcy in December 1997. AL Tech Specialty Steel emerged from bankruptcy in November 1999 as Empire Specialty Steel. Empire Specialty Steel shut down its operations in June 2001. Empire Specialty Steel's operating assets were acquired by Universal Stainless and Alloy Products in February 2002 and restarted in March 2002. In September 2002, Slater acquired the Lemont, IL minimill (shuttered since February 2001) from Auburn Steel. Although the Lemont mill previously had not produced stainless bar, it was re-commissioned in December 2002 with plans to ramp up production of carbon and stainless steel merchant and special quality bars and rebar.<sup>3 4</sup>

Stainless bar producers reporting changes in their marketing practices since March 20, 2002 are shown in table STAINLESS II-2.

Thirty of 80 responding stainless bar purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs since March 20, 2002. Thirty-five of 77 responding stainless bar purchasers reported increased average lead times for their purchases of domestic steel, 39 reported no change in domestic lead times, and three reported decreased domestic lead times. Stainless bar purchasers were asked to identify actions taken by domestic producers since March 20, 2002 to make a positive adjustment to import competition.<sup>5</sup> Of 81 responding purchasers, 55 purchasers did not indicate that producers had taken any such actions. Only a few purchasers reported that domestic producers had introduced new or innovative products, improved product quality, expanded marketing efforts, improved customer service, or made other positive adjustment efforts.

Based on data compiled in this investigation, U.S. stainless bar producers' capacity utilization was 60.6 percent and their inventories as a percentage of total shipments were 11.9 percent during April 2002-March 2003. Exports accounted for 4.2 percent of total shipments.

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<sup>3</sup> See table STAINLESS I-3.

<sup>4</sup> At the hearing domestic producers and respondent importers commented on changes in domestic producers capacity. Counsel to domestic producers testified Avesta Polarit will be adding some rolling capacity next year when the existing Allvac mill is revamped. The mill upgrades will enable Avesta Polarit to supply over 10,000 tons of domestic bar and rod. He also noted that NAS is installing a rolling mill to eventually utilize their flat-rolled melt capacity. Testimony of Edward Blot, President, Ed Blot & Associates, transcript of Commission hearing (July 10, 2003) at 51. Another counsel to domestic producers maintained that the very moderate net stainless bar capacity increases are due to one U.S. firm consolidating its facilities in the United States. Patrick McGrath, consultant, Georgetown Economic Services, transcript of Commission hearing (July 10, 2003) at 57. A domestic producer testified that Slater closed its melt shop in Fort Wayne, IN in April 2001 and consolidated the melting at Slater's facility in Wellan, Ontario. Testimony of Daniel Anderson, Vice-President, Sales and Marketing, Slater Steels Corp., transcript of Commission hearing (July 10, 2003) at 71. Counsel to respondent importers maintained that domestic stainless steel capacity is about to increase substantially more when NAS brings its Ghent, KY long product facility on line. He stated that it is projected that this facility will bring an additional 100,000 tons of stainless bar and rod capacity on line. Testimony of Christopher Ryan, counsel to Arcelor, transcript of Commission hearing (July 10, 2003) at 155.

<sup>5</sup> Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

**Table STAINLESS II-2****Stainless bar: U.S. producer responses to questions regarding firms' activities since March 20, 2002**

Marketing practice	Number of producers reporting		
	No	Yes	
Efforts to increase product availability	2	6	
Change in geographic market	8	0	
Change in channels of distribution	7	1	
Change in share of sales from inventory	3	5	
Change in average lead times from inventory	7	0	
Change in average lead times from production	2	5	
Change in product range	5	3	
Change in demand for or production of alternate products	8	0	
	Increased	Decreased	Stayed same
Change in order backlogs	0	6	2
Change in on-time shipping percentage	1	1	6

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

### Changes in Import Supply

Total imports of stainless bar fell by 8.2 percent between the periods April 2001-March 2002 and April 2002-March 2003; imports of stainless bar from covered countries fell by 23.0 percent and imports of stainless bar from noncovered countries increased by 39.3 percent. The U.S. market share accounted for by imports of stainless bar from covered countries fell from 32.6 percent in April 2001-March 2002 to 26.8 percent in April 2002-March 2003. The U.S. market share accounted for by imports of stainless bar from noncovered countries increased from 10.2 percent in April 2001-March 2002 to 15.1 percent in April 2002-March 2003.<sup>6</sup>

As shown in table STAINLESS II-3, with the exception of decreasing order backlogs, the majority of stainless bar importers reported no changes in their marketing practices since March 20, 2002.

Covered and noncovered country producers' capacity, capacity utilization, U.S. export shipments as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003 are shown in table STAINLESS II-4.

### Timeline

Figure STAINLESS-II-1 shows monthly shipments of stainless bar products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for the domestic producers depicted in the graph are

<sup>6</sup> See tables STAINLESS II-7 and STAINLESS II-10.

**Table STAINLESS II-3**

**Stainless bar: U.S. importer responses to questions regarding firms' activities since March 20, 2002**

Marketing practice	Number of importers reporting		
	No	Yes	
Efforts to increase product availability	30	13	
Change in geographic market	42	2	
Change in channels of distribution	34	5	
Change in share of sales from inventory	33	5	
Change in average lead times from inventory	27	1	
Change in average lead times from production	27	5	
Change in product range	36	7	
Change in demand for or production of alternate products	34	5	
Importing of steel from foreign producers from which previously have not imported	29	12	
	Increased	Decreased	Stayed same
Change in order backlogs	1	20	20
Change in on-time shipping percentage	4	6	34

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

**Table STAINLESS II-4**

**Stainless bar: Covered and noncovered country producers' capacity, capacity utilization, export shipments to the United States as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003**

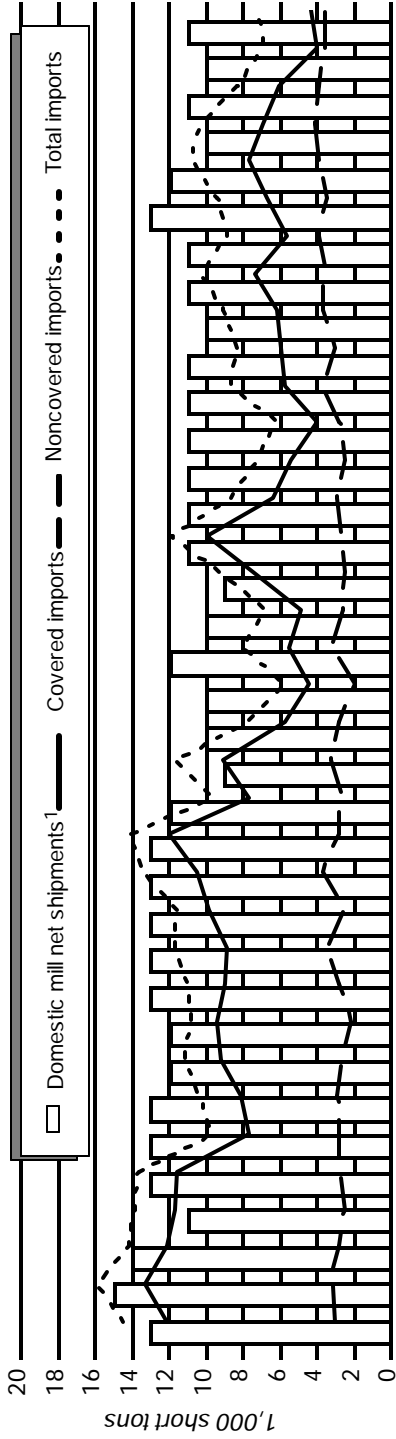
Source	Capacity	Capacity utilization	Exports to United States/ total shipments	Inventories/ total shipments
	Short tons	Percent		
Covered	438,614	88.5	6.6	15.6
Noncovered	***	***	***	***

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

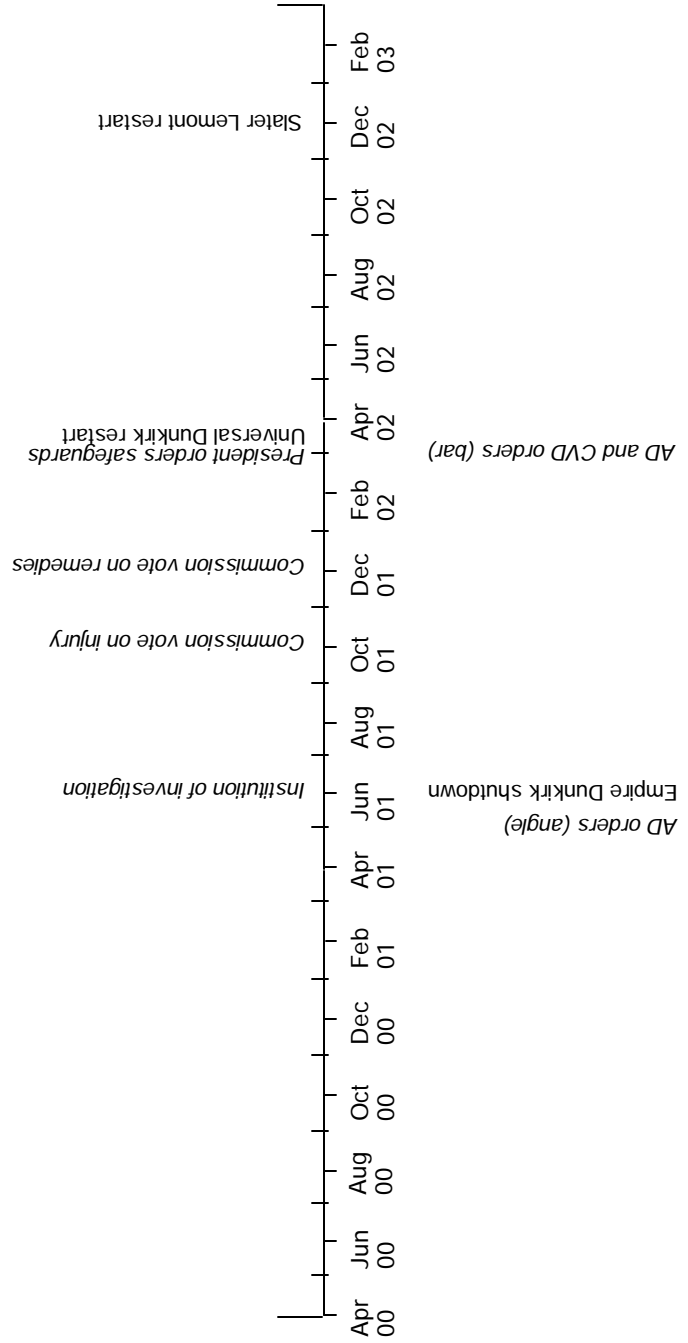
from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (and do not include monthly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shut downs (shown below the line) and restarts of U.S. producing plants (shown above the line). Also shown above the line are significant safeguard dates, while antidumping and countervailing duty orders are shown below the line.<sup>7</sup>

<sup>7</sup> On May 18, 2001, Commerce imposed antidumping duty orders on stainless steel angle from Japan, Korea, and Spain (66 FR 27628). On March 7, 2002, Commerce imposed antidumping duty orders on stainless steel bar from France, Germany, Italy, Korea, and the United Kingdom (67 FR 10385, 10382, 10384, 10381, and 10381, respectively) and on March 8, 2002, Commerce imposed a countervailing duty order on stainless steel bar from Italy (67 FR 10670).

**Figure STAINLESS II-1**  
**Stainless steel bar: Monthly imports and monthly domestic mill net shipments, antidumping (AD) and counter-**  
**vailing duty (CVD) orders, facility shutdowns and restarts, and investigation milestones, April 2000-March 2003**



STAINLESS II-6



<sup>1</sup> Domestic mill shipments, excluding shipments to reporting companies.

Source: Official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

## U.S. INDUSTRY DATA

Table STAINLESS II-5 presents information on U.S. stainless bar producers' capacity, production, shipments, inventories, and employment. The Commission received usable questionnaire responses from nine stainless bar producers that are believed to account for a substantial share of U.S. production capacity during the period April 2002-March 2003. The following tabulation presents firms that reported calendar-year 2000 production capacity in the section 201 investigation but did not provide data in this investigation:

\* \* \* \* \*

As presented in table STAINLESS II-5, reporting U.S. producers' aggregate output-related indicators were mixed in the period April 2002 to March 2003. In the first relief year, the domestic industry's capacity increased by 1.1 percent, production decreased by 2.6 percent, and U.S. shipments decreased by 4.9 percent.<sup>8</sup> While reported capacity was 2.3 percent higher than in the period from April 2000 to March 2001, reported production and U.S. shipments were lower by 14.7 percent and 15.2 percent, respectively.<sup>9</sup> Capacity utilization decreased from 62.9 percent to 60.6 percent in the period April 2002 to March 2003, and was below the 72.7 percent level of the period from April 2000 to March 2001. The number of production and related workers employed declined by 18.6 percent in the period April 2002 to March 2003, and was 31.7 percent lower than in the period from April 2000 to March 2001. Productivity, however, increased by 23.0 percent; productivity gains, combined with a relatively stable hourly wage rate, resulted in declining unit labor costs in the period April 2002 to March 2003.

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<sup>8</sup> The value of the domestic industry's U.S. shipments decreased by 14.3 percent, reflecting a decrease in the average unit value of such shipments. Both the value and the average unit value of such shipments were markedly lower than in the period April 2000 to March 2001.

<sup>9</sup> As noted above, Universal Stainless and Alloy's predecessor Empire Specialty Steel closed in June 2001 and did not re-open in its current corporate status until February 2002. The closure of a mill such as Empire Specialty Steel and its corresponding absence from the data collected would tend to overstate a trend of increasing shipments (or other volume-related measures), or understate a trend of declining shipments (or other volume-related measures), over the period examined.

**Table STAINLESS II-5**

**Stainless bar: U.S. producers' capacity, production, shipments, inventories, and employment data, April 2000-March 2003**

Item	April 2000- March 2001	April 2001- March 2002	April 2002- March 2003
	<b>Quantity (short tons)</b>		
Capacity	230,052	232,799	235,445
Production	167,316	146,532	142,686
Internal consumption/transfers	664	474	230
U.S. commercial shipments	162,485	145,006	138,159
U.S. shipments	163,149	145,480	138,389
Export shipments	6,545	5,300	6,070
Total shipments	169,694	150,780	144,459
Ending inventories	23,237	18,989	17,215
	<b>Value (\$1,000)</b>		
Internal consumption/transfers	2,686	2,200	949
U.S. commercial shipments	555,846	476,173	409,216
U.S. shipments	558,532	478,373	410,165
Export shipments	27,376	23,048	24,487
Total shipments	585,908	501,421	434,652
	<b>Unit value (per short ton)</b>		
Internal consumption/transfers	4,045	4,641	4,126
U.S. commercial shipments	3,421	3,284	2,962
U.S. shipments	3,423	3,288	2,964
Export shipments	4,183	4,349	4,034
Total shipments	3,453	3,326	3,009
	<b>Ratios and shares (percent)</b>		
Capacity utilization	72.7	62.9	60.6
U.S. shipments to distributors	59.1	66.8	70.6
U.S. shipments to end users	40.9	33.2	29.4
Inventories/total shipments	13.7	12.6	11.9
	<b>Employment data<sup>1</sup></b>		
PRWs <sup>2</sup> (number)	1,833	1,538	1,252
Hours worked (1,000)	3,871	3,007	2,370
Wages paid (\$1,000)	91,729	67,319	53,406
Hourly wages	\$***	\$***	\$***
Productivity (short tons/1,000 hours)	***	***	***
Unit labor costs (per short ton)	\$***	\$***	\$***
<sup>1</sup> ***. Hourly wages, productivity, and unit labor costs are calculated using data of firms providing both numerator and denominator information. <sup>2</sup> Production and related workers.			
Note—Because of rounding, figures may not add to totals shown.			
Source: Compiled from data submitted in response to Commission questionnaires.			

## FINANCIAL DATA

Financial data provided by U.S. producers, concerning stainless bar, are presented in table STAINLESS II-6.<sup>10</sup>

The Commission asked U.S. producers to provide data for CDSOA (Byrd Amendment) funds received, pension expense or credit, and other post employment benefits, and to state in which line of the results of operations data they were included. Six out of eight firms reported receiving CDSOA (Byrd Amendment) funds for stainless bar operations. Commission staff reclassified all reported CDSOA funds received to "other income." Four firms reported pension expenses for stainless bar operations; these expenses were classified by one firm in SG&A expenses, by two firms split between COGS and SG&A expenses, and by one firm in COGS.

Three firms reported other post employment benefits for stainless bar operations; these were classified by one firm in SG&A expenses, by one firm split between COGS and SG&A expenses, and by one firm in COGS.

As presented in table STAINLESS II-6, reporting U.S. producers' net commercial sales decreased on both a quantity and a value basis in the period April 2002 to March 2003, following steep declines in the previous 12-month period, and were markedly below the levels reported in the period April 2000 to March 2001. In the first relief year, the domestic industry's average unit values for commercial sales decreased from \$3,328 to \$3,008, and was below the \$3,458 average unit value for the period from April 2000 to March 2001.

Unit COGS also declined, despite an increase in unit raw materials costs.<sup>11</sup> The unit decline in COGS, however, was not as great as the decline in average unit values. As a result of these trends and declining sales volume, the industry's financial performance deteriorated in the period April 2002 to March 2003. Its operating margin declined from negative 3.4 percent to negative 7.9 percent. By contrast, the industry had a positive 3.6 percent operating margin in the period from April 2000 to March 2001. The number of U.S. producers reporting operating losses also increased in the period April 2002 to March 2003.

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<sup>10</sup> One firm, \*\*\*, did not provide usable financial data.

<sup>11</sup> Per short ton, raw material costs decreased from \$1,344 in April 2000-March 2001 to \$1,199 in April 2001-March 2002, and then increased to \$1,293 in April 2002-March 2003.

**Table STAINLESS II-6**

**Stainless bar: Results of operations of U.S. producers, April 2000-March 2003**

Item	April 2000- March 2001	April 2001- March 2002	April 2002- March 2003
<b>Quantity (short tons)</b>			
Net commercial sales	166,891	148,406	142,580
<b>Value (\$1,000)</b>			
Net commercial sales	577,077	493,821	428,903
COGS	520,011	472,280	427,267
Gross profit or (loss)	57,066	21,541	1,636
SG&A expenses	36,195	38,242	35,332
Operating income or (loss)	20,871	(16,701)	(33,696)
Interest expense	14,967	13,084	11,200
Other (income)/expenses, net	1,919	(957)	(762)
Net income or (loss)	3,985	(28,828)	(44,134)
Depreciation/amortization	24,707	23,476	21,912
Cash flow	28,692	(5,352)	(22,222)
CDSOA funds received	0	957	902
Pension (credit)/expense	2,190	3,310	3,515
Other post-employment benefits	3,517	3,758	4,717
Capital expenditures	34,007	16,381	9,042
R&D expenses	5,370	4,353	3,781
<b>Ratio to net commercial sales (percent)</b>			
COGS	90.1	95.6	99.6
Gross profit or (loss)	9.9	4.4	0.4
SG&A expenses	6.3	7.7	8.2
Operating income or (loss)	3.6	(3.4)	(7.9)
Net income or (loss)	0.7	(5.8)	(10.3)
<b>Unit value (per short ton)</b>			
Net commercial sales	\$3,458	\$3,328	\$3,008
COGS total	3,116	3,182	2,997
Raw materials	1,344	1,199	1,293
Direct labor	353	320	250
Other factory costs	1,419	1,663	1,454
Gross profit or (loss)	342	145	11
SG&A expenses	217	258	248
Operating income or (loss)	125	(113)	(236)
<b>Number of firms reporting</b>			
Operating losses	2	3	4
Data	8	8	8
Source: Compiled from data submitted in response to Commission questionnaires.			



Mr. Dan Anderson of Slater stated at the hearing on stainless products that “major increases in input costs have taken place recently, most notably those for natural gas, nickel, scrap and electricity.”<sup>12</sup> He further stated that:

“on the input side, it is not related to 201. The largest component ...in the stainless industry is obviously the nickel, ...a globally traded commodity...{F}oreign producers don’t seem to have nickel in the price of their product. They roll it in, and they undercut our prices. Relative to natural gas, ..., we tried a natural gas surcharge when we had a spike. We were unable to keep that surcharge in the marketplace ...due to the fact that foreign producers did not charge it on their offering. Electricity is obviously an ongoing concern for us all, and the summer months are the worst times for us where we face not only the highest costs of the year, but also potential curtailment where we are asked to shut down our operations due to the grid just being overtaxed.”<sup>13</sup>

Mr. Edward Blot of Ed Blot & Associates stated that “nickel is a major raw material input for making stainless steel and is priced globally for all manufacturers.”<sup>14</sup> The LME (London Metal Exchange) cash average (price) for nickel was \$2.97 in March of 2002, rising to \$3.80 in March of this year (2003), and continues to climb to \$4.03 last month (June 2003).<sup>15</sup> “Prices for stainless steel products have decreased even in light of increasing raw material cost.”<sup>16</sup>

Mr. Jack Simmons of Electralloy stated that “domestic prices have continued to spiral downward while raw material and energy costs have escalated. Consequently, my company’s profitability, as well as that of other domestic producers, had eroded, and we have been unable to make an adequate return on our investments.”<sup>17</sup>

According to the U.S. stainless steel long products industry, “weak demand, depressed prices, and escalating raw material costs have undermined the section 201 relief.”<sup>18</sup>

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<sup>12</sup> Testimony of Daniel Anderson, Vice President, Sales & Marketing, Slater Steels Corp., Specialty Alloys Division, transcript of Commission hearing (July 10, 2003) at 37.

<sup>13</sup> Ibid at 94-95.

<sup>14</sup> Testimony of Ed Blot, President, Ed Blot & Associates, transcript of Commission hearing (July 10, 2003) at 49-50.

<sup>15</sup> Ed Blot & Associates, Chart B-4 (Stainless cold finished bar, T-304 rounds 20-30mm) presented at stainless hearing and recreated at back of stainless hearing transcript; *see also* testimony of Ed Blot, President, Ed Blot & Associates, transcript of Commission hearing (July 10, 2003) at 50.

<sup>16</sup> Testimony of Ed Blot, President, Ed Blot & Associates, transcript of Commission hearing (July 10, 2003) at 54.

<sup>17</sup> Testimony of Jack Simmons, Manager, Marketing and Product Development, Electralloy, transcript of Commission hearing (July 10, 2003) at 42.

<sup>18</sup> Posthearing brief of domestic stainless steel industry at 16.

## U.S. IMPORTS

Table STAINLESS II-7 presents data on U.S. imports of stainless bar by sources for the period April 2000-March 2003. Table STAINLESS II-8 presents data on U.S. imports from covered sources, by tariff categories, during April 2002-March 2003. Table STAINLESS II-9 presents U.S. importers' U.S. shipments and end-of-period inventories, April 2000-March 2003.

In the period April 2002 to March 2003, total imports, as well as imports from covered sources, declined, while imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 108,627 short tons to 99,714 short tons. Imports from countries covered by the safeguard measure declined from 82,798 short tons to 63,739 short tons. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 25,829 short tons to 35,975 short tons.<sup>19</sup> Imports from India represented the largest portion of this increase.

## APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of stainless bar are presented in table STAINLESS II-10 and figure STAINLESS II-2.

As discussed in the section of this chapter entitled *Market Environment*, in the period April 2002 to March 2003, demand in the primary market sectors for stainless bar either rose very modestly or declined, and most of the responding U.S. stainless bar producers and importers agreed that demand for steel has decreased since March 2002. As presented in table STAINLESS II-10, the data gathered by the Commission in this investigation indicate that the quantity of apparent U.S. consumption of stainless bar decreased by 6.3 percent in the period April 2002 to March 2003, and at the conclusion of this period was 22.4 percent below the level of the period from April 2000 to March 2001.<sup>20</sup>

In the period April 2002 to March 2003, the domestic industry increased its share of the U.S. market from 57.3 percent to 58.1 percent. Imports from covered countries saw their market share decrease from 32.6 percent to 26.8 percent, while imports from noncovered countries saw their market share increase from 10.2 percent to 15.1 percent.

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<sup>19</sup> The value of U.S. imports from covered sources declined more steeply than the quantity, as the average unit value of such imports decreased by 4.0 percent in the first 12 months of the section 203 safeguard measure. Similarly, the value of U.S. imports from noncovered sources increased less steeply than the quantity, as the average unit value of such imports decreased by 6.1 percent. The average unit value of all imports decreased by 6.0 percent in the first relief year, and was 4.1 percent lower than in the period April 2000 to March 2001.

<sup>20</sup> As noted above, Universal Stainless and Alloy's predecessor Empire Specialty Steel closed in June 2001 and did not re-open in its current corporate status until February 2002. The closure of a mill such as Empire Specialty Steel and its corresponding absence from the data collected would tend to overstate a trend of increasing shipments (or other volume-related measures), or understate a trend of declining shipments (or other volume-related measures), over the period examined.

**Table STAINLESS II-7**  
**Stainless bar: U.S. imports, by sources, April 2000-March 2003**

Item	April 2000- March 2001	April 2001- March 2002	April 2002- March 2003	Period change from period 2 to period 3
	<b>Quantity (short tons)</b>			<b>Percent</b>
Covered sources	117,977	82,798	63,739	-23.0
Noncovered sources: <sup>1</sup>				
Canada	20,540	15,925	10,668	-33.0
India	3,908	8,491	21,480	153.0
Subtotal	24,448	24,416	32,148	31.7
All others	1,348	1,413	3,827	170.9
Subtotal (noncovered)	25,796	25,829	35,975	39.3
Total (all imports)	143,772	108,627	99,714	-8.2
	<b>Landed, duty paid value (\$1,000)</b>			
Covered sources	283,441	203,861	150,682	-26.1
Noncovered sources: <sup>1</sup>				
Canada	44,916	38,379	27,460	-28.5
India	6,981	15,497	40,705	162.7
Subtotal	51,897	53,876	68,165	26.5
All others	2,819	2,960	6,166	108.3
Subtotal (noncovered)	54,716	56,836	74,331	30.8
Total (all imports)	338,157	260,697	225,013	-13.7
	<b>Unit value (per short ton)</b>			
Covered sources	\$2,403	\$2,462	\$2,364	-4.0
Noncovered sources: <sup>1</sup>				
Canada	2,187	2,410	2,574	6.8
India	1,786	1,825	1,895	3.8
Average	2,123	2,207	2,120	-3.9
All others	2,092	2,095	1,611	-23.1
Average (noncovered)	2,121	2,201	2,066	-6.1
Average (all imports)	2,352	2,400	2,257	-6.0
	<b>Share of total imports based on quantity (percent)</b>			<b>Percentage point</b>
Covered sources	82.1	76.2	63.9	-12.3
Noncovered sources: <sup>1</sup>				
Canada	14.3	14.7	10.7	-4.0
India	2.7	7.8	21.5	13.7
Subtotal	17.0	22.5	32.2	9.8
All others	0.9	1.3	3.8	2.5
Subtotal (noncovered)	17.9	23.8	36.1	12.3
Total (all imports)	100.0	100.0	100.0	0.0
	<b>Ratio of imports to production (percent)</b>			
Covered sources	70.5	56.5	44.7	-11.8
Noncovered sources <sup>1</sup>	15.4	17.6	25.2	7.6
Total	85.9	74.1	69.9	-4.2
<sup>1</sup> Noncovered sources accounting for 3 percent or more of total U.S. imports (based on quantity) in April 2002-March 2003 are presented separately.				
Note—Because of rounding, figures may not add to totals shown.				
Source: Compiled from official statistics of Commerce.				

**Table STAINLESS II-8**

**Stainless bar: U.S. imports from covered sources, by tariff categories, April 2002-March 2003**

\* \* \* \* \*

**Table STAINLESS II-9**

**Stainless bar: U.S. importers' U.S. shipments and end-of-period inventories, April 2000-March 2003**

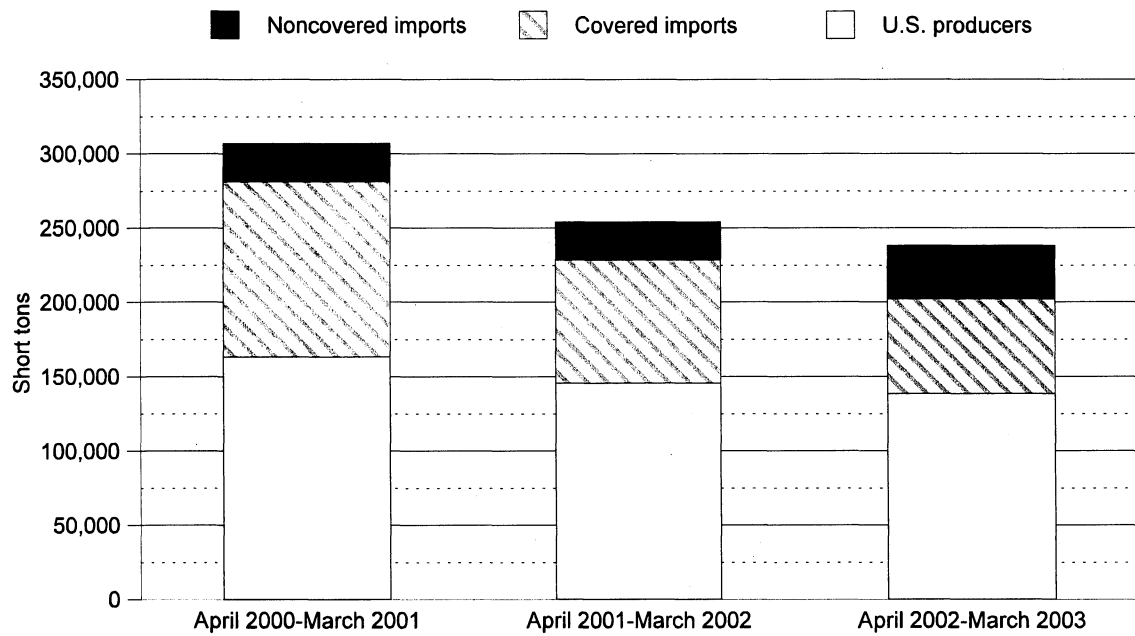
Item	April 2000- March 2001	April 2001- March 2002	April 2002- March 2003
	<b>Quantity (short tons)</b>		
Covered sources:			
U.S. shipments of imports	40,191	27,369	16,982
End-of-period inventories	10,438	9,487	9,410
Noncovered sources:			
U.S. shipments of imports	17,305	14,594	12,028
End-of-period inventories	2,041	2,216	2,048
Total:			
U.S. shipments of imports	57,497	41,963	29,010
End-of-period inventories	12,479	11,703	11,458
	<b>Ratio of inventories to U.S. shipments of imports (percent)</b>		
Covered sources	26.0	34.7	55.4
Noncovered sources	11.8	15.2	17.0
Average	21.7	27.9	39.5
Note—Because of rounding, figures may not add to totals shown.			
Source: Compiled from data submitted in response to Commission questionnaires.			

**Table STAINLESS II-10**

**Stainless bar: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, April 2000-March 2003**

<b>Item</b>	<b>April 2000- March 2001</b>	<b>April 2001- March 2002</b>	<b>April 2002- March 2003</b>
	<b>Quantity (short tons)</b>		
U.S. producers' U.S. shipments	163,149	145,480	138,389
U.S. imports from:			
Covered sources	117,977	82,798	63,739
Noncovered sources	25,796	25,829	35,975
Total U.S. imports	143,772	108,627	99,714
Apparent U.S. consumption	306,921	254,107	238,103
	<b>Value (\$1,000)</b>		
U.S. producers' U.S. shipments	558,532	478,373	410,165
U.S. imports from:			
Covered sources	283,441	203,861	150,682
Noncovered sources	54,716	56,836	74,331
Total U.S. imports	338,157	260,697	225,013
Apparent U.S. consumption	896,689	739,070	635,178
	<b>U.S. market share based on quantity (percent)</b>		
U.S. producers' U.S. shipments	53.2	57.3	58.1
U.S. imports from:			
Covered sources	38.4	32.6	26.8
Noncovered sources	8.4	10.2	15.1
Total U.S. imports	46.8	42.7	41.9
	<b>U.S. market share based on value (percent)</b>		
U.S. producers' U.S. shipments	62.3	64.7	64.6
U.S. imports from:			
Covered sources	31.6	27.6	23.7
Noncovered sources	6.1	7.7	11.7
Total U.S. imports	37.7	35.3	35.4
Note—Because of rounding, figures may not add to totals shown.			
Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.			

**Figure STAINLESS II-2**  
**Stainless bar: Apparent U.S. consumption, by sources, April 2000-March 2003**



Source: Table STAINLESS II-10.

## PRICING AND RELATED INFORMATION

### Factors Affecting Prices

#### Producer, Importer, and Purchaser Responses

U.S. stainless bar producers and importers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table STAINLESS II-11 and STAINLESS II-12). U.S. stainless bar purchasers were also asked to report the importance of these factors, and to indicate whether they have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table STAINLESS II-13).

The three factors rated most important by U.S. stainless bar producers were: changes in the level of competition from imports from excluded countries; changes in the level of competition from imports from non-excluded countries; and changes in demand for steel within the United States. The three factors rated most important by stainless bar importers were: changes in demand for steel; changes in the level of competition by imports; and changes in the cost of raw materials. The three factors rated most important by stainless bar purchasers were: changes in the cost of raw materials; changes in demand for steel within the United States; and changes in U.S. production capacity.<sup>21</sup>

#### Pricing Practices

Nearly all responding U.S. stainless bar producers and importers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 20, 2002. Six of eight responding U.S. stainless bar producers and 34 of 38 responding stainless bar importers reported that there has not been a change in the share of their sales that is on a contract vis-a-vis a spot basis. Most U.S. stainless bar producers and importers reported that contract prices tend to follow a similar trend as spot prices, although several noted that contract prices tended to lag spot prices and are not as volatile.

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<sup>21</sup> Most available information indicates that U.S. demand for stainless bar has declined since March 20, 2002. Most U.S. producers and importers reported that U.S. demand for stainless bar has decreased since March 20, 2002. Apparent U.S. consumption of stainless bar decreased by 6.3 percent between April 2001-March 2002 and April 2002-March 2003 (table STAINLESS II-10). Although manufacturers' shipments of transportation equipment increased by 0.7 percent between the first quarter of 2002 and the first quarter of 2003, manufacturers' shipments of stainless steel forgings fell by 6.1 percent (table OVERVIEW II-1).

Unit raw materials costs for stainless bar increased by 7.8 percent between April 2001-March 2002 and April 2002-March 2003. Nickel prices increased by 26.4 percent since April 2002 (figure OVERVIEW II-13). Imports of stainless bar from covered sources fell by 23.0 percent between April 2001-March 2002 and April 2002-March 2003, whereas stainless bar imports from noncovered sources increased by 39.3 percent during the same time frame (table STAINLESS II-7). U.S. stainless bar producers' capacity increased by 1.1 percent, while capacity utilization fell by 2.3 percentage points between April 2001-March 2002 and April 2002-March 2003 (table STAINLESS II-5).

**Table STAINLESS II-11**

**Stainless bar: As reported by *producers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002**

Item	Importance <sup>1</sup>	Influence of factors <sup>2</sup>		
	Ranking	I	N	D
Changes in the level of competition from imports from excluded countries	1.0	3	0	5
Changes in the level of competition from imports from non-excluded countries	1.0	3	1	4
Changes in demand for steel within the United States	1.2	0	2	6
Changes in the cost of raw materials	1.4	4	3	1
Changes in competition between U.S. producers	1.8	2	0	6
Changes in U.S. production capacity	1.8	0	3	5
Changes in energy costs	2.1	5	3	0
Changing market patterns	2.6	1	5	2
Changes in transportation/delivery cost changes	2.9	4	4	0
Changes in the productivity of domestic producers	3.0	1	3	4
Changes in demand for steel outside the United States	3.0	0	7	1
Changes in labor agreements, contracts, etc.	3.6	0	8	0
Changes in the level of competition from substitute products	3.8	1	7	0
Changes in the allocation of production capacity to alternate products	3.8	0	8	0
<p><sup>1</sup> The numbers in this column represent the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.</p> <p><sup>2</sup> The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.</p>				
Source: Compiled from data submitted in response to Commission questionnaires.				



**Table STAINLESS II-12**

**Stainless bar: As reported by *importers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002**

Item	Importance <sup>1</sup>	Influence of factors <sup>2</sup>		
	Ranking	I	N	D
Changes in demand for steel	1.8	3	14	20
Changes in the level of competition by imports	1.9	14	18	10
Changes in the cost of raw materials	2.0	28	15	0
Changes in U.S. production capacity	2.1	10	19	11
Changes in competition between U.S. producers	2.2	9	26	6
Changes in transportation/delivery cost changes	2.5	21	17	0
Changing market patterns	2.5	4	30	6
Changes in the productivity of domestic producers	2.5	4	30	7
Changes in energy costs	2.6	24	18	0
Changes in labor agreements, contracts, etc.	2.9	2	38	0
Changes in the allocation of production capacity to alternate products	3.2	4	35	0
Changes in the level of competition from substitute products	3.2	4	36	2

<sup>1</sup> The numbers in this column represent the average ranking of each factor by responding importers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

<sup>2</sup> The numbers in these columns represent the number of responding importers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note—Not all importers answered for all of the factors.

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

**Table STAINLESS II-13**

**Stainless bar: As reported by purchasers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002**

Item	Importance <sup>1</sup>	Influence of factors <sup>2</sup>		
	Ranking	I	N	D
Changes in the cost of raw materials	1.7	38	30	3
Changes in demand for steel within the United States	1.7	14	26	31
Changes in U.S. production capacity	1.8	17	34	19
Changes in competition between U.S. producers	1.9	24	36	11
Changes in energy costs	2.1	52	21	0
Changes in demand for steel outside the United States	2.1	29	29	6
Changing market patterns	2.2	18	39	10
Changes in transportation/delivery cost changes	2.2	48	24	1
Changes in the level of competition from imports from non-excluded countries	2.2	20	31	14
Changes in the productivity of domestic producers	2.4	14	44	22
Changes in labor agreements, contracts, etc.	2.6	13	47	7
Changes in the level of competition from imports from excluded countries	2.7	18	42	8
Changes in the level of competition from substitute products	3.1	6	60	3
Changes in the allocation of production capacity to alternate products	3.1	5	58	4
<p><sup>1</sup> The numbers in this column represent the average ranking of each factor by responding purchasers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.</p> <p><sup>2</sup> The numbers in these columns represent the number of responding purchasers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.</p> <p>Note—Not all purchasers answered for all of the factors.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>				

## Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' and importers' sales of the following stainless bar products during April 2000-March 2003:

***Product 12A***—Stainless bar, grade 304/304L, 1 inch in diameter, annealed, cold-finished, of round shape. Uses for this commodity product, in the size specified, include the manufacture of medical instruments, and parts for chemical and food processing equipment. Type 304L, for low-carbon, is formulated specifically for welding.

***Product 12B***—Grade 304, hot-rolled, annealed and descaled stainless steel, 90-degree angle, 2" x 2" x 1/4". This commodity product is used to construct braces, brackets, frames, and structures for process equipment operating in moist or acidic environments.

Reported pricing data accounted for 1.1 percent of the quantity of U.S. producers' U.S. commercial shipments of stainless bar, 3.3 percent of total imports, and 4.0 percent and 1.4 percent, respectively of imports of covered and noncovered stainless bar during April 2000-March 2003.

Weighted-average prices, margins of underselling/overselling, and quantities sold of U.S.-produced, covered imported, and noncovered imported stainless bar are shown in tables STAINLESS II-14 and STAINLESS II-15. Weighted-average prices of U.S.-produced, covered imported, and noncovered imported stainless bar are also shown in figures STAINLESS II-3 and STAINLESS II-4.<sup>22</sup> A summary of the price data is shown in table STAINLESS II-16 and summaries of the margins of underselling/overselling of imports from covered and noncovered sources are shown in tables STAINLESS II-17 and STAINLESS II-18, respectively.

The Commission collected quarterly pricing data for two stainless bar products. Domestic producers' prices for the first product increased by \*\*\* percent from the first quarter of 2002 to the first quarter of 2003, and their prices for the second product declined by 4.4 percent in this period. Prices for the first product were \*\*\* percent lower in the first quarter of 2003 than in the second quarter of 2000 and prices for the second product were 1.5 percent higher. For the first product, prices of imports from sources covered by the safeguard measure declined by 14.2 percent from the first quarter of 2002 to the first quarter of 2003, while there was only one pricing observation of imports from sources not covered by the safeguard measure in this period. For the second product, prices of imports from sources covered by the safeguard measure increased by 17.4 percent from the first quarter of 2002 to the first quarter of 2003, and prices of imports from sources not covered by the safeguard measure declined by 7.4 percent. In the period April 2002 to March 2003, imports from sources covered by the measure undersold the domestically produced product in 6 of 7 quarterly comparisons and imports from sources not covered by the measure undersold the domestically produced product in all 3 quarterly comparisons.

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<sup>22</sup> Public price data for stainless bar products are shown in figure H-10 of app. H.

**Table STAINLESS II-14**

**Stainless bar: Weighted-average price and quantity data for U.S.-produced and imported product 12A<sup>1</sup> from covered sources and noncovered sources, and margins of underselling/(overselling), by quarters, April 2000-March 2003**

Period	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
	<i>Per ton</i>	<i>Short tons</i>	<i>Per ton</i>	<i>Short tons</i>	<i>Percent</i>	<i>Per ton</i>	<i>Short tons</i>	<i>Percent</i>
<b>2000:</b>								
April-June	\$2,665.24	171	\$2,326.49	320	12.7	\$***	***	***
July-September	2,494.04	154	2,158.03	468	13.5	***	***	***
October-December	2,447.89	142	***	***	***	***	***	***
<b>2001:</b>								
January-March	2,274.80	207	***	***	***	***	***	***
April-June	2,232.54	181	2,000.72	659	10.4	***	***	***
July-September	2,209.45	134	***	***	***	***	***	***
October-December	2,114.63	192	***	***	***	***	***	***
<b>2002:</b>								
January-March	2,061.01	223	***	***	***	***	***	***
April-June	2,117.97	180	***	***	***	***	***	***
July-September	2,108.96	157	***	***	***	***	***	***
October-December	2,232.86	196	***	***	***	***	***	***
<b>2003:</b>								
January-March	***	***	***	***	***	***	***	***

<sup>1</sup> Stainless bar, grade 304/304L, 1 inch in diameter, annealed, cold-finished, of round shape.

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

**Table STAINLESS II-15**

**Stainless bar: Weighted-average price and quantity data for U.S.-produced and imported product 12B from covered sources and noncovered sources, and margins of (underselling), by quarters, April 2000-March 2003**

\* \* \* \* \*

**Figure STAINLESS II-3**

**Stainless bar: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 12A, April 2000-March 2003**

\* \* \* \* \*

**Figure STAINLESS II-4**

**Stainless bar: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 12B, April 2000-March 2003**

\* \* \* \* \*

**Table STAINLESS II-16**

**Stainless bar: Change in quarterly prices of U.S. product, imports from covered sources, and imports from noncovered sources, by product**

Product	United States		Imports from covered sources		Imports from noncovered sources	
	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003
	<i>Percent</i>					
12A	***	***	***	-14.2	(1)	(1)
12B	1.5	-4.4	-11.7	17.4	(1)	-7.4
<sup>1</sup> Not applicable. Source: Compiled from data submitted in response to Commission questionnaires.						

**Table STAINLESS II-17**

**Stainless bar: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from covered sources, by product, April 2000-March 2003**

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>
12A	8	23.0	0.7	4	47.6	7.2
12B	11	37.8	12.2	0	(1)	(1)
<sup>1</sup> Not applicable. Source: Compiled from data submitted in response to Commission questionnaires.						

**Table STAINLESS II-18**

**Stainless bar: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from noncovered sources, by product, April 2000-March 2003**

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>
12A	7	61.5	8.7	0	(1)	(1)
12B	3	26.4	14.7	0	(1)	(1)
<sup>1</sup> Not applicable. Source: Compiled from data submitted in response to Commission questionnaires.						



## PART III: INDUSTRY AND MARKET DATA (STAINLESS ROD)

### DESCRIPTION AND USES

Stainless steel rod (stainless rod) is an intermediate stainless steel product that is produced in a wide variety of sizes and grades. In the industry, rod usually refers to the smallest round sections of steel that can be produced by the hot-rolling process. As an intermediate product, most stainless rod is further drawn into stainless steel wire. Other fabricators machine stainless rod into various downstream products, including, but not limited to, industrial fasteners, springs, medical and dental instruments, automotive parts, and welding electrodes. HTS statistical reporting numbers for subject stainless rod are presented in table STAINLESS III-1.

**Table STAINLESS III-1**  
**Stainless rod: Subject HTS statistical reporting numbers**

Item	Statistical reporting numbers				
Stainless rod <sup>1</sup>	7221.00.0045	7222.19.0050	7222.30.0000	7222.40.3045	7222.40.3085
<p><sup>1</sup> The temporary HTS subheadings for stainless rod established by proclamation or delegated authority pursuant to trade legislation are:</p> <p>(1) 9903.74.08 for products outside the scope of the section 201 investigation and therefore excluded from the section 203 remedy, and 9903.74.09 and 9903.77.85 for other products excluded from the section 203 remedy,</p> <p>(2) 9903.77.86 through 9903.77.89 for products entered in quantities up to stated limits (ranging from 180 tons to 1,500 tons) without additional tariffs, and</p> <p>(3) 9903.74.14, 9903.74.15, and 9903.74.16 for products entered in excess of quantities specified in (2), above, and products not covered by any exclusion; all of the foregoing incurring, respectively, 15 percent <i>ad valorem</i> additional tariffs through March 19, 2003, 12 percent additional tariffs through March 19, 2004, and 9 percent additional tariffs through March 20, 2005.</p> <p>As indicated in (2), certain temporary subheadings specify particular types of stainless rod which are excluded from the additional tariffs when entered up to certain quantitative limits, i.e., a particular number of tons; the individual quantity limit of each exemption and the time period(s) to which the exemption applies are stated or referenced in the article description of the temporary HTS subheading. Whenever imports of a particular type of stainless rod exceed the specified quantitative limit, then the quantity in excess of such limit would not be covered by the temporary HTS subheading identified in (2) and would instead be covered by the temporary HTS items identified in (3) and subject to the additional section 203 tariffs.</p> <p>Source: Harmonized Tariff Schedule of the United States (2003).</p>					

### MARKET ENVIRONMENT

#### Changes in U.S. Demand

As an intermediate product, most stainless rod is further drawn into stainless steel wire. Other fabricators machine stainless rod into various downstream products, including industrial fasteners, springs, medical and dental instruments, automotive parts, and welding electrodes. As shown in section OVERVIEW II, the value of U.S. manufacturers' shipments of metalworking machinery decreased by 9.5 percent between the first quarter of 2002 and the first quarter of 2003 (table OVERVIEW II-1).

The data collected by the Commission (which do not include 100 percent of U.S. production indicates that apparent U.S. consumption of stainless rod decreased by \*\*\* percent from April 2000-March 2001 to April 2002-March 2003.

All four responding U.S. stainless rod producers and 14 of 18 responding stainless rod importers reported that U.S. demand for steel has decreased since March 20, 2002.<sup>1</sup> U.S. stainless rod producers generally cited the slowing U.S. economy, particularly downturns in the aerospace, automotive, industrial, and consumer markets. Stainless rod importers that reported decreased demand generally cited the slowing U.S. economy and greater competition for end products using stainless rod.<sup>2</sup>

All four responding U.S. stainless rod producers and 15 of 16 responding stainless rod importers reported that there have been no changes in the types or prices of substitute products since March 20, 2002.

### **Changes in U.S. Supply**

AL Tech Specialty Steel, a producer of stainless steel bar, rod, wire, and seamless tube, filed for bankruptcy in December 1997. AL Tech Specialty Steel emerged from bankruptcy in November 1999 as Empire Specialty Steel. Empire Specialty Steel shut down its operations in June 2001. Empire Specialty Steel's operating assets were acquired by Universal Stainless and Alloy Products in February 2002 and restarted in March 2002.<sup>3 4</sup>

Stainless rod producers reporting changes in their marketing practices since March 20, 2002 are shown in table STAINLESS III-2.

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<sup>1</sup> Three importers reported that demand stayed the same, and one reported that demand has increased.

<sup>2</sup> One domestic producer characterized stainless steel demand as relatively low, and did not anticipate demand increasing during the next three to six months. Testimony of Michael Shor, Senior Vice-President, Carpenter Technology Corp., transcript of Commission hearing (July 10, 2003) at 99 and 123. One respondent cited a downturn in the U.S. economy and in the steel consuming industries. U.S. stainless steel demand has not increased, and at least in the near term is not projected to increase sufficiently to offset the impact of North American Stainless (NAS)'s additional capacity. Arcelor does not think that U.S. demand is going to increase sufficiently over the next two years to warrant substantial imports into the United States. Testimony of Christopher Ryan, counsel to Arcelor, transcript of Commission hearing (July 10, 2003) at 153, 156 and 171. A second respondent maintained that the United States is in the down part of a business cycle, whereas the rest of the world is not. He cited very strong demand in Asia. Testimony of Charles Blum, representative of the European Confederation of Iron and Steel Industries, transcript of Commission hearing (July 10, 2003) at 165.

<sup>3</sup> See STAINLESS I-3.

<sup>4</sup> Counsel to the domestic producers testified AvestaPolarit will be adding some rolling capacity next year when the existing Allvac mill is revamped. The mill upgrades will enable AvestaPolarit to supply over 10,000 tons of domestic bar and rod. He also noted that NAS is installing a rolling mill to eventually utilize their flat-rolled melt capacity. Testimony of Edward Blot, President, Ed Blot & Associates, transcript of Commission hearing (July 10, 2003) at 51. Counsel to respondent importers maintained that domestic stainless steel capacity is about to increase substantially more when NAS brings its Ghent, KY long product facility on line. He states that it is projected that this facility will bring an additional 100,000 tons of stainless steel bar and rod capacity on line. Testimony of Christopher Ryan, counsel to Arcelor, transcript of Commission hearing (July 10, 2003) at 155.



**Table STAINLESS III-2**

**Stainless rod: U.S. producer responses to questions regarding firms' activities since March 20, 2002**

Marketing practice	Number of producers reporting		
	No	Yes	
Efforts to increase product availability	2	2	
Change in geographic market	3	1	
Change in channels of distribution	2	2	
Change in share of sales from inventory	2	2	
Change in average lead times from inventory	3	0	
Change in average lead times from production	0	3	
Change in product range	2	2	
Change in demand for or production of alternate products	4	0	
	Increased	Decreased	Stayed same
Change in order backlogs	0	3	1
Change in on-time shipping percentage	0	0	4

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

Twenty of the 59 responding stainless rod purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs since March 20, 2002. Twenty-four of 56 responding stainless rod purchasers reported increased average lead times for their purchases of domestic steel, 28 reported no change in domestic lead times, and four reported decreased domestic lead times. Stainless rod purchasers were asked to identify actions taken by domestic producers since March 20, 2002 to make a positive adjustment to import competition.<sup>5</sup> Of 60 responding purchasers, 34 purchasers did not indicate that producers had taken any such actions. However, 6 of 60 responding purchasers reported that domestic producers had introduced new or innovative products, 7 reported that domestic producers had improved product quality, 8 reported that domestic producers had expanded marketing efforts, 10 reported that domestic producers had improved customer service, and 10 reported that domestic producers had made other positive adjustment efforts.

Based on data compiled in this investigation, U.S. stainless rod producers' capacity utilization was \*\*\* percent and their inventories as a percentage of total shipments were \*\*\* percent during April 2002-March 2003. Exports accounted for \*\*\* percent of total shipments.

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<sup>5</sup> Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

## Changes in Import Supply

Total imports of stainless rod declined by 31.6 percent between the periods April 2001-March 2002 and April 2002-March 2003; imports of stainless rod from covered countries fell by 36.9 percent and imports of stainless rod from noncovered countries increased by 109.8 percent. The U.S. market share accounted for by imports of stainless rod from covered countries fell from \*\*\* percent in April 2001-March 2002 to \*\*\* percent in April 2002-March 2003. The U.S. market share accounted for by imports of stainless rod from noncovered countries increased from \*\*\* percent in April 2001-March 2002 to \*\*\* percent in April 2002-March 2003.<sup>6</sup>

As shown in table STAINLESS III-3, with the exceptions of efforts to increase product availability and new foreign suppliers, the majority of stainless rod importers reported no changes in their marketing practices since March 20, 2002.

Covered country producers' capacity, capacity utilization, U.S. export shipments as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003 are shown in table STAINLESS III-4.<sup>7</sup>

## Timeline

Figure STAINLESS-III-1 shows monthly shipments of stainless rod products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data for domestic producers depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include monthly data). Import data are consistent with those in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shut downs (shown below the line) and start ups or restarts (shown above the line). Also shown above the line are significant safeguard dates.

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<sup>6</sup> See tables STAINLESS III-7 and STAINLESS III-10.

<sup>7</sup> No foreign producers from noncovered sources provided the Commission with information on its stainless rod operations.

**Table STAINLESS III-3**

**Stainless rod: U.S. importer responses to questions regarding firms' activities since March 20, 2002**

Marketing practice	Number of importers reporting		
	No	Yes	
Efforts to increase product availability	5	15	
Change in geographic market	21	0	
Change in channels of distribution	15	2	
Change in share of sales from inventory	17	2	
Change in average lead times from inventory	14	1	
Change in average lead times from production	16	3	
Change in product range	19	2	
Change in demand for or production of alternate products	18	1	
Importing of steel from foreign producers from which previously have not imported	4	15	
	Increased	Decreased	Stayed same
Change in order backlogs	1	9	10
Change in on-time shipping percentage	1	3	17

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

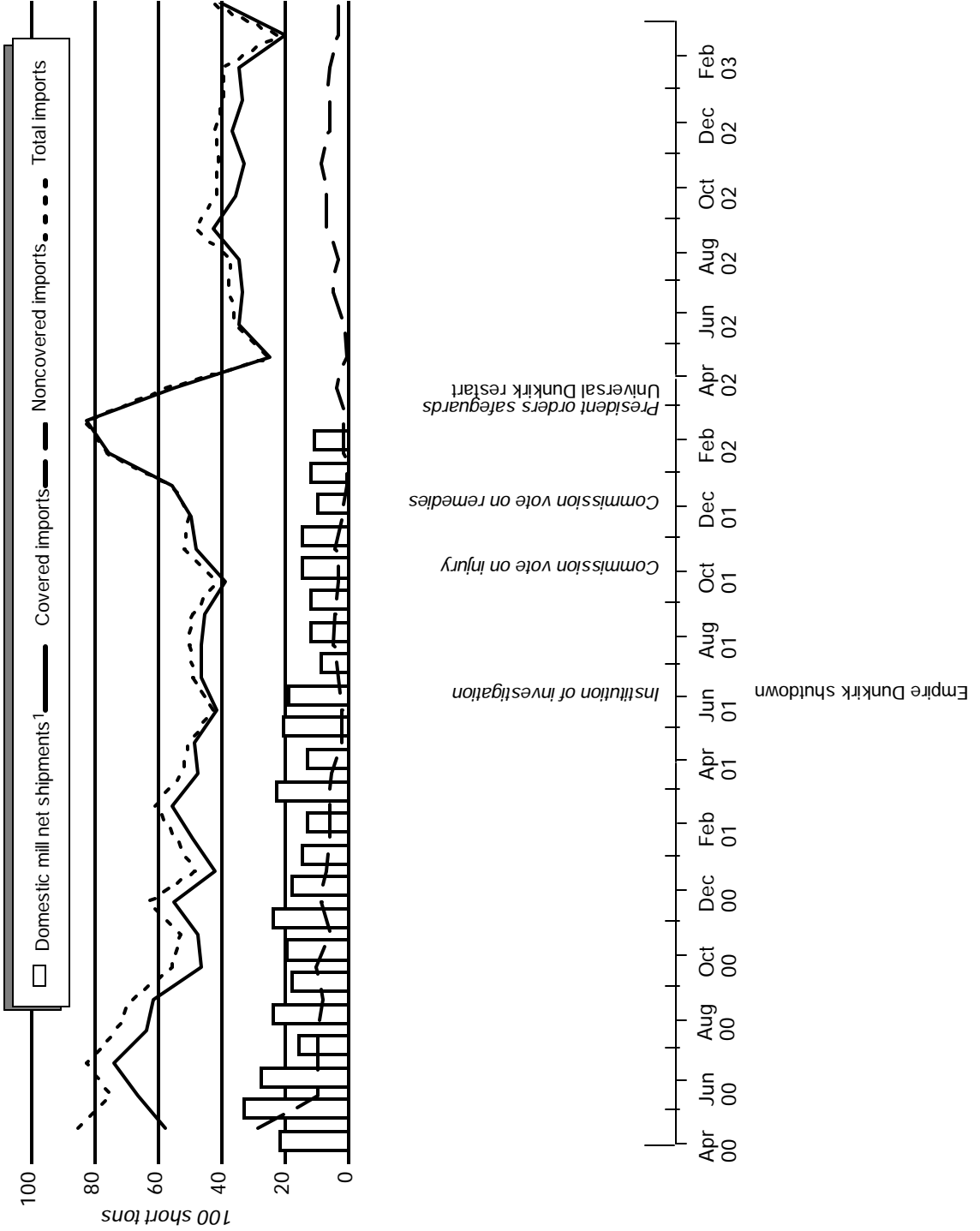
**Table STAINLESS III-4**

**Stainless rod: Covered country producers' capacity, capacity utilization, export shipments to the United States as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003**

Source	Capacity	Capacity utilization	Exports to United States/ total shipments	Inventories/ total shipments
	Short tons	Percent		
Covered	609,988	87.2	4.0	4.6

Source: Compiled from data submitted in response to Commission questionnaires

**Figure STAINLESS III-1**  
**Stainless steel rod: Monthly imports and monthly domestic mill net shipments, facility shutdowns and restarts, and investigation milestones, April 2000-March 2003**



<sup>1</sup> Domestic mill shipments, excluding shipments to reporting companies. Shipment data for March 2002-March 2003 are not available. Source: Official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

## U.S. INDUSTRY DATA

Table STAINLESS III-5 presents information on U.S. stainless rod producers' capacity, production, shipments, inventories, and employment.<sup>8</sup> The Commission received usable questionnaire responses from four stainless rod producers that are believed to account for a substantial share of U.S. production capacity during the period April 2002-March 2003.<sup>9</sup> One firm, \*\*\*, reported calendar-year 2000 production capacity in the section 201 investigation but did not provide data in this investigation.<sup>10</sup>

As presented in table STAINLESS III-5, reporting U.S. producers' aggregate output-related indicators rose in the period April 2002 to March 2003. In the first relief year, the domestic industry's capacity increased by \*\*\* percent, production increased by \*\*\* percent, and U.S. shipments increased by \*\*\* percent.<sup>11</sup> While reported capacity was \*\*\* percent higher than in the period from April 2000 to March 2001, reported production and U.S. shipments were lower by \*\*\* percent and \*\*\* percent, respectively.<sup>12</sup> Capacity utilization increased from \*\*\* percent to \*\*\* percent in the period April 2002 to March 2003, but was below the \*\*\* percent level of the period from April 2000 to March 2001. The number of production and related workers employed increased by \*\*\* percent in the period April 2002 to March 2003, but was \*\*\* percent lower than in the period from April 2000 to March 2001. Productivity increased by \*\*\* percent in the period April 2002 to March 2003; productivity gains, combined with a relatively stable hourly wage rate resulted in declining unit labor costs in that period.

### Table STAINLESS III-5

**Stainless rod: U.S. producers' capacity, production, shipments, inventories, and employment data, April 2000-March 2003**

\* \* \* \* \*

## FINANCIAL DATA

Financial data provided by U.S. producers, concerning stainless rod, are presented in table STAINLESS III-6.

The Commission asked U.S. producers to provide data for CDSOA (Byrd Amendment) funds received, pension expense or credit, and other post employment benefits, and to state in which line of the results of operations data they were included. Three out of four firms reported receiving CDSOA (Byrd Amendment) funds for stainless rod operations. Commission staff reclassified all reported CDSOA funds received to "other income." None of the firms reported pension expenses or other post employment benefits for stainless rod operations.

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<sup>8</sup> \*\*\*.

<sup>9</sup> \*\*\*. As a result, all stainless rod data are confidential.

<sup>10</sup> \*\*\*.

<sup>11</sup> The value of the domestic industry's U.S. shipments increased by \*\*\* percent, reflecting a decrease in the average unit value of such shipments. Both the value and the average unit value of such shipments were markedly lower than in the period April 2000 to March 2001.

<sup>12</sup> As noted above, Universal Stainless and Alloy's predecessor Empire Specialty Steel closed in June 2001 and did not re-open in its current corporate status until February 2002. The closure of a mill such Empire Specialty Steel and its corresponding absence from the data collected would tend to overstate a trend of increasing shipments (or other volume-related measures), or understate a trend of declining shipments (or other volume-related measures), over the period examined.

As presented in table STAINLESS III-6, reporting U.S. producers' net commercial sales increased on both a quantity and a value basis in the period April 2002 to March 2003, following declines in the previous 12-month period, and were higher than the levels reported in the period April 2000 to March 2001. In the first relief year, the domestic industry's average unit values for commercial sales decreased from \$\*\*\* to \$\*\*\*, and were below the \$\*\*\* average unit value for the period from April 2000 to March 2001.

**Table STAINLESS III-6**  
**Stainless rod: Results of operations of U.S. producers, April 2000-March 2003**

\* \* \* \* \*

COGS decreased more on a unit basis than did average unit values. In the period April 2002 to March 2003, unit raw materials costs increased sharply, but unit labor and other factory costs declined.<sup>13</sup> Because unit revenues fell less than unit costs, and sales volume increased, the industry's financial performance improved in the period April 2002 to March 2003, although it continued to operate \*\*\*. Its operating margin improved from \*\*\* percent to \*\*\* percent. The latter margin, however, remained below the industry's \*\*\* percent operating margin in the period from April 2000 to March 2001.

### U.S. IMPORTS

Table STAINLESS III-7 presents data on U.S. imports of stainless rod by sources for the period April 2000-March 2003. Table STAINLESS III-8 presents data on U.S. imports from covered sources, by tariff categories, during April 2002-March 2003. Table STAINLESS III-9 presents U.S. importers' U.S. shipments and end-of-period inventories for the April 2000-March 2003 period.

In the period April 2002 to March 2003, total imports, as well as imports from covered sources, declined, while imports from sources not covered by the safeguard measure increased. The quantity of total imports declined from 66,691 short tons to 45,610 short tons. Imports from countries covered by the safeguard measure declined from 64,283 short tons to 40,558 short tons. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 2,408 short tons to 5,052 short tons.<sup>14</sup> India was the only source not covered by the measure from which imports increased.

### APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on apparent U.S. consumption and market shares of stainless rod are presented in table STAINLESS III-10 and figure STAINLESS III-2.

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<sup>13</sup> Per short ton, raw material costs decreased from \$\*\*\* in April 2000-March 2001 to \$\*\*\* in April 2001-March 2002, and then increased to \$\*\*\* in April 2002-March 2003. See section entitled *Financial Data* in Part II of this chapter for a discussion of increases in input costs reported by stainless bar producers (and equally applicable to the production of stainless rod).

<sup>14</sup> The value of U.S. imports from covered sources declined less steeply than the quantity, as the average unit value of such imports increased by 9.5 percent in the first relief year. The value of U.S. imports from noncovered sources increased less steeply than the quantity, as the average unit value of such imports decreased by 13.3 percent. The average unit values of all imports increased by 7.1 percent in the first 12 months of the section 203 safeguard measure, but was 4.8 percent lower than in the period April 2000 to March 2001.

**Table STAINLESS III-7**  
**Stainless rod: U.S. imports, by sources, April 2000-March 2003**

Item	April 2000- March 2001	April 2001- March 2002	April 2002- March 2003	Period change from period 2 to period 3
	<b>Quantity (short tons)</b>			<b>Percent</b>
Covered sources	67,642	64,283	40,558	-36.9
Noncovered sources: <sup>1</sup>				
India	7,696	2,044	5,052	147.1
All others	3,157	364	( <sup>2</sup> )	-100.0
Subtotal (noncovered)	10,852	2,408	5,052	109.8
Total (all imports)	78,495	66,691	45,610	-31.6
	<b>Landed, duty paid value (\$1,000)</b>			
Covered sources	133,622	108,548	74,975	-30.9
Noncovered sources: <sup>1</sup>				
India	13,157	3,074	7,542	145.3
All others	2,451	1,075	2	-99.8
Subtotal (noncovered)	15,608	4,149	7,545	81.8
Total (all imports)	149,230	112,697	82,520	-26.8
	<b>Unit value (per short ton)</b>			
Covered sources	\$1,975	\$1,689	\$1,849	9.5
Noncovered sources: <sup>1</sup>				
India	1,710	1,504	1,493	-0.7
All others	776	2,954	30,970	948.5
Average (noncovered)	1,438	1,723	1,493	-13.3
Average (all imports)	1,901	1,690	1,809	7.1
	<b>Share of total imports based on quantity (percent)</b>			<b>Percentage point</b>
Covered sources	86.2	96.4	88.9	-7.5
Noncovered sources: <sup>1</sup>				
India	9.8	3.1	11.1	8.0
All others	4.0	0.5	( <sup>3</sup> )	-0.5
Subtotal (noncovered)	13.8	3.6	11.1	7.5
Total (all imports)	100.0	100.0	100.0	0.0
	<b>Ratio of imports to production (percent)</b>			
Covered sources	***	***	***	***
Noncovered sources <sup>1</sup>	***	***	***	***
Total	***	***	***	***
<sup>1</sup> Noncovered sources accounting for 3 percent or more of total U.S. imports (based on quantity) in April 2002-March 2003 are presented separately. <sup>2</sup> Less than 0.5 short tons. <sup>3</sup> Less than 0.05 percent.				
Note—Because of rounding, figures may not add to totals shown.				
Source: Compiled from official statistics of Commerce.				

**Table STAINLESS III-8**

**Stainless rod: U.S. imports from covered sources, by tariff categories, April 2002-March 2003**

\* \* \* \* \*

**Table STAINLESS III-9**

**Stainless rod: U.S. importers' U.S. shipments and end-of-period inventories, April 2000-March 2003**

Item	April 2000- March 2001	April 2001- March 2002	April 2002- March 2003
	<b>Quantity (short tons)</b>		
Covered sources:			
U.S. shipments of imports	37,950	35,924	24,367
End-of-period inventories	5,661	7,133	4,691
Noncovered sources:			
U.S. shipments of imports	4,556	1,557	4,736
End-of-period inventories	775	360	357
Total:			
U.S. shipments of imports	42,506	37,481	29,103
End-of-period inventories	6,436	7,493	5,048
	<b>Ratio of inventories to U.S. shipments of imports (percent)</b>		
Covered sources	14.9	19.9	19.2
Noncovered sources	17.0	23.1	7.5
Average	15.1	20.0	17.3
Note—Because of rounding, figures may not add to totals shown.			
Source: Compiled from data submitted in response to Commission questionnaires.			



**Table STAINLESS III-10**

**Stainless rod: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, April 2000-March 2003**

Item	April 2000- March 2001	April 2001- March 2002	April 2002- March 2003
<b>Quantity (short tons)</b>			
U.S. producers' U.S. shipments	***	***	***
U.S. imports from:			
Covered sources	67,642	64,283	40,558
Noncovered sources	10,852	2,408	5,052
Total U.S. imports	78,495	66,691	45,610
Apparent U.S. consumption	***	***	***
<b>Value (\$1,000)</b>			
U.S. producers' U.S. shipments	***	***	***
U.S. imports from:			
Covered sources	133,622	108,548	74,975
Noncovered sources	15,608	4,149	7,545
Total U.S. imports	149,230	112,697	82,520
Apparent U.S. consumption	***	***	***
<b>U.S. market share based on quantity (percent)</b>			
U.S. producers' U.S. shipments	***	***	***
U.S. imports from:			
Covered sources	***	***	***
Noncovered sources	***	***	***
Total U.S. imports	***	***	***
<b>U.S. market share based on value (percent)</b>			
U.S. producers' U.S. shipments	***	***	***
U.S. imports from:			
Covered sources	***	***	***
Noncovered sources	***	***	***
Total U.S. imports	***	***	***
Note—Because of rounding, figures may not add to totals shown.			
Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.			

**Figure STAINLESS III-2**

**Stainless rod: Apparent U.S. consumption, by sources, April 2000-March 2003**

\* \* \* \* \*

As discussed in the section of this chapter entitled *Market Environment*, in the period April 2002 to March 2003, demand in the primary market sectors for stainless rod generally declined, and most of the responding U.S. stainless rod producers and importers agreed that demand for steel has decreased since March 2002. As presented in table STAINLESS II-10, the data gathered by the Commission in this investigation indicate that the quantity of apparent U.S. consumption of stainless rod decreased by \*\*\* percent in the period April 2002 to March 2003, and at the conclusion of this period was \*\*\* percent below the level of the period from April 2000 to March 2001.<sup>15</sup>

In the period April 2002 to March 2003, the domestic industry increased its share of the U.S. market from \*\*\* percent to \*\*\* percent. Imports from covered countries saw their market share decrease from \*\*\* percent to \*\*\* percent, while imports from noncovered countries saw their market share increase from \*\*\* percent to \*\*\* percent.

## **PRICING AND RELATED INFORMATION**

### **Factors Affecting Prices**

#### **Producer, Importer, and Purchaser Responses**

U.S. stainless rod producers and importers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table STAINLESS III-11 and STAINLESS III-12). U.S. stainless rod purchasers were also asked to report the importance of these factors, and to indicate whether they have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table STAINLESS III-13).

The four factors rated most important by U.S. stainless rod producers were: changes in demand for steel within the United States; changes in the level of competition from imports from excluded countries; changes in the level of competition from imports from non-excluded countries; and changes in the cost of raw materials. The three factors rated most important by stainless rod importers were: changes in demand for steel; changes in the level of competition by imports; and changes in competition between U.S. producers. The three factors rated most important by stainless rod purchasers were: changes in demand for steel within the United States; changes in U.S. production capacity; and changes in the cost of raw materials.<sup>16</sup>

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<sup>15</sup> As noted above, Universal Stainless and Alloy's predecessor Empire Specialty Steel closed in June 2001 and did not re-open in its current corporate status until February 2002. The closure of a mill such as Empire Specialty Steel and its corresponding absence from the data collected would tend to overstate a trend of increasing shipments (or other volume-related measures), or understate a trend of declining shipments (or other volume-related measures), over the period examined.

<sup>16</sup> Available information indicates that U.S. demand for stainless rod has declined since March 20, 2002. Most U.S. producers and importers reported that U.S. demand for stainless rod has decreased since March 20, 2002. Apparent U.S. consumption of stainless rod decreased by \*\*\* percent between April 2001-March 2002 and April 2002-March 2003 (table STAINLESS III-10). However, apparent U.S. consumption of stainless steel wire, a downstream product of stainless rod, increased by 7.8 percent between April 2001-March 2002 and April 2002-March 2003 (table STAINLESS IV-10). Manufacturers' shipments of metalworking machinery, a proxy variable for downstream stainless rod demand, fell by 9.5 percent (table OVERVIEW II-1).

Unit raw materials costs for stainless rod increased by \*\*\* percent between April 2001-March 2002 and April 2002-March 2003. Nickel prices increased by 26.4 percent since April 2002 (figure OVERVIEW II-13). Imports of stainless rod from covered sources fell by 36.9 percent between April 2001-March 2002 and April 2002-March 2003, whereas stainless rod imports from noncovered sources increased sharply by 109.8 percent during the

(continued...)

**Table STAINLESS III-11**

**Stainless rod: As reported by *producers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002**

Item	Importance <sup>1</sup>	Influence of factors <sup>2</sup>		
	Ranking	I	N	D
Changes in demand for steel within the United States	1.0	0	0	4
Changes in the level of competition from imports from excluded countries	1.0	2	0	2
Changes in the level of competition from imports from non-excluded countries	1.0	2	1	1
Changes in the cost of raw materials	1.0	2	2	0
Changes in U.S. production capacity	1.5	0	2	2
Changes in competition between U.S. producers	1.8	0	1	3
Changing market patterns	1.8	1	1	2
Changes in energy costs	2.0	2	2	0
Changes in the productivity of domestic producers	3.3	0	3	1
Changes in transportation/delivery cost changes	3.3	1	3	0
Changes in demand for steel outside the United States	3.5	1	3	0
Changes in the level of competition from substitute products	3.8	0	4	0
Changes in the allocation of production capacity to alternate products	3.8	0	4	0
Changes in labor agreements, contracts, etc.	4.0	0	4	0

<sup>1</sup> The numbers in this column represent the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

<sup>2</sup> The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

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

<sup>16</sup> (...continued)

same time frame, but still remained only about one half of its April 2000-March 2001 level. Total imports declined by 31.6 percent in the first year of relief (table STAINLESS III-7). U.S. stainless rod producers' capacity increased \*\*\* percent, while capacity utilization increased \*\*\* between April 2001-March 2002 and April 2002-March 2003 (table STAINLESS III-5).

**Table STAINLESS III-12**

**Stainless rod: As reported by *importers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002**

Item	Importance <sup>1</sup>	Influence of factors <sup>2</sup>		
	Ranking	I	N	D
Changes in demand for steel	1.5	0	3	14
Changes in the level of competition by imports	1.8	8	9	4
Changes in competition between U.S. producers	1.9	5	8	8
Changes in the cost of raw materials	2.1	12	8	1
Changes in U.S. production capacity	2.2	7	9	5
Changes in the productivity of domestic producers	2.7	1	15	3
Changing market patterns	2.8	3	14	2
Changes in transportation/delivery cost changes	2.8	9	9	0
Changes in energy costs	2.9	11	10	0
Changes in labor agreements, contracts, etc.	3.1	0	19	0
Changes in the level of competition from substitute products	3.4	3	18	0
Changes in the allocation of production capacity to alternate products	3.6	2	19	0

<sup>1</sup> The numbers in this column represent the average ranking of each factor by responding importers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

<sup>2</sup> The numbers in these columns represent the number of responding importers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note—Not all importers answered for all of the factors.

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

**Table STAINLESS III-13**

**Stainless rod: As reported by purchasers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002**

Item	Importance <sup>1</sup>	Influence of factors <sup>2</sup>		
	Ranking	I	N	D
Changes in demand for steel within the United States	1.7	7	19	27
Changes in U.S. production capacity	1.7	18	24	9
Changes in the cost of raw materials	1.7	32	17	1
Changes in competition between U.S. producers	1.8	21	23	10
Changes in energy costs	2.0	36	17	0
Changes in the level of competition from imports from non-excluded countries	2.0	15	21	13
Changes in transportation/delivery cost changes	2.1	39	15	0
Changes in demand for steel outside the United States	2.1	21	21	6
Changing market patterns	2.2	12	25	10
Changes in the productivity of domestic producers	2.5	8	35	8
Changes in labor agreements, contracts, etc.	2.6	10	33	5
Changes in the level of competition from imports from excluded countries	2.7	14	30	8
Changes in the level of competition from substitute products	3.0	7	43	1
Changes in the allocation of production capacity to alternate products	3.1	3	42	2

<sup>1</sup> The numbers in this column represent the average ranking of each factor by responding purchasers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

<sup>2</sup> The numbers in these columns represent the number of responding purchasers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note—Not all purchasers answered for all of the factors.

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

## Pricing Practices

Nearly all responding U.S. stainless rod producers and importers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 20, 2002. Two of three responding U.S. stainless rod producers and 15 of 17 responding stainless rod importers reported that there has not been a change in the share of their sales that is on a contract vis-a-vis a spot basis. Three of four U.S. stainless rod producers and 5 of 12 stainless rod importers reported that contract prices tend to follow a similar trend as spot prices, although several noted that contract prices tended to lag spot prices and are not as volatile.

## Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' and importers' sales of the following stainless rod product during April 2000-March 2003:

***Product 13***—Grade AISI 304 wire rod, 5.5 mm (0.217") diameter, hot-rolled, annealed, and pickled. This commodity product is used by wire drawers to produce stainless steel wire and wire products such as mesh screens.

Reported pricing data accounted for 5.7 percent of the quantity of U.S. producers' U.S. commercial shipments of stainless rod, 11.9 percent of total imports, and 10.1 percent and 28.6 percent, respectively of U.S. imports of covered and noncovered stainless rod during April 2000-March 2003.

Weighted-average prices, margins of underselling/overselling, and quantities sold of U.S.-produced, covered imported, and noncovered imported stainless rod are shown in table STAINLESS III-14. Weighted-average prices of U.S.-produced, covered imported, and noncovered imported stainless rod are also shown in figure STAINLESS III-3. A summary of the price data is shown in table STAINLESS III-15 and summaries of the margins of underselling/overselling of imports from covered and noncovered sources are shown in tables STAINLESS III-16 and STAINLESS III-17, respectively.

Quarterly prices for the domestically produced stainless rod product for which the Commission collected pricing data declined by 9.4 percent from the first quarter of 2002 to the first quarter of 2003, and the first quarter 2003 price was 20.8 percent below that of the second quarter of 2000. Prices increased by 13.6 percent from the first quarter of 2002 to the first quarter of 2003 for imports of this product from sources covered by the safeguard measure, but decreased by 11.4 percent for imports of this product from sources not covered. In the period April 2002 to March 2003, imports from sources covered by the safeguard measure oversold the domestically produced product in 3 of 4 comparisons, while imports from sources not covered undersold the domestically produced product in every quarterly comparison.

**Table STAINLESS III-14**  
**Stainless rod: Weighted-average price and quantity data for U.S.-produced and imported product 13 from covered sources and noncovered sources, and margins of underselling), by quarters, April 2000-March 2003**

\* \* \* \* \*

Figure STAINLESS III-3

Stainless rod: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 13, April 2000-March 2003

\* \* \* \* \*

Table STAINLESS III-15

Stainless rod: Change in quarterly prices of U.S. product, imports from covered sources, and imports from noncovered sources, by product

Product	United States		Imports from covered sources		Imports from noncovered sources	
	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003
<i>Percent</i>						
13	-20.8	-9.4	-8.9	13.6	-1.1	-11.4

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

Table STAINLESS III-16

Stainless rod: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from covered sources, by product, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		<i>Percent</i>	<i>Percent</i>			<i>Percent</i>
13	9	21.4	0.7	3	6.1	2.3

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

Table STAINLESS III-17

Stainless rod: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from noncovered sources, by product, April 2000-March 2003

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		<i>Percent</i>	<i>Percent</i>			<i>Percent</i>
13	11	40.7	2.4	1	4.9	4.9

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





## PART IV: INDUSTRY AND MARKET DATA (STAINLESS WIRE)

### DESCRIPTION AND USES

Stainless steel wire (stainless wire) is produced by drawing stainless rods through a die or a series of dies, thereby reducing the diameter of the rod and creating wire. Stainless wire is used in the chemical, petroleum, medical instruments, paper-pulp, and food processing industries as well as in the production of household appliances, nails, and staples. HTS statistical reporting numbers for subject stainless wire are presented in table STAINLESS IV-1.

**Table STAINLESS IV-1**  
**Stainless wire: Subject HTS statistical reporting numbers**

Item	Statistical reporting numbers			
Stainless wire <sup>1</sup>	7223.00.1015	7223.00.1045	7223.00.1075	7223.00.9000
	7223.00.1030	7223.00.1060	7223.00.5000	

<sup>1</sup> The temporary HTS subheadings for stainless wire established by proclamation or delegated authority pursuant to trade legislation are:  
(1) 9903.78.10 through 9903.78.16 for products excluded from the section 203 remedy, and  
(2) 9903.74.22, 9903.74.23, and 9903.74.24 for products not excluded from relief and incurring, respectively, 8 percent *ad valorem* additional tariffs through March 19, 2003, 7 percent additional tariffs through March 19, 2004, and 6 percent additional tariffs through March 20, 2005.

Source: Harmonized Tariff Schedule of the United States (2003).

### MARKET ENVIRONMENT

#### Changes in U.S. Demand

Stainless wire products are used in the chemical, petroleum, medical instruments, paper-pulp, and food processing industries as well as in the production of household appliances, nails, and staples. As shown in section OVERVIEW II, the value of U.S. manufacturers' shipments of metalworking machinery decreased by 9.5 percent between the first quarter of 2002 and the first quarter of 2003 (table OVERVIEW II-1).

The data collected by the Commission (which do not include 100 percent of U.S. production) indicate that apparent U.S. consumption of stainless wire products decreased by 12.4 percent from April 2000-March 2001 to April 2001-March 2002, then increased by 7.8 percent in April 2002-March 2003, but still remained 5.5 percent below the April 2000-March 2001 period.

Nine of 12 responding U.S. stainless wire producers and 18 of 23 responding stainless wire importers reported that U.S. demand for stainless wire products has decreased since March 20, 2002.<sup>1</sup> U.S. stainless wire producers that reported decreased demand generally cited the slowing U.S. economy, particularly weakness in the manufacturing sector. Stainless wire importers that reported decreased

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<sup>1</sup> Three producers reported that demand has remained the same. Four importers reported that demand has remained the same, and one reported that demand has increased.

demand generally cited the slowing U.S. economy and greater competition for end products using stainless wire products.<sup>2</sup>

Thirteen of 14 responding U.S. stainless wire producers and 20 of 23 responding stainless wire importers reported that there have been no changes in the types of substitute products since March 20, 2002.

### Changes in U.S. Supply

AL Tech Specialty Steel, a producer of stainless steel bar, rod, wire, and seamless tube, filed for bankruptcy in December 1997. AL Tech Specialty Steel emerged from bankruptcy in November 1999 as Empire Specialty Steel. Empire Specialty Steel shut down its operations in June 2001. Empire Specialty Steel's operating assets were acquired by Universal Stainless and Alloy Products in February 2002 and restarted in March 2002.<sup>3</sup>

As shown in table STAINLESS IV-2, with the exceptions of efforts to increase product availability and decreasing order backlogs, the majority of stainless wire producers reported no changes in their marketing practices since March 20, 2002.

**Table STAINLESS IV-2**  
**Stainless wire: U.S. producer responses to questions regarding firms' activities since March 20, 2002**

Marketing practice	Number of producers reporting		
	No	Yes	
Efforts to increase product availability	7	8	
Change in geographic market	14	1	
Change in channels of distribution	13	1	
Change in share of sales from inventory	12	3	
Change in average lead times from inventory	9	2	
Change in average lead times from production	7	5	
Change in product range	9	6	
Change in demand for or production of alternate products	13	2	
	Increased	Decreased	Stayed same
Change in order backlogs	7	10	2
Change in on-time shipping percentage	4	2	9

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

<sup>2</sup> A domestic producer characterized stainless steel demand as relatively low. He did not anticipate demand increasing during the next three to six months. Testimony of Michael Shor, Senior Vice-President, Carpenter Technology Corp., transcript of Commission hearing (July 10, 2003) at 99 and 123. One respondent cited a downturn in the U.S. economy and in the steel consuming industries. Testimony of Christopher Ryan, counsel to Arcelor, transcript of Commission hearing (July 10, 2003) at 153. Another respondent maintained that the United States is in the down part of a business cycle, whereas the rest of the world is not. In particular, he cited very strong demand in Asia. Testimony of Charles Blum, representative of the European Confederation of Iron and Steel Industries, transcript of Commission hearing (July 10, 2003) at 165.

<sup>3</sup> See table STAINLESS I-3.

Nineteen of the 50 responding stainless wire purchasers reported experiencing difficulties procuring steel in the quantities necessary to meet their needs since March 20, 2002. Twenty-five of 46 responding stainless wire purchasers reported no change in lead times for their purchases of domestic steel, 19 reported increased domestic lead times, and two reported decreased domestic lead times. Stainless wire purchasers were asked to identify actions taken by domestic producers since March 20, 2002 to make a positive adjustment to import competition.<sup>4</sup> Of 51 responding purchasers, 27 purchasers did not indicate that producers had taken any such actions. However, a few responding purchasers reported that domestic producers had; introduced new or innovative products; improved product quality; expanded marketing efforts; improved customer service; and made other positive adjustment efforts.<sup>5</sup>

Based on data collected in this investigation, U.S. stainless wire producers' capacity utilization was 51.5 percent and their inventories as a percentage of total shipments were 16.9 percent during April 2002-March 2003. Exports accounted for 1.7 percent of total shipments.

### **Changes in Import Supply**

Total imports of stainless wire increased by 6.3 percent between the periods April 2001-March 2002 and April 2002-March 2003; imports of stainless wire from covered countries fell by 6.5 percent and imports of stainless wire from noncovered countries increased by 81.6. The U.S. market share accounted for by imports of stainless wire from covered countries fell from 40.1 percent in April 2001-March 2002 to 34.8 percent in April 2002-March 2003. The U.S. market share accounted for by imports of stainless wire from noncovered countries increased from 6.8 percent in April 2001-March 2002 to 11.4 percent in April 2002-March 2003.<sup>6</sup>

As shown in table STAINLESS IV-3, the majority of stainless wire importers reported no changes in their marketing practices since March 20, 2002.

Covered country producers' capacity, capacity utilization, U.S. export shipments as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003 are shown in table STAINLESS IV-4.<sup>7</sup>

### **Timeline**

Figure STAINLESS-IV-1 shows monthly shipments of stainless wire products by U.S. producers, and total imports as well as imports separately from countries subject to the safeguard measures and countries exempt from the safeguard measures, along with a timeline of significant events that may have influenced the market environment. Shipment data depicted in the graph are from the American Iron and Steel Institute, and differ somewhat from shipment data presented elsewhere in this report, which are based on questionnaire data (which do not include monthly data). Import data are consistent with those

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<sup>4</sup> Purchasers were asked to indicate whether domestic producers had taken any of the following actions: introduction of new or innovative product, improved product quality, expansion of marketing efforts including e-commerce, improvements in customer service, and other efforts to make a positive adjustment to import competition.

<sup>5</sup> Some purchasers reported more than one of these actions.

<sup>6</sup> See tables STAINLESS IV-7 and STAINLESS IV-10.

<sup>7</sup> No foreign producers from noncovered sources provided the Commission with information on its stainless wire operations.

in other tables presented in this report. The timeline showing significant events includes significant supply changes due to shut downs (shown below the line) and start ups or restarts (shown above the line). Also shown above the line are significant safeguard dates.

**Table STAINLESS IV-3**

**Stainless wire: U.S. importer responses to questions regarding firms' activities since March 20, 2002**

Marketing practice	Number of importers reporting		
	No	Yes	
Efforts to increase product availability	23	7	
Change in geographic market	31	0	
Change in channels of distribution	19	4	
Change in share of sales from inventory	22	3	
Change in average lead times from inventory	20	1	
Change in average lead times from production	19	5	
Change in product range	25	6	
Change in demand for or production of alternate products	25	3	
Importing of steel from foreign producers from which previously have not imported	21	7	
	Increased	Decreased	Stayed same
Change in order backlogs	1	14	15
Change in on-time shipping percentage	2	5	24

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

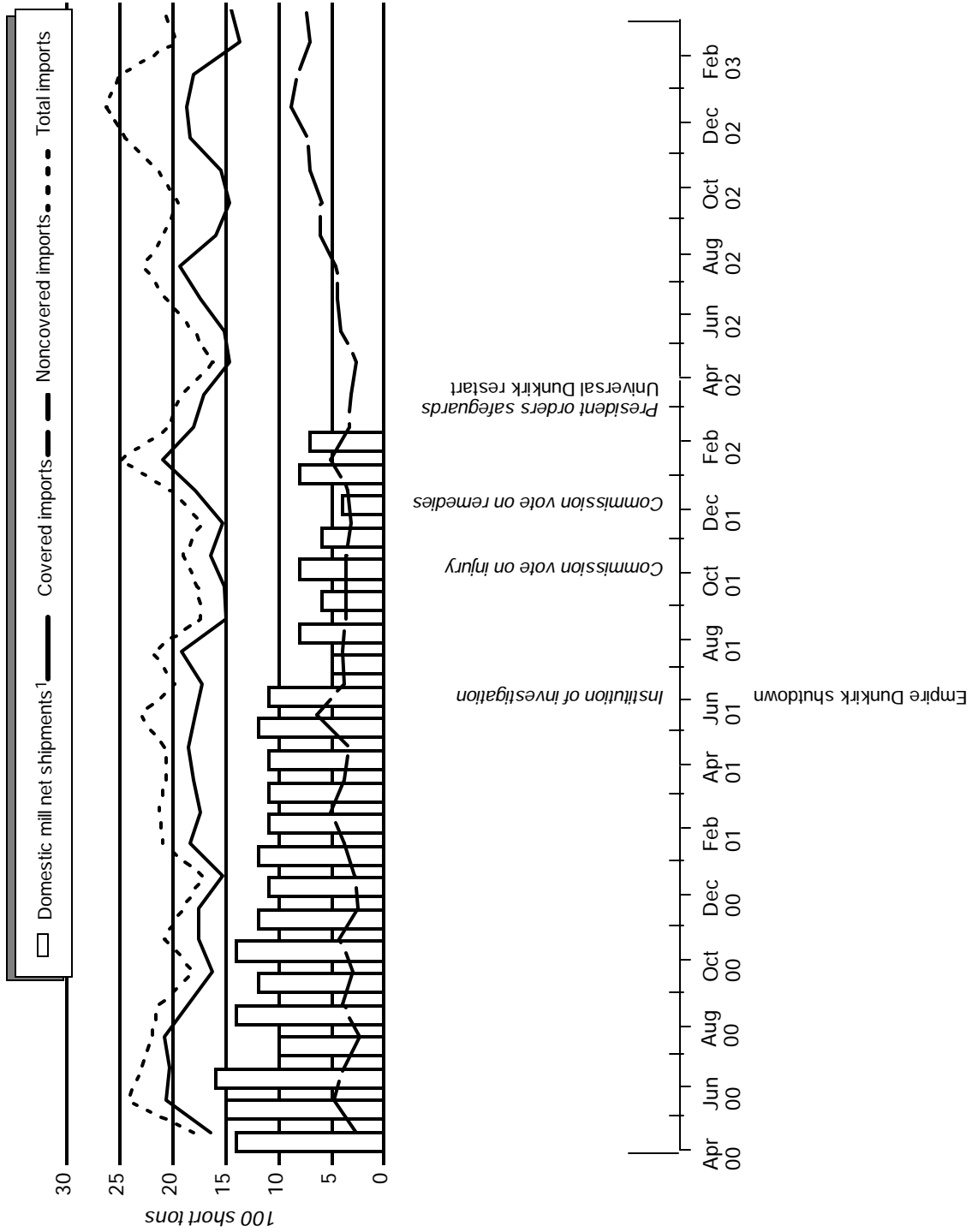
**Table STAINLESS IV-4**

**Stainless wire: Covered country producers' capacity, capacity utilization, export shipments to the United States as a percentage of total shipments, and inventories as a percentage of total shipments during April 2002-March 2003**

Source	Capacity	Capacity utilization	Exports to United States/ total shipments	Inventories/ total shipments
	<i>Short tons</i>	<i>Percent</i>		
Covered	52,270	86.9	5.6	6.9

Source: Compiled from data submitted in response to Commission questionnaires

**Figure STAINLESS IV-1**  
**Monthly imports and monthly domestic mill net shipments, facility shutdowns and restarts, and**  
**Stainless steel wire: investigation milestones, April 2000-March 2003**



<sup>1</sup> Domestic mill shipments, excluding shipments to reporting companies. Shipment data for March 2002-March 2003 are not available.  
 Source: Official statistics of the U.S. Department of Commerce; statistics of the American Iron and Steel Institute, AIS 10 (various months); and publicly available information.

## U.S. INDUSTRY DATA

Table STAINLESS IV-5 presents information on U.S. stainless wire producers' capacity, production, shipments, inventories, and employment. The Commission received usable questionnaire responses from 14 stainless wire producers that are believed to account for a substantial share of U.S. production capacity during the period April 2002-March 2003.<sup>8 9</sup> The following firms reported calendar-year 2000 production capacity in the section 201 investigation but did not provide data in this investigation:<sup>10</sup>

\* \* \* \* \*

As presented in table STAINLESS IV-5, reporting U.S. producers' aggregate output-related indicators increased in the period April 2002 to March 2003. In the first relief year, the domestic industry's capacity increased by 3.1 percent, production increased by 15.0 percent, and U.S. shipments increased by 9.2 percent.<sup>11</sup> While reported capacity was 4.5 percent higher than in the period from April 2000 to March 2001, reported production and U.S. shipments were lower by 13.8 percent and 12.4 percent, respectively.<sup>12</sup> Capacity utilization increased from 46.2 percent to 51.5 percent in the period April 2002 to March 2003, but was below the 62.5 percent level of the period from April 2000 to March 2001. The number of production and related workers employed declined by 8.3 percent in the period April 2002 to March 2003, and was 24.8 percent lower than in the period from April 2000 to March 2001. Productivity, however, increased by 25.6 percent; productivity gains, combined with a more modest increase in the hourly wage rate, resulted in declining unit labor costs in the period April 2002 to March 2003.

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<sup>8</sup> \*\*\*. As a result, all stainless wire data are confidential.

<sup>9</sup> \*\*\*.

<sup>10</sup> One firm, \*\*\*; however, it did not report capacity or production data for stainless wire in its questionnaire responses in this investigation.

<sup>11</sup> The value of the domestic industry's U.S. shipments increased by 4.2 percent, reflecting a decrease in the average unit value of such shipments. Both the value and the average unit value of such shipments were lower than in the period April 2000 to March 2001.

<sup>12</sup> As noted above, Universal Stainless and Alloy's predecessor Empire Specialty Steel closed in June 2001 and did not re-open in its current corporate status until February 2002. The closure of a mill such as Empire Specialty Steel and its corresponding absence from the data collected would tend to overstate a trend of increasing shipments (or other volume-related measures), or understate a trend of declining shipments (or other volume-related measures), over the period examined.

**Table STAINLESS IV-5**

**Stainless wire: U.S. producers' capacity, production, shipments, inventories, and employment data, April 2000-March 2003**

Item	April 2000- March 2001	April 2001- March 2002	April 2002- March 2003
	<b>Quantity (short tons)</b>		
Capacity	72,749	73,686	75,996
Production	45,446	34,079	39,175
Internal consumption/transfers	642	696	859
U.S. commercial shipments	43,573	34,760	37,859
U.S. shipments	44,215	35,456	38,718
Export shipments	892	626	685
Total shipments	45,107	36,082	39,403
Ending inventories	8,751	6,480	6,641
	<b>Value (\$1,000)</b>		
Internal consumption/transfers	3,472	3,421	4,232
U.S. commercial shipments	187,241	144,690	150,133
U.S. shipments	190,713	148,111	154,365
Export shipments	4,537	3,388	3,518
Total shipments	195,250	151,499	157,883
	<b>Unit value (per short ton)</b>		
Internal consumption/transfers	5,408	4,915	4,927
U.S. commercial shipments	4,297	4,163	3,966
U.S. shipments	4,313	4,177	3,987
Export shipments	5,086	5,412	5,136
Total shipments	4,329	4,199	4,007
	<b>Ratios and shares (percent)</b>		
Capacity utilization	62.5	46.2	51.5
U.S. shipments to distributors	18.1	21.9	26.0
U.S. shipments to end users	81.9	78.1	74.0
Inventories/total shipments	19.4	18.0	16.9
	<b>Employment data<sup>1</sup></b>		
PRWs <sup>2</sup> (number)	769	630	578
Hours worked (1,000)	1,552	1,261	1,134
Wages paid (\$1,000)	25,004	19,572	18,608
Hourly wages	\$16.11	\$15.53	\$16.41
Productivity (short tons/1,000 hours)	***	***	***
Unit labor costs (per short ton)	\$***	\$***	\$***
<p><sup>1</sup> ***. Productivity and unit labor costs are calculated using data of firms providing both numerator and denominator information.</p> <p><sup>2</sup> Production and related workers.</p> <p>Note—Because of rounding, figures may not add to the totals shown.</p> <p>Source: Compiled from data submitted in response to Commission questionnaires.</p>			

## FINANCIAL DATA

Financial data provided by U.S. producers, concerning stainless wire, are presented in table STAINLESS IV-6.<sup>13</sup>

The Commission asked U.S. producers to provide data for CDSOA (Byrd Amendment) funds received, pension expense or credit, and other post employment benefits, and to state in which line of the results of operations data they were included. None of the 13 firms reported receiving CDSOA (Byrd Amendment) funds for stainless wire operations. Four firms reported pension expenses for stainless wire operations, all classified in categories of COGS. None of the firms reported other post employment benefits for stainless wire operations.

As presented in table STAINLESS IV-6, reporting U.S. producers' net commercial sales increased on both a quantity and a value basis in the period April 2002 to March 2003, following declines in the previous 12-month period, but were lower than the levels reported in the period April 2000 to March 2001. In the first relief year, the domestic industry's average unit values for commercial sales decreased from \$4,157 to \$3,962, and were below the \$4,286 average unit value for the period from April 2000 to March 2001.

COGS decreased more on a unit basis than did average unit values. In the period April 2002 to March 2003, per-unit raw materials costs, direct labor, and other factory costs all declined.<sup>14</sup> Indeed, according to the U.S. stainless steel long products industry, "also indicative that feedstock prices did not increase over the POI is the fact that U.S. prices for stainless steel rod, the major input for stainless wire, declined significantly over the period of review."<sup>15</sup> <sup>16</sup> Because unit revenues fell less than unit costs, and sales volume increased, the industry's financial performance improved in the period April 2002 to March 2003, although it continued to operate unprofitably. Its operating margin improved from negative 5.5 percent to negative 4.3 percent. The latter margin, however, remained below the industry's 3.6 percent operating margin in the period from April 2000 to March 2001.

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<sup>13</sup> One firm, \*\*\*, did not provide usable financial data.

<sup>14</sup> Per short ton, raw material costs increased from \$1,922 in April 2000-March 2001 to \$1,937 in April 2001-March 2002, and then decreased to \$1,843 in April 2002-March 2003.

<sup>15</sup> Posthearing brief of the domestic stainless steel industry at 27.

<sup>16</sup> Producers making stainless steel rod and then consuming it to produce stainless wire would have the same raw material considerations that were presented in the stainless bar section.



**Table STAINLESS IV-6**

**Stainless wire: Results of operations of U.S. producers, April 2000-March 2003**

Item	April 2000- March 2001	April 2001- March 2002	April 2002- March 2003
<b>Quantity (short tons)</b>			
Net commercial sales	44,283	35,221	38,375
<b>Value (\$1,000)</b>			
Net commercial sales	189,810	146,419	152,025
COGS	161,846	136,154	140,786
Gross profit or (loss)	27,964	10,265	11,239
SG&A expenses	21,138	18,306	17,780
Operating income or (loss)	6,826	(8,041)	(6,541)
Interest expense	5,478	4,374	3,565
Other (income)/expenses, net	(994)	(523)	2,650
Net income or (loss)	2,342	(11,892)	(12,756)
Depreciation/amortization	8,842	8,275	8,841
Cash flow	11,184	(3,617)	(3,915)
CDSOA funds received	0	0	0
Pension (credit)/expense	245	202	241
Other post-employment benefits	0	0	0
Capital expenditures	8,823	7,154	2,646
R&D expenses	950	706	723
<b>Ratio to net commercial sales (percent)</b>			
COGS	85.3	93.0	92.6
Gross profit or (loss)	14.7	7.0	7.4
SG&A expenses	11.1	12.5	11.7
Operating income or (loss)	3.6	(5.5)	(4.3)
Net income or (loss)	1.2	(8.1)	(8.4)
<b>Unit value (per short ton)</b>			
Net commercial sales	\$4,286	\$4,157	\$3,962
COGS total	3,655	3,866	3,669
Raw materials	1,922	1,937	1,843
Direct labor	383	370	322
Other factory costs	1,350	1,558	1,504
Gross profit or (loss)	631	291	293
SG&A expenses	477	520	463
Operating income or (loss)	154	(228)	(170)
<b>Number of firms reporting</b>			
Operating losses	3	9	10
Data	12	12	13
Note—Because of rounding, figures may not add to totals shown.			
Source: Compiled from data submitted in response to Commission questionnaires.			

## U.S. IMPORTS

Table STAINLESS IV-7 presents data on U.S. imports of stainless wire by sources for the period April 2000-March 2003. Table STAINLESS IV-8 presents data on U.S. imports from covered sources, by tariff categories, during April 2002-March 2003. Table STAINLESS IV-9 presents U.S. importers' U.S. shipments and end-of-period inventories during April 2000-March 2003.

In the period April 2002 to March 2003, the quantity of total imports increased from 31,295 short tons to 33,251 short tons. Imports from countries covered by the safeguard measure declined from 26,759 short tons to 25,014 short tons. The quantity of U.S. imports from countries not covered by the safeguard measure increased from 4,535 short tons to 8,236 short tons. Imports from India accounted for 3,259 short tons of the 3,701 short ton increase in imports from noncovered sources in the first relief year.

## APPARENT U.S. CONSUMPTION AND MARKET SHARES

Data on U.S. apparent U.S. consumption and market shares of stainless wire are presented in table STAINLESS IV-10 and figure STAINLESS IV-2.

As discussed in the section of this chapter entitled *Market Environment*, in the period April 2002 to March 2003, demand in the primary market sectors for stainless wire generally declined, and most of the responding U.S. stainless wire producers and importers agreed that demand for steel has decreased since March 2002. As presented in table STAINLESS IV-10, the data gathered by the Commission in this investigation indicate that the quantity of apparent U.S. consumption of stainless wire, in contrast to industry views, increased by 7.8 percent in the period April 2002 to March 2003, but at the conclusion of this period was 5.5 percent below the level of the period from April 2000 to March 2001.<sup>17</sup>

In the first relief year, the domestic industry increased its share of the U.S. market from 53.1 percent to 53.8 percent. Imports from covered countries saw their market share decrease from 40.1 percent to 34.8 percent, while imports from noncovered countries saw their market share increase from 6.8 percent to 11.4 percent.

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<sup>17</sup> As noted above, Universal Stainless and Alloy's predecessor Empire Specialty Steel closed in June 2001 and did not re-open in its current corporate status until February 2002. The closure of a mill such as Empire Specialty Steel and its corresponding absence from the data collected would tend to overstate a trend of increasing shipments (or other volume-related measures), or understate a trend of declining shipments (or other volume-related measures), over the period examined.

**Table STAINLESS IV-7**  
**Stainless wire: U.S. imports, by sources, April 2000-March 2003**

Item	April 2000- March 2001	April 2001- March 2002	April 2002- March 2003	Period change from period 2 to period 3
	<b>Quantity (short tons)</b>			<b>Percent</b>
Covered sources	27,935	26,759	25,014	-6.5
Noncovered sources: <sup>1</sup>				
India	2,842	3,776	7,035	86.3
All others	1,170	759	1,201	58.3
Subtotal (noncovered)	4,012	4,535	8,236	81.6
Total (all imports)	31,947	31,295	33,251	6.3
	<b>Landed, duty paid value (\$1,000)</b>			
Covered sources	109,328	91,702	85,986	-6.2
Noncovered sources: <sup>1</sup>				
India	5,953	6,663	12,206	83.2
All others	3,345	2,058	2,899	40.9
Subtotal (noncovered)	9,298	8,721	15,105	73.2
Total (all imports)	118,626	100,423	101,091	0.7
	<b>Unit value (per short ton)</b>			
Covered sources	\$3,914	\$3,427	\$3,437	0.3
Noncovered sources: <sup>1</sup>				
India	2,095	1,765	1,735	-1.7
All others	2,860	2,710	2,413	-11.0
Average (noncovered)	2,318	1,923	1,834	-4.6
Average (all imports)	3,713	3,209	3,040	-5.3
	<b>Share of total imports based on quantity (percent)</b>			<b>Percentage point</b>
Covered sources	87.4	85.5	75.2	-10.3
Noncovered sources: <sup>1</sup>				
India	8.9	12.1	21.2	9.1
All others	3.7	2.4	3.6	1.2
Subtotal (noncovered)	12.6	14.5	24.8	10.3
Total (all imports)	100.0	100.0	100.0	0.0
	<b>Ratio of imports to production (percent)</b>			
Covered sources	61.5	78.5	63.9	-14.7
Noncovered sources <sup>1</sup>	8.8	13.3	21.0	7.7
Total	70.3	91.8	84.9	-7.0
<sup>1</sup> Noncovered sources accounting for 3 percent or more of total U.S. imports (based on quantity) in April 2002-March 2003 are presented separately.				
Note—Because of rounding, figures may not add to totals shown.				
Source: Compiled from official statistics of Commerce.				

**Table STAINLESS IV-8**

**Stainless wire: U.S. imports from covered sources, by tariff categories, April 2002-March 2003**

\* \* \* \* \*

**Table STAINLESS IV-9**

**Stainless wire: U.S. importers' U.S. shipments and end-of-period inventories, April 2000-March 2003**

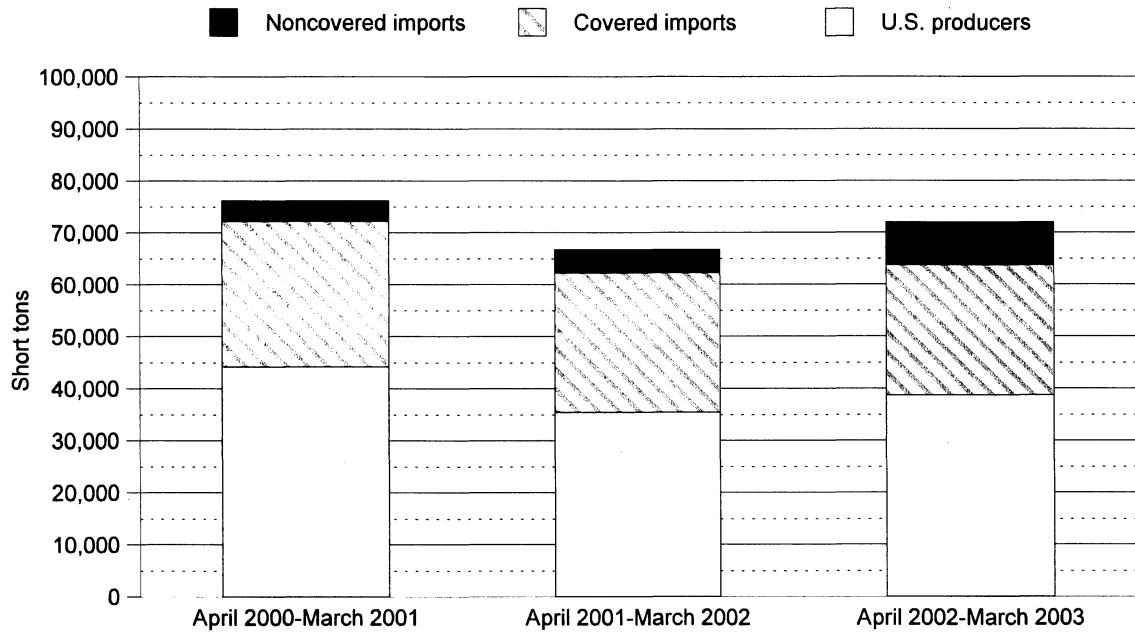
Item	April 2000- March 2001	April 2001- March 2002	April 2002- March 2003
	<b>Quantity (short tons)</b>		
Covered sources:			
U.S. shipments of imports	9,892	7,288	5,196
End-of-period inventories	1,409	1,252	833
Noncovered sources:			
U.S. shipments of imports	7,314	7,745	10,935
End-of-period inventories	485	1,892	1,600
Total:			
U.S. shipments of imports	17,206	15,033	16,131
End-of-period inventories	1,894	3,144	2,433
	<b>Ratio of inventories to U.S. shipments of imports (percent)</b>		
Covered sources	14.2	17.2	16.0
Noncovered sources	6.6	24.4	14.6
Average	11.0	20.9	15.1
Note—Because of rounding, figures may not add to totals shown.			
Source: Compiled from data submitted in response to Commission questionnaires.			

**Table STAINLESS IV-10**

**Stainless wire: U.S. shipments of domestic product, U.S. imports, by sources, apparent U.S. consumption, and market shares, April 2000-March 2003**

<b>Item</b>	<b>April 2000- March 2001</b>	<b>April 2001- March 2002</b>	<b>April 2002- March 2003</b>
	<b>Quantity (short tons)</b>		
U.S. producers' U.S. shipments	44,215	35,456	38,718
U.S. imports from:			
Covered sources	27,935	26,759	25,014
Noncovered sources	4,012	4,535	8,236
Total U.S. imports	31,947	31,295	33,251
Apparent U.S. consumption	76,162	66,751	71,969
	<b>Value (\$1,000)</b>		
U.S. producers' U.S. shipments	190,713	148,111	154,365
U.S. imports from:			
Covered sources	109,328	91,702	85,986
Noncovered sources	9,298	8,721	15,105
Total U.S. imports	118,626	100,423	101,091
Apparent U.S. consumption	309,339	248,534	255,456
	<b>U.S. market share based on quantity (percent)</b>		
U.S. producers' U.S. shipments	58.1	53.1	53.8
U.S. imports from:			
Covered sources	36.7	40.1	34.8
Noncovered sources	5.3	6.8	11.4
Total U.S. imports	41.9	46.9	46.2
	<b>U.S. market share based on value (percent)</b>		
U.S. producers' U.S. shipments	61.7	59.6	60.4
U.S. imports from:			
Covered sources	35.3	36.9	33.7
Noncovered sources	3.0	3.5	5.9
Total U.S. imports	38.3	40.4	39.6
Note—Because of rounding, figures may not add to totals shown.			
Source: Compiled from data submitted in response to Commission questionnaires and official statistics of Commerce.			

**Figure STAINLESS IV-2**  
**Stainless wire: Apparent U.S. consumption, by sources, April 2000-March 2003**



Source: Table STAINLESS IV-10.

## **PRICING AND RELATED INFORMATION**

### **Factors Affecting Prices**

#### **Producer, Importer, and Purchaser Responses**

U.S. stainless wire producers and importers were asked to report the importance of certain factors that have influenced the price of steel in the U.S. market, and to indicate whether these factors have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table STAINLESS IV-11 and STAINLESS IV-12). U.S. stainless wire purchasers were also asked to report the importance of these factors, and to indicate whether they have tended to increase, decrease, or have no effect on the price of steel since March 20, 2002 (table STAINLESS IV-13).

The three factors rated most important by U.S. stainless wire producers were: changes in the cost of raw materials; changes in the level of competition from imports from non-excluded countries; and changes in the level of competition from imports from excluded countries. The three factors rated most important by stainless wire importers were: changes in the cost of raw materials; changes in the level of competition by imports; and changes in demand for steel. The three factors rated most important by stainless wire purchasers were: changes in the cost of raw materials; changes in U.S. production capacity; and changes in demand for steel within the United States.<sup>18</sup>

#### **Pricing Practices**

Nearly all responding U.S. stainless wire producers and importers reported making no changes in the way they determine the price they charge or discounts allowed for sales of steel since March 20, 2002. Nine of the 15 responding U.S. stainless wire producers and 23 of 26 responding stainless wire importers reported that there has not been a change in the share of their sales that is on a contract vis-a-vis a spot basis. Six of 10 U.S. stainless wire producers and 8 of 17 stainless wire importers reported that contract prices tend to follow a similar trend as spot prices, although several noted that contract prices tended to lag spot prices and are not as volatile.

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<sup>18</sup> Available information concerning U.S. demand for stainless wire is mixed. Most U.S. producers and importers reported that U.S. demand for stainless wire rod has decreased since March 20, 2002. However, apparent consumption of stainless wire increased by 7.8 percent between April 2001-March 2002 and April 2002-March 2003, although it remained 5.5 percent below the April 2000-March 2001 level (table STAINLESS IV-10). Manufacturers' shipments of metalworking machinery, a proxy variable for downstream stainless wire demand, fell by 9.5 percent between April 2001-March 2002 and April 2002-March 2003 (table OVERVIEW II-1).

Unit raw materials costs for stainless wire fell by 4.9 percent between April 2001-March 2002 and April 2002-March 2003. Nickel prices increased by 26.4 percent since April 2002 (figure OVERVIEW II-13). Imports of stainless wire from covered sources fell by 6.5 percent between April 2001-March 2002 and April 2002-March 2003, whereas stainless wire imports from noncovered sources increased by 81.6 percent during the same time frame (table STAINLESS IV-7). U.S. stainless wire producers' capacity increased by 3.1 percent, and capacity utilization increased by 5.3 percentage points between April 2001-March 2002 and April 2002-March 2003 (table STAINLESS IV-5).

**Table STAINLESS IV-11**

**Stainless wire: As reported by *producers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002**

Item	Importance <sup>1</sup>	Influence of factors <sup>2</sup>		
	Ranking	I	N	D
Changes in the cost of raw materials	1.1	12	1	0
Changes in the level of competition from imports from non-excluded countries	1.2	9	2	2
Changes in the level of competition from imports from excluded countries	1.3	8	3	2
Changes in demand for steel within the United States	1.5	0	3	10
Changes in energy costs	1.8	11	2	0
Changes in competition between U.S. producers	1.8	4	6	3
Changes in U.S. production capacity	2.4	1	7	5
Changing market patterns	2.4	2	9	2
Changes in transportation/delivery cost changes	2.6	8	5	0
Changes in demand for steel outside the United States	2.8	1	9	3
Changes in the productivity of domestic producers	2.8	1	9	3
Changes in labor agreements, contracts, etc.	3.3	0	13	0
Changes in the level of competition from substitute products	3.5	1	12	0
Changes in the allocation of production capacity to alternate products	3.6	0	13	0
<p><sup>1</sup> The numbers in this column represent the average ranking of each factor by responding producers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.</p> <p><sup>2</sup> The numbers in these columns represent the number of responding producers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.</p>				
<p>Source: Compiled from data submitted in response to Commission questionnaires.</p>				



**Table STAINLESS IV-12**

**Stainless wire: As reported by *importers*, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002**

Item	Importance <sup>1</sup>	Influence of factors <sup>2</sup>		
	Ranking	I	N	D
Changes in the cost of raw materials	1.7	20	9	1
Changes in the level of competition by imports	1.9	10	15	5
Changes in demand for steel	2.0	1	12	15
Changes in competition between U.S. producers	2.1	8	16	6
Changes in U.S. production capacity	2.3	5	16	9
Changes in transportation/delivery cost changes	2.5	17	12	0
Changes in the productivity of domestic producers	2.6	2	23	5
Changes in energy costs	2.7	14	16	0
Changing market patterns	2.7	3	24	3
Changes in labor agreements, contracts, etc.	3.0	2	28	0
Changes in the level of competition from substitute products	3.2	3	25	2
Changes in the allocation of production capacity to alternate products	3.3	2	27	1

<sup>1</sup> The numbers in this column represent the average ranking of each factor by responding importers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

<sup>2</sup> The numbers in these columns represent the number of responding importers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note—Not all importers answered for all of the factors.

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

**Table STAINLESS IV-13**

**Stainless wire: As reported by purchasers, the relative contribution of factors to the price of steel, and the influence of these factors on the price of steel since March 20, 2002**

Item	Importance <sup>1</sup>	Influence of factors <sup>2</sup>		
	Ranking	I	N	D
Changes in the cost of raw materials	1.6	27	20	0
Changes in U.S. production capacity	1.9	13	25	9
Changes in demand for steel within the United States	1.9	4	22	21
Changes in demand for steel outside the United States	1.9	20	17	7
Changes in competition between U.S. producers	2.0	18	27	4
Changes in energy costs	2.1	28	21	0
Changes in transportation/delivery cost changes	2.3	27	22	0
Changes in the level of competition from imports from non-excluded countries	2.3	13	26	6
Changing market patterns	2.4	13	28	4
Changes in the productivity of domestic producers	2.5	9	34	4
Changes in labor agreements, contracts, etc.	2.7	5	36	4
Changes in the level of competition from imports from excluded countries	2.7	9	33	4
Changes in the allocation of production capacity to alternate products	2.9	7	36	3
Changes in the level of competition from substitute products	3.0	6	41	1

<sup>1</sup> The numbers in this column represent the average ranking of each factor by responding purchasers, on a scale from 1 to 4 where 1 = very important, 2 = important, 3 = somewhat important, and 4 = not important. The factors have been sorted by importance with the most important at the top.

<sup>2</sup> The numbers in these columns represent the number of responding purchasers that reported that changes in a factor have tended to increase prices (I), have had no effect (N), or have tended to decrease prices (D) for steel since March 20, 2002.

Note—Not all of the purchasers answered for all of the factors.

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

## Price Data

The Commission asked for quarterly sales value and quantity data for U.S. producers' and importers' sales of the following stainless wire product during April 2000-March 2003:

***Product 14—Grade 302 HQ cold-heading stainless steel round wire, 0.099 to 0.127 inch (2.515 to 3.226 mm) in diameter annealed.*** This specialty product is designed to be easily headed, threaded, formed, bent or machined. It is used to produce self-tapping screws, set screws, rivets, and specialized fasteners.

Reported pricing data accounted for 14.1 percent of the quantity of U.S. producers' U.S. commercial shipments of stainless wire products, 2.6 percent of total imports, and 2.6 percent and 2.3 percent, respectively, of U.S. imports of covered and noncovered stainless wire products reported during April 2000-March 2003.

Weighted-average prices, margins of underselling/overselling, and quantities sold of U.S.-produced, covered imported, and noncovered imported stainless wire products are shown in table STAINLESS IV-14. Weighted-average prices of U.S.-produced, covered imported, and noncovered imported stainless wire products are also shown in figure STAINLESS IV-3.<sup>19</sup> A summary of the price data is shown in table STAINLESS IV-15 and summaries of the margins of underselling/overselling of imports from covered and noncovered sources are shown in tables STAINLESS IV-16 and STAINLESS IV-17, respectively.

Quarterly prices for the domestically produced stainless wire product for which the Commission collected pricing data declined by 6.4 percent from the first quarter of 2002 to the first quarter of 2003, and the first quarter 2003 price was 21.1 percent below that of the second quarter of 2000. Prices increased by 16.3 percent from the first quarter of 2002 to the first quarter of 2003 for imports of this product from sources covered by the safeguard measure, but decreased by 10.3 percent for imports of this product from sources not covered. In the period April 2002 to March 2003, imports from sources covered by the safeguard measure undersold the domestically produced product in all 4 quarterly comparisons, and imports from sources not covered undersold the domestically produced product each of 3 quarterly comparisons.

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<sup>19</sup> Public price data for stainless wire products are shown in figure H-11 of app. H.

**Table STAINLESS IV-14**

**Stainless wire: Weighted-average price and quantity data for U.S.-produced and imported product 14<sup>1</sup> from covered sources and noncovered sources, and margins of underselling, by quarters, April 2000-March 2003**

Period	United States		Imports from covered sources			Imports from noncovered sources		
	Price	Quantity	Price	Quantity	Margin	Price	Quantity	Margin
	<i>Per ton</i>	<i>Short tons</i>	<i>Per ton</i>	<i>Short tons</i>	<i>Percent</i>	<i>Per ton</i>	<i>Short tons</i>	<i>Percent</i>
<b>2000:</b>								
April-June	\$***	***	\$3,322.46	164	***	\$***	***	***
July-September	***	***	3,485.52	242	***	***	***	***
October-December	***	***	3,370.79	192	***	***	***	***
<b>2001:</b>								
January-March	***	***	3,381.46	252	***	***	***	***
April-June	***	***	2,888.26	228	***	***	***	***
July-September	***	***	3,120.73	211	***	***	***	***
October-December	***	***	3,463.04	122	***	***	***	***
<b>2002:</b>								
January-March	***	***	2,535.23	107	***	***	***	***
April-June	***	***	3,054.70	141	***	***	***	***
July-September	***	***	***	***	***	***	***	***
October-December	***	***	3,228.99	92	***	***	***	***
<b>2003:</b>								
January-March	***	***	2,948.62	194	***	***	***	***

<sup>1</sup> Grade 302 HQ cold-heading stainless steel round wire, 0.099 to 0.127 inch (2.515 to 3.226 mm) in diameter annealed.

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

**Figure STAINLESS IV-3**

**Stainless wire: Weighted-average f.o.b. prices of domestic, covered imported, and noncovered imported product 14, April 2000-March 2003**

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**Table STAINLESS IV-15**

**Stainless wire: Change in quarterly prices of U.S. product, imports from covered sources, and imports from noncovered sources**

Product	United States		Imports from covered sources		Imports from noncovered sources	
	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003	Change in price from Q2 2000 to Q1 2003	Change in price from Q1 2002 to Q1 2003
	<i>Percent</i>					
Stainless wire	-21.1	-6.4	-11.3	16.3	-54.8	-10.3

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

**Table STAINLESS IV-16**

**Stainless wire: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from covered sources, April 2000-March 2003**

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>
Stainless wire	12	39.7	16.1	0	( <sup>1</sup> )	( <sup>1</sup> )

<sup>1</sup> Not applicable.

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

**Table STAINLESS IV-17**

**Stainless wire: Summary of quarters of underselling and overselling, and the range of margins of underselling and overselling of imports from noncovered sources, April 2000-March 2003**

Product	Underselling			Overselling		
	Number of margins of underselling	High margin of underselling	Low margin of underselling	Number of margins of overselling	High margin of overselling	Low margin of overselling
		<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>
Stainless wire	8	48.0	7.9	0	( <sup>1</sup> )	( <sup>1</sup> )

<sup>1</sup> Not applicable.

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



## **PART V: ADJUSTMENT EFFORTS**

Section 204 requires the Commission to monitor and report on the progress and specific efforts made by workers and firms to adjust to import competition. In doing so the Commission examines whether the industry has satisfied its previous commitments, comparing the actions taken by workers and firms to the actions that were anticipated if relief were granted. The report considers these efforts in the context of the prevailing economic circumstances during the period of relief.

### **PROPOSED ADJUSTMENT PLANS**

In the section 201 investigation, the domestic stainless steel bar and wire industries' adjustment plans reviewed by the Commission focused on substantial investments in their productive facilities to improve innovation, efficiency, product quality, and overall cost competitiveness. The industries also stated that they intended to develop new products and applications to increase demand for stainless steel bar and wire in a number of end-use applications. A summary of the types of actions contained in U.S. producers' proposed adjustment plans in the section 201 investigation is presented in table STAINLESS V-1.<sup>1</sup>

In the current monitoring proceedings, the Commission asked U.S. producers whether they indicated to the Commission or USTR since the initiation of the original section 201 investigation that, if relief were granted as a result of that investigation, their firm would make adjustments in their subject steel products operations that would permit them to compete more effectively with imports of subject steel products after relief expires.<sup>2</sup> The firms' responses are presented at the end of this chapter in table STAINLESS V-3.

### **SIGNIFICANCE OF RELIEF AND ECONOMIC CONDITIONS DURING ADJUSTMENT EFFORTS**

The Commission asked U.S. producers to describe the significance of the tariffs and/or tariff-rate quotas imposed by the President effective on or after March 20, 2002, in terms of their effect on the domestic firms' operations in the following categories:

- (a) Production capacity, production, shipments, inventories, and employment.
- (b) Return on investment, ability to generate capital to finance the modernization of domestic plant(s) and equipment, or ability to maintain existing levels of expenditures for research and development.
- (c) Changes in collective bargaining agreements.

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<sup>1</sup> Also included in the table is the number of firms that stated they had no planned adjustments.

<sup>2</sup> Firms were also asked to attach copies of their specific adjustment plans as reported to the Commission during inv. No. TA-201-73 or to USTR since the initiation of the original section 201 investigation.

**Table STAINLESS V-1**  
**Stainless steel: Number of U.S. producers affirmatively reporting proposed adjustments in the section 201 investigation, by product group**

Stainless bar	Stainless rod	Stainless wire
<b>Number of reporting U.S. producers</b>		
17	5	27
<b>No reported adjustments</b>		
7	2	15
<b>Additional capital investment</b>		
7	1	8
<b>Further cost reductions</b>		
1	1	0
<b>Research &amp; Development</b>		
1	0	2
<b>Increase production</b>		
0	0	1
<b>Utilization of e-commerce to reduce transaction costs or increase sales</b>		
0	0	0
<b>Develop new or innovative product lines</b>		
2	0	0
<b>Increase employee training</b>		
2	0	0
<b>Increase employment</b>		
0	0	0
<b>Relocation or closing of facility</b>		
0	0	0

Source: *Steel: Investigation No. TA-201-73*, USITC Pub. 3479, December 2001, table STAINLESS-110 at STAINLESS-91, compiled from data submitted in response to Commission questionnaires in that investigation.



Firms were asked to compare their operations before and after the imposition of the relief. Additionally, firms were asked to explain how they have separated the effects of section 203 relief from the effects of other factors, such as closure or re-opening of domestic production facilities, changes in demand, exchange rate changes, or antidumping and countervailing duties. The responses of firms are presented at the end of this chapter in table STAINLESS V-3 (Part B).

Firms responding affirmatively were specifically asked whether there were any reported planned adjustment actions that they had not implemented, and if so, the reason(s) why specific adjustment actions have not been implemented.<sup>3</sup> The firms' responses are presented in table STAINLESS V-3 (Part A).

Domestic stainless producers described several factors that hindered their adjustment efforts: weak demand; depressed prices; escalating raw material costs (i.e., nickel); the negative impact of low-priced imports from noncovered countries (i.e., India); product exclusions; and the severe economic downturn in traditional stainless steel consuming industries.<sup>4</sup>

### **POST-RELIEF EFFORTS**

The Commission asked U.S. producers to indicate whether they had undertaken any efforts since the implementation of relief to compete more effectively in the U.S. market for the subject steel products. Firms responding affirmatively were asked to identify:<sup>5</sup>

1. Any efforts which have been made by firms and/or their workers since March 20, 2002, to compete more effectively,
2. The period (month(s) and year(s)) in which the efforts were made,
3. The expenditure or savings involved, as applicable, and
4. The effectiveness of efforts, including any competitive advantage acquired (i.e., increased production, cost reduction, quality improvement, increased market share or sales, etc.).

In addition, if firms felt that any of these efforts were made primarily to compete with sales of imported subject steel products, they were instructed to so indicate and to give the reasons in support of their beliefs. To the extent possible, firms were asked to furnish the Commission with memoranda, studies, or other documentation which indicate that such competitive efforts were undertaken primarily against imports of subject steel. A summary of U.S. producers' reported actual adjustments is presented in table STAINLESS V-2 and the responses of the individual firms are presented at the end of the chapter in table STAINLESS V-3 (Part C).

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<sup>3</sup> Firms were also asked to attach copies of their specific adjustment plans as reported to the Commission during Inv. No. TA-201-73 or to USTR since the initiation of the original section 201 investigation.

<sup>4</sup> Testimony of Dan Anderson, Vice President of Sales and Marketing, Slater Steels Corporation, transcript of Commission hearing (July 10, 2003) at 35-39.

<sup>5</sup> Categories on which producers were asked to comment were: Investments made; Capacity reductions; Cost reductions with existing equipment; Diversifications/expansions; Mergers and consolidations; New products developed or new applications for existing products; Organizational changes; Changes in production practices; Marketing changes in U.S. and foreign markets; Employee reductions; Changes in pension liabilities, healthcare, and union contracts; and, All other efforts made by firm or workers to compete.

**Table STAINLESS V-2**

**Stainless steel: Number of U.S. producers affirmatively reporting actual adjustments in the section 204 investigation, by product group**

<b>Stainless bar</b>	<b>Stainless rod</b>	<b>Stainless wire</b>
<b>Number of U.S. producers reporting adjustments</b>		
7	2	4
<b>Investments made</b>		
5	2	3
<b>Capacity reductions</b>		
2	1	2
<b>Cost reductions with existing equipment</b>		
5	2	3
<b>Diversifications/expansions</b>		
2	0	0
<b>Mergers and consolidations</b>		
2	1	3
<b>New products developed or new applications for existing equipment</b>		
4	1	2
<b>Organizational changes</b>		
5	2	2
<b>Changes in production practices</b>		
5	1	3
<b>Marketing changes (U.S. and foreign markets)</b>		
4	2	2
<b>Employee reductions</b>		
5	2	3
<b>Changes in pension liabilities, healthcare, and union contracts</b>		
3	2	2
<b>All other efforts made by firm or workers</b>		
3	2	2
Source: Compiled from data submitted in response to Commission questionnaires.		

Since March 2002, several trends have emerged from in the domestic stainless industries. First, there has been restructuring and consolidation in the industries. Second, several companies have invested in new technologies and made capital improvements. Finally, a new competitive labor agreement was negotiated by a major producer.

In September 2002, Slater acquired the Lemont, IL production facility of Auburn Steel.<sup>6</sup> This acquisition allowed the company to lower production costs and to improve product quality. In late 2002, Slater completed the capital investment that allowed it to produce stainless steel angle up to four inches, expanded its grade offerings, and increased bar inventories to shorten customer lead times.<sup>7</sup> In October 2002, a new collective bargaining agreement covering Slater's Fort Wayne division was ratified which reportedly helped reduce costs. This agreement allows for increased flexibility to enhance productivity and improve production scheduling and allows more performance-based pay incentives.<sup>8 9</sup> Despite its and its workers efforts to increase efficiency, Slater later filed for bankruptcy in June 2003.<sup>10</sup>

Electralloy purchased and installed additional saw capacity to help implement a new 30/45 day market program adopted in July 2002. Under the new program, its lead time was reduced from six or eight weeks to just 30 to 45 days, depending on the product, and led to a reduction of its finished goods inventory.<sup>11</sup> In January 2003, Electralloy entered into an operating agreement with one of its customers to install a new vacuum arc remelt (VAR) furnace at its facility which would be dedicated exclusively to the melting of that customer's non-stainless product; reportedly this would free up the melt capacity of Electralloy's other VAR furnace and thus increase its productivity and efficiency for its own stainless products.<sup>12</sup>

Although efficiencies have resulted from some firms' efforts to compete, the only new capacity operational since the safeguard measures were imposed is reportedly a small investment by Charter Specialty Steel in stainless rod (2-ton coils) finishing.<sup>13</sup> However, reportedly there are at least two anticipated capacity expansions in the near future. AvestaPolarit intends to add rolling capacity in 2004 when the existing Allegheny Technologies Allvac mill is revamped to accommodate a larger billet from its melt shop. The mill upgrades will enable AvestaPolarit to supply over 10,000 tons of domestic bar

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<sup>6</sup> Testimony of Dan Anderson, Vice President of Sales and Marketing, Slater Steels Corp., transcript of Commission hearing (July 10, 2003) at 36.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid. at 36-37, and posthearing brief of the Domestic Stainless Steel Long Products Industry at 2-3.

<sup>9</sup> See also Chapter 2 part IV for additional details regarding the USWA's new set of bargaining principles and its pattern bargaining approach.

<sup>10</sup> Testimony of Dan Anderson, Vice President of Sales and Marketing, Slater Steels Corp., transcript of Commission hearing (July 10, 2003) at 37. Mr. Anderson cited increases in input costs, most notably natural gas, nickel, scrap and electricity and stated that weak demand and aggressive price competition from stainless bar and angle from India have placed the firm in a cost/price squeeze. Ibid.

<sup>11</sup> Testimony of John Simmons, Manager of Marketing and Product Development, Electralloy, transcript of Commission hearing (July 10, 2003) at 44.

<sup>12</sup> Ibid. at 43-44. Mr. Simmons stated that while Electralloy "had originally planned on purchasing the second VAR ourselves, the return on investment simply was not there, and we could not justify the capital investment." Mr. Simmons further stated that other capital investments outlined in Electralloy's adjustment plans have been postponed due to the weak market, declining prices, and declining profitability. Ibid.

<sup>13</sup> Testimony of Ed Blot, President, Ed Blott and Associates, economic consultant to domestic producers, transcript of Commission hearing (July 10, 2003) at 50-51.

and rod per year, replacing the material it currently imports into the United States.<sup>14</sup> Also, North American Stainless (NAS), a producer of stainless flat products is reportedly completing a state-of-the-art, 100,000 ton per year bar and rod facility in Ghent, KY where it produces 800,000 tons of raw stainless steel,<sup>15</sup> and is in the initial stages of long-products production.<sup>16</sup>

In their posthearing brief, respondents Arcelor and EUROFER indicated that they are in general and substantial agreement with the domestic producers that the U. S. industry producing stainless steel products has made a positive effort to adjust to import competition, and that they have increased market share and become more productive.<sup>17</sup> However, EUROFER specifically notes that while efforts being made or implemented by domestic firms are enhancing their competitiveness, nevertheless, in order for there to be a durable competitive position, the industry's current efforts must be complemented by timely and permanent closure of inefficient production facilities.<sup>18</sup> They further assert that failure to make such closures will result in operating rates that are too low to support prices, thereby resulting in poor profits that will be inadequate to attract new investment and lower than projected returns.<sup>19</sup>

As noted above, U.S. producers were asked to comment in their questionnaire responses on (1) any adjustment plans their firms submitted during the section 201 investigation, (2) the significance of the section 203 relief on their firm's operations, and (3) the efforts they have undertaken to compete more effectively in the U.S. market. The responses of firms are presented in the following table STAINLESS V-3.

At its public hearing, the Commission encouraged public commentary regarding adjustment efforts, to the extent possible.<sup>20</sup> In light of the extensive testimony on this issue, summarized above, the Commission did not request a separate, public summary of efforts.

**Table STAINLESS V-3**  
**Stainless steel: Comments of U.S. producers**

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<sup>14</sup> Ibid at 51.

<sup>15</sup> Testimony of Charles Blum, International Advisory Services Group, on behalf of the European Confederation of Iron and Steel Industries, transcript of Commission hearing (July 10, 2003) at 146.

<sup>16</sup> Testimony of Michael Shor, Senior VP, Carpenter Technology Corp., Specialty Alloy Operations, transcript of Commission hearing (July 10, 2003) at 127-128. However, inasmuch as the long products production will be using the excess melt capacity at what is mostly a flat products mill, how much of the 100,000 tons surplus mill capacity will end up as stainless long products is yet to be seen, according to testimony of Patrick Magrath, Consultant, Georgetown Economic Service, on behalf of domestic producers, transcript of Commission hearing (July 10, 2003) at 128-129.

<sup>17</sup> Posthearing Briefs of Arcelor at 1 & 4; and the European Confederation of Iron and Steel Industries (EUROFER) at 4.

<sup>18</sup> Posthearing Brief of EUROFER at 4.

<sup>19</sup> Ibid.

<sup>20</sup> See requests of Commissioner Miller and Commissioner Koplan, transcript of Commission hearing (July 10, 2003) at 98 and 195.