Summary of Testimony of John Ferriola
Chief Executive Officer & President, Nucor Corporation
March 21, 2013

- Nucor is the largest steel producer in the United States. We are also North America's largest recycler.
- We at Nucor believe a strong manufacturing base is essential to sustainable economic growth. Despite the difficult economic conditions of the last four years, Nucor has continued to invest capital in our U.S. facilities. Our capital investments since the industry's last peak in 2008 through the end of 2012 totaled almost $7 billion.
- Our largest project is the construction of a $750 million direct-reduced iron plant in Louisiana. The project is employing over 600 construction workers and will create 150 full-time manufacturing jobs with average annual wages of $70,000. Bringing this technology back to the United States would not have been possible without an abundant and affordable supply of natural gas. That is why Nucor urges decision makers to proceed with caution on the issue of LNG exports.
- We have also made investments that will allow us to make products for higher-end markets, including automotive, heavy equipment and energy.
- A surge of steel imports puts our ability to reap the benefits of these investments at risk. Steel imports increased 17 percent from 2011 and a whopping 38 percent from 2010. Steel imports were up in every major product area and from most major steel producing countries.
- The reason we are seeing this import surge is that while America is a free market, many major steel producing countries are not. Foreign governments in countries like China, India, Brazil and Egypt interfere in the steel market through their state-owned enterprises, import restrictions, raw material export restrictions and subsidies that are in violation of international rules.
- These types of trade restrictions not only distort trade in steel products but also trade in steelmaking raw materials as well.
- There is a solution to these problems – strong trade enforcement. We must get serious about combatting trade violations. This includes removing trade barriers abroad and opening closed markets. It also means using the trade laws to address market distortions like dumping and unfair subsidies, and addressing new types of trade issues, such as evasion and circumvention and the effect of state-owned enterprises.

House Energy & Commerce Committee
Subcommittee on Commerce, Manufacturing & Trade
Written Statement of John Ferriola
Chief Executive Officer & President, Nucor Corporation
March 21, 2013

On behalf of our 22,000 teammates, I would like to thank you for the opportunity to appear before you today. I am John Ferriola, CEO & President of Nucor Corporation. I am also chairman of the Steel Manufacturers Association Board of Directors and on the Board of the American Iron and Steel Institute. With a production capacity of approximately 27 million tons, Nucor is the largest steel producer in the United States. We are also North America's largest recycler.

Chairman Terry and members of the committee, I commend you for the hearings you are holding on the manufacturing sector in America. Like you, we at Nucor believe a strong manufacturing base is essential to sustainable economic growth. For years our company has emphasized the need for America to once again be a nation that makes and builds things.

Despite the difficult economic conditions of the last four years, Nucor has continued to invest capital in our U.S. facilities. Our capital investments since the industry's last peak in 2008 through the end of 2012 totaled almost $7 billion. We are doing this in a down cycle to position ourselves to be stronger and more profitable when the economy recovers. This investment philosophy has driven tremendous returns for our investors and contributes to our position of strength.

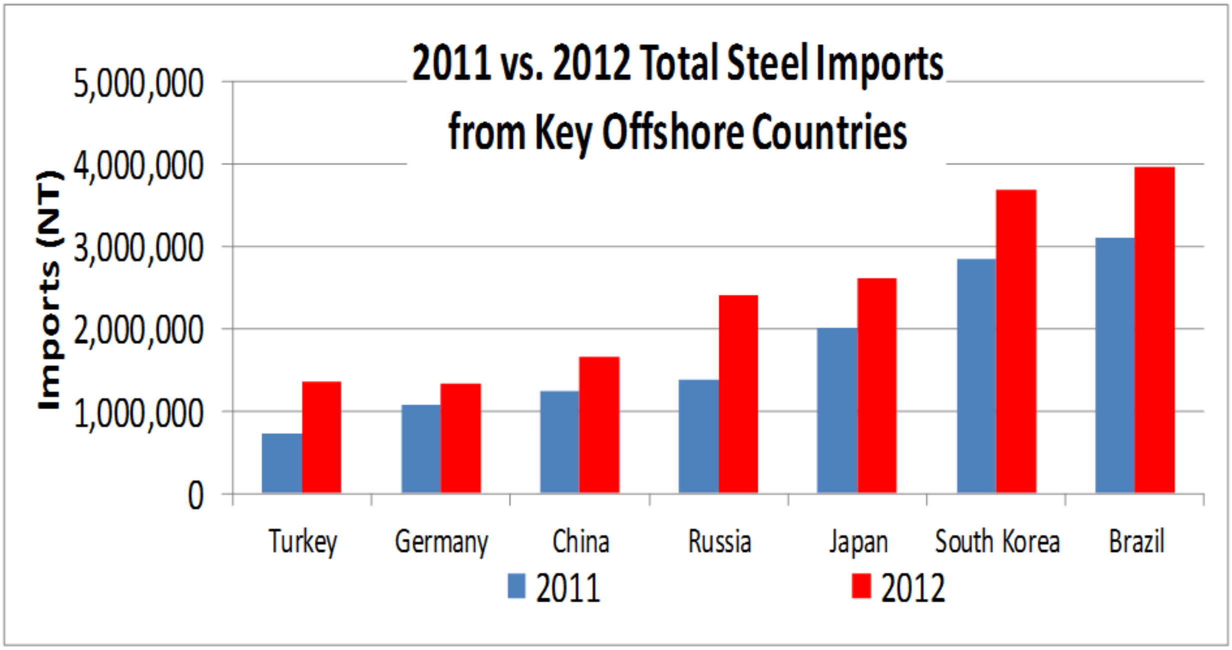
Our largest project is the construction of a $750 million direct-reduced iron plant in Louisiana. Direct-reduced iron is an important raw material we use, along with scrap steel, in the steelmaking process. The project is employing over 600 construction workers and will create 150 full-time manufacturing jobs with average annual wages of $70,000. Bringing this technology back to the United States would not have been possible without an abundant and affordable supply of natural gas. That is why we at Nucor are urging decision makers to proceed with caution on the issue of LNG exports. We feel strongly that we should not export away a significant domestic competitive advantage.

We have also made investments that will allow us to make products for higher-end markets, including automotive, heavy equipment and energy. We are investing $290 million to expand our capacity to make Special Bar Quality steel at our mills in Norfolk, Nebraska; Darlington, South Carolina; and Memphis, Tennessee. We are investing another $115 million to expand production of hot-rolled sheet piling at our Nucor-Yamato mill in Arkansas. And we recently completed a $110 million heat treating facility at our Hertford County, North Carolina plate mill that enables us to produce armor plate for military applications and high-end plate steel for the heavy machinery sector.

I am proud to say that we did not lay off workers during the Great Recession. By continuing Nucor's long tradition of growing stronger during downturns through investment in our teammates and mills and by collaborating with our customers, we believe we are in a good position. However, a surge of steel imports that defies market fundamentals puts our ability to reap the benefits of these investments at risk.

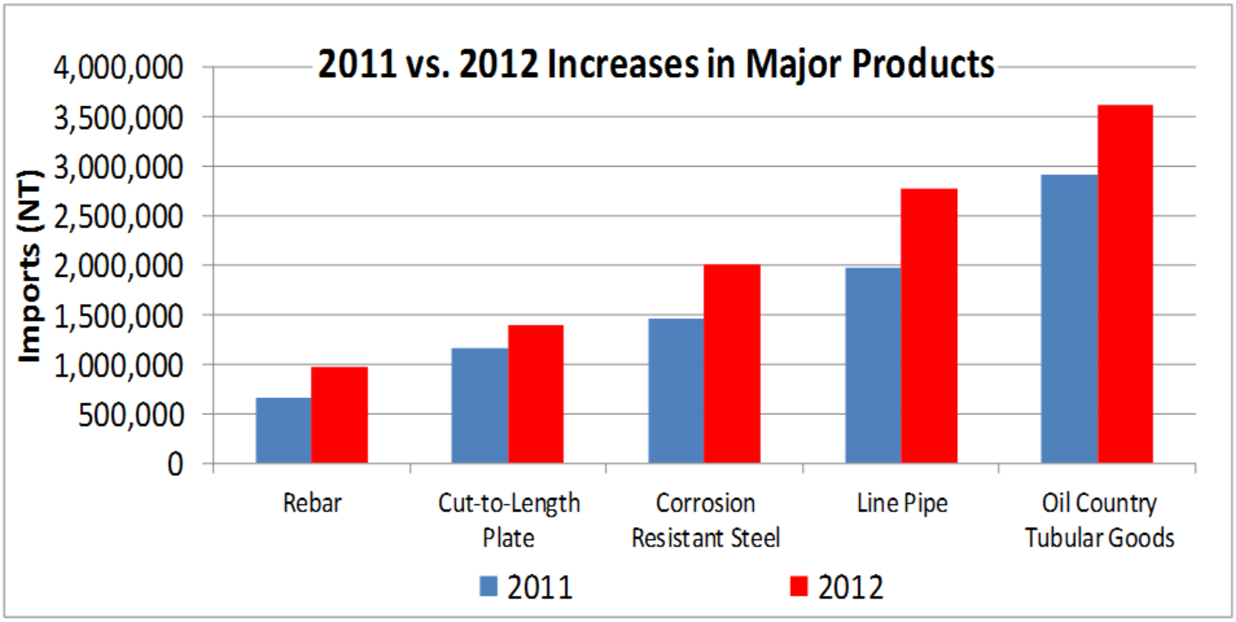
Last year, steel imports increased 17 percent from 2011 and a whopping 38 percent from 2010. Meanwhile, U.S. steel capacity utilization was only 72 percent, which was lower than in 2011. As shown in the charts below, steel imports were up in every major product area and from most major steel producing countries.

For example, in 2012, finished steel imports from Turkey increased 84 percent, while imports from China increased 34 percent, and South Korean imports increased 29 percent. Steel imports from Russia and Brazil also increased substantially. In a market where U.S. capacity utilization remains very weak, any significant level of imports can quickly damage the U.S. industry.



Source: American Iron and Steel Institute, 2013

As shown in the next chart, these increased imports in 2012 vs. 2011 cut across all product lines. This includes products like cut-to-length plate (up 19%), corrosion resistant steel (up 37%), rebar (up 49%), oil country tubular goods (up 25%) and line pipe (up 41%). Countries such as China and Turkey continue to try to move up the value chain to more sophisticated products. Importantly, these countries have no comparative advantage in steelmaking or in finished steel products.



Source: American Iron and Steel Institute, 2013

These import levels make no sense whatsoever when you consider both the sluggish domestic economic recovery and the fact that American producers are among the lowest cost steel producers in the world. The United States enjoys marked advantages in practically every aspect of steelmaking, including: access to capital, technology, and raw materials; relatively low energy costs; high labor productivity; and proximity to the U.S. market.

The reason we are seeing this import surge is that, while America is a free market, many major steel producing countries are not. Foreign governments interfere in the steel market through their state-owned enterprises, import barriers, raw material export restrictions and subsidies that are in violation of international rules. For example:

- India recently imposed new restrictions on hot-rolled coil and steel plate. According to news reports, steel producers seeking to sell their steel products into India must now register with the Bureau of Indian Standards, and products such as hot-rolled coil less than 6 mm thick and plate more than 80 mm thick must now meet the new requirements.[1]
- Egypt has import restrictions on rebar – in December, it imposed new protective tariffs of about 7% on imported steel rebar, which increases the cost by about $50 per ton.[2]
- Last year, Brazil doubled its import duties on up to 100 products, including 17 steel products. Most duties increased from 12 percent to 25 percent. The increases will be valid for 12 months, but can be extended through the end of 2014.[3] In addition, Brazil is proposing export tax increases on scrap metal in order to discourage its export.[4] Brazil historically has been a difficult market to export to, due to customs and commercial restrictions and high tariffs on both steel and steel-containing products, including automobiles, auto parts, and industrial machinery.[5]

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1 "India tightening restrictions vs. hot-rolled coil, plate imports," AMM, March 6, 2013.

2 "Egypt puts emergency import tariffs on sugar and steel rebar," Reuters, Dec. 5, 2012.

3 "U.S. warns Brazil on tariffs, gets stinging rebuke," Reuters, Sept. 20, 2012.

4 "Brazil scrap producers, mills clash over potential export tax," Reuters, Nov. 6, 2012.

5 USTR 2012 National Trade Estimate Report on Foreign Trade Barriers at 39.

- China is by far the worst offender – its highly subsidized steel industry is government owned and controlled, and its market remains heavily distorted and closed to outside competition. Recent reports indicate that 95 percent of production by China's 20 largest steel producers is subject to some government ownership, and that the government owns 100 percent of 16 of China's 20 largest producers.[6] China's massive overcapacity in steel continues to harm the rest of the world: China's steel industry has 35 percent more capacity than it needs. Last year, its steel capacity reached an astounding 970 million tons, compared with about 120 million tons for the entire U.S. steel industry.[7]

These types of trade restrictions not only distort trade in steel products, but also trade in steelmaking raw materials. For example, more than 25 countries currently maintain restrictions on scrap and other steelmaking raw materials.[8] The United States, EU, and Mexico have already brought a successful WTO challenge to eliminate China's export quotas and export taxes on raw materials such as coke, bauxite, magnesium, manganese, silicon carbide, and zinc.[9] Now, a similar case

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[6] "The Reform Myth: How China is Using State Power to Create the World's Dominant Steel Industry," Wiley Rein LLP, October 2010.

[7] Chuin-Wei Yap, "China's Steel Production Climbs 9.8%," Wall St. Journal, March 12, 2013.

[8] J. Koreinek, J. Kim, "Export Restrictions on Strategic Raw Materials and Their Impact on Trade," OECD, 29 March 2010; see also Alan Price, "Export Barriers and Global Trade in Raw Materials: The Steel Industry Experience," Oct. 2009.

[9] "China – Measures Related to the Exportation of Various Raw Materials," dispute DS 394, 395 and 398, Appellate Body Report issued Jan. 30, 2012.

brought by the United States, EU, and Japan is challenging illegal Chinese restrictions on exports of rare earths, tungsten, and molybdenum.[10]

As a result of these trade barriers, the open U.S. market becomes a dumping ground for steel products from around the world. This dumping continues to present a huge challenge to the U.S. steel industry's recovery. This is where American policy becomes important. Policymakers have a role to play – namely, enforcing our trade laws to ensure our system of global free trade is working fairly.

Global trade is governed by a set of rules. If our system of trade is going to work and be fair to all participants, we must use every tool at our disposal to enforce these rules. The economy will ultimately get stronger, but the ability of the steel industry to participate fully in the recovery requires us to get serious about combatting trade violations. This means removing trade barriers abroad and opening closed markets. It means using the trade laws to address market distortions like dumping and unfair subsidies. And it means addressing new types of trade issues. For example, we support bipartisan legislation to address evasion and circumvention of antidumping and countervailing duties, such as the ENFORCE Act, a bill introduced by Representative Billy Long of this committee last year. In addition, we strongly support the U.S. Government's efforts to impose new disciplines on state-

[10] "China—Measures Related to the Exportation of Rare Earths, Tungsten and Molybdenum," dispute DS 431, 432, and 433, consultations requested March 13, 2012.

owned enterprises as part of the Trans-Pacific Partnership (TPP) negotiations. U.S. manufacturers should not be forced to compete with foreign governments – not here in the United States, not in China, and not in any other country in the world. And in particular, when state-owned enterprises invest in, and operate in, other countries, those investments and operations should take place on a commercial basis.

We have a tremendous opportunity to revitalize the American manufacturing sector and strengthen our economy. If we have strong trade enforcement, coupled with other policy areas discussed here today – infrastructure investment, regulatory certainty, and domestic energy development – America can once again be a nation that makes and builds things.

Thank you.