



Australian Government
**Department of Industry, Science,
Energy and Resources**

**Anti-Dumping
Commission**

Australian Market Questionnaire



Case number: 569

Product: Grinding balls

From: People's Republic of China (China)

Inquiry period: 1 October 2019 to 30 September 2020

Response due by: 19 April 2021

**Return completed
questionnaire to:** investigations1@adcommission.gov.au

**Anti-Dumping Commission
website:** www.adcommission.gov.au

Why you have been asked to complete this questionnaire

The Anti-Dumping Commission (the Commission) is currently undertaking an inquiry into whether anti-dumping measures applying to exports of grinding balls from the People’s Republic of China (China) should be continued.

Information about the inquiry can be found [here](#).

In its application, Commonwealth Steel Company Pty Ltd (trading as Molycop) submits that if the anti-dumping measures applicable to Chinese exports of grinding balls were allowed to expire on 9 September 2021, the Australian industry will suffer and be threatened with a recurrence of material injury that the measures were intended to prevent.

The Commission is seeking input from participants in the Australian market for grinding balls to inform its understanding of the dynamics of the Australian market and hence factors that may be impacting the economic condition of the Australian industry producing grinding balls.

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Australian Market

Please return your responses no later than **19 April 2021**.

Extended to 21 April 2021.

A Products in the Australian market

1. Generally describe the range of the goods offered for sale in the Australian market. Your description could include information about:

The goods offered by ME Elecmetal on the Australian market consist of forged steel balls in various sizes, for use in minerals processing equipment (specifically grinding mills). The goods are used in a grinding mill process whereby valuable mineral content is separated from waste content of rock.

The products are solely supplied by ME Elecmetal from its affiliated production facility in China, being ME Longteng Grinding Media (Changshu) Co., Ltd (“ME Longteng”). ME Longteng is a joint venture entity established and owned by ME Elecmetal and Changshu Longteng Special Steel Co., Ltd, each owning 50% of the shares.

- quality differences;

ME Longteng’s forged grinding media is known for its superior quality, as well as improved product physical properties in application. This is due to ME Longteng’s advanced technology, proprietary design, and tight manufacturing control. These attributes result in ME’s products offering reduced ball breakage during the grinding process, and therefore reduced ball consumption and improved ore processing results in end user grinding mills. This allows for better efficiency and greater productivity for ME Elecmetal’s customers.

These are not merely unsubstantiated claims. Customer feedback received by ME Elecmetal confirms this superiority. ME Elecmetal’s abiding market experience in recent years is that when the usage of Molycop grinding media is continued by an end user, or when the end user switches to Molycop, the main reason offered is price. To the contrary, when an end user continues the use of, or switches to ME Elecmetal grinding media, the reason offered is better efficiency and therefore greater productivity.

End users are reluctant to volunteer price comparisons to ME Elecmetal, and if they do volunteer such comparisons they are only in general terms. However, where such observations are made to ME Elecmetal, the routine statement or implication

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is that ME Elecmetal's prices are higher than Molycop's, *whether or not* the end user has selected ME Elecmetal grinding media for its grinding mill needs.

- price differences;

As per the previous answer, ME Elecmetal's products are typically more expensive in comparison to products supplied by others (including Molycop) in the Australian market on a per tonne and per invoice basis. Rather, ME Elecmetal grinding media is recognised for delivering long term cost efficiency to customers as a result of its superior quality and performance.

This price differential is well-substantiated by not only ME Elecmetal's own knowledge of its product offering, but also by clearly-stated customer feedback.

ME Elecmetal refers to the following examples:

- (a) [CONFIDENTIAL TEXT DELETED - identity of end user and price statement];¹
- (b) [CONFIDENTIAL TEXT DELETED - identity of end user and price statement];²
- (c) [CONFIDENTIAL TEXT DELETED - identity of end user and price statement].³

Please see attached copies of the relevant extracts from these emails.

Further, ME Elecmetal lost customers [CONFIDENTIAL TEXT DELETED - identity of end users].

It is ME Elecmetal's view that it is well understood in the Australian market that the pricing of its grinding media is at the higher end. However, its competitiveness is supported by the superior quality, reliability, technical support, and long-term benefit to the customers. ME Elecmetal's sales approach is to focus on supplying high quality products that offers customers highest mill productivity, instead of competing on the per unit purchase price of individual transactions.

Two further examples help illustrate this point.

- (1) The first of these relates to [CONFIDENTIAL TEXT DELETED - identity of end user and end user preferences]. [CONFIDENTIAL TEXT DELETED - identity of end user].

¹ See Attachment 1 [CONFIDENTIAL ATTACHMENT].

² See Attachment 2 [CONFIDENTIAL ATTACHMENT].

³ See Attachment 3 [CONFIDENTIAL ATTACHMENT].

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[CONFIDENTIAL TEXT DELETED - identity of end user, product offering and price statement].⁴

- (2) The second example relates to [CONFIDENTIAL TEXT DELETED - identity of end user and supplier/s]. This customer is currently conducting a production test of the top-quality ME Longteng “Super Sag Ball” product. [CONFIDENTIAL TEXT DELETED - identity of supplier/s, quality issues and price statement].⁵

- supply/availability differences;

ME Elecmetal only offers premium quality forged steel grinding media to the Australian market, as produced in its JV operation at ME Longteng. ME Elecmetal assumes that its supply may have a longer lead time for the first purchase order from a new customer in comparison to domestic producers in Australia. However, once the supply relationship has been initiated under the long-term contract concerned, ME Elecmetal establishes supply mechanisms to ensure timely and continuous delivery to the customer thereafter, without any delay or interruption.

- technical support differences; and

ME Elecmetal does not offer grinding media as a “standard” steel commodity. The ME Longteng/ME Elecmetal philosophy is that grinding media is a critical part of mining operations. The relationship between the media and the mineral ores at the location concerned needs to be properly evaluated, and an engineered solution must be developed that is best-suited to that location and to the conditions involved.

ME Elecmetal has deep and specific experience in analysing and optimising milling processing operations through a combination of extensive database references, proprietary benchmarking and performance evaluation tools, utilising the latest in industry innovation and thinking. ME Elecmetal’s experienced Applications Engineers are industry leaders in promoting innovation and maximising product performance. This enables ME Elecmetal to offer products with superior performance and provides the best solution to its customer’s production needs.

⁴ See Attachment 4 - “[CONFIDENTIAL TEXT DELETED - identity of end user]” [CONFIDENTIAL ATTACHMENT]; Attachment 5 - “[CONFIDENTIAL TEXT DELETED - identity of end user]” [CONFIDENTIAL ATTACHMENT]; and Attachment 6 - “[CONFIDENTIAL TEXT DELETED - identity of end user]” [CONFIDENTIAL ATTACHMENT].

⁵ See Attachment 7 - “[CONFIDENTIAL TEXT DELETED - identity of end user]” [CONFIDENTIAL ATTACHMENT]

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Higher prices, better quality, and individually engineered solutions differentiate ME Elecmetal and ME Longteng's product from their competitors in the Australian market.

- product segmentation.

Most mineral processing plants with horizontal or vertical grinding mill equipment need grinding media to enable the grinding mill to perform its task effectively. The only exception to this is a specific application for a horizontal grinding mill, being designated as an "autogenous mill" (typically documented in shorthand as an "AG Mill"). AG Mills do not need grinding media to process ores.

Whilst the grinding media can be differentiated by its production process into "forged steel" and "cast chrome" media, the two products can be substituted in some of the mineral milling operations. As an example, [CONFIDENTIAL TEXT DELETED – market intelligence].⁶

2. Describe the end uses of the goods in the Australian market from all sources.

Grinding media is used in mineral processing plants, specifically rotating grinding mills (horizontal and vertical). Multiple stages of grinding/milling can be involved - primary, secondary, and tertiary.

Grinding media supply is broadly divided into 2 main categories;

- high chrome cast balls; and
- forged steel balls.

Forged steel balls can be used in all grinding mill applications (primary, secondary, and tertiary). High chrome cast balls are sometimes used as a substitute for forged steel balls in secondary and tertiary milling applications, where the impact from the mill is not as significant as primary milling.

Chrome cast balls are made in foundries with a manufacturing process that allows great flexibility in various ball shape/diameter designs as well as a larger range of alloy for input chemistry. However, chrome cast balls come with more impurity, porosity, and weaker ability for impact resistance.

Forged steel balls, in comparison, offer more uniformity of composition and structure integrity. The refining stage of steel making largely eliminates most impurity in chemistry, while the rolling stage of steel making gets rid of the porosity/voids in the material. In addition, the thermal cycle and deformation process intrinsic to the forged ball manufacturing lead to metallurgical

⁶ See Attachment 8.

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recrystallisation and grain refinement, which strengthens the steel product particularly in terms of impact and shear strength.

When used in a mineral processing mill with large enough size, the impact from the mill can be such that it will shatter chrome cast balls into broken pieces, and thus defeat the purpose of the product to break up rocks.

On the other hand, product quality can differ significantly among different forged steel ball suppliers, based on engineering designs, quality control, and use of materials, etc. Quality/design differences between forged balls can still lead to substantially different performances and end user experiences.

In the Australian market, end users choose their own suppliers and type of grinding balls based on their individual commercial priorities, operational needs, and their understanding of quality difference between suppliers. ME Elecmetal's products target, and are more attractive to, customers who choose to prioritise quality and long term operational benefit over the transactional unit price of the product.

[CONFIDENTIAL TEXT DELETED – ME Elecmetal marketing and sales philosophy].

3. Describe the key product attributes that influence purchasing decisions or purchaser preferences in the Australian market. Rank these preferences or purchasing influences in order of importance.

[CONFIDENTIAL TEXT DELETED – ME Elecmetal marketing and sales philosophy].

Although end users can be expected to have different preferences when it comes to purchasing priorities or “drivers”, ME Elecmetal's customers typically would have the following preferences with respect to ME Elecmetal's offering (ranked from most important to least important):

- quality/product performance
- technical support
- purchase price
- supply chain security/delivery

[CONFIDENTIAL TEXT DELETED – implication of ME Elecmetal marketing and sales philosophy].

4. Identify if there are any commercially significant market substitutes in the market for the goods in Australia.

No.

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5. Identify if there are any commercially significant market complements in the market for the goods in Australia.

No.

6. Have there been any changes in market or consumer preferences in the market for the goods in Australia in the last five years, particularly in respect of the use of low chrome grinding balls versus high chrome grinding balls? If yes, provide details including any relevant research or commentary on the industry/sector that supports your response.

For changes in the market and consumer preferences from ME Elecmetal’s perspective, please see the responses provided above.

The quality level of Australian market grinding media traditionally lagged behind other markets, such as Chile. This was due to the market dominance of Molycop, which had limited intention to improve on quality and existing manufacturing constraints which prevented it from doing so without additional investment.

At the time of ME Elecmetal’s market entry, it was necessary for ME Elecmetal to provide a “lower grade” product design similar to the one that was prevalent in the Australian market. Customers were initially unwilling to trial ME Elecmetal’s more advanced designs. However, over the last five years the situation is changing, [CONFIDENTIAL TEXT DELETED – identity and preferences of end users].

In summary, ME Elecmetal highlights the following:

- (a) ME Elecmetal has been able to maintain and expand on its long-term supply arrangement [CONFIDENTIAL TEXT DELETED – identity of end user] long-term reliability and better efficiency associated with the higher quality performance product offered by ME Elecmetal [CONFIDENTIAL TEXT DELETED – price statement].**
- (b) ME Elecmetal has been able to impress new customers with superior performance products, [CONFIDENTIAL TEXT DELETED – market intelligence and price statement].**
- (c) [CONFIDENTIAL TEXT DELETED – market intelligence, identity of end user and price statement].**
- (d) [CONFIDENTIAL TEXT DELETED – market intelligence and identity of end user]. To ME Elecmetal’s knowledge, two of the largest single operations in Australia are currently using high chrome cast balls supplied by Vega, namely:**

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- (1) [CONFIDENTIAL TEXT DELETED – identity of end user, estimation of volume and information source]; and
 - (2) [CONFIDENTIAL TEXT DELETED – identity of end user, estimation of volume and information source].
- (e) ME Elecmetal is also aware that there has been a strong marketing/promotional effort by the chrome cast ball suppliers, who claim that their product offering will lead to better mineral recovery in customer operations. The stated basis for this claim is that chrome cast balls have lower iron/steel content than forged steel balls, and thus consume less oxygen from oxidation in milling operations. While such claim is technically debatable in the mineral processing industry, some customers are now choosing chrome cast balls over forged steel balls for long term trial.

B Prevailing conditions of competition in the Australian market

1. Describe the Australian market for grinding balls (the goods) and the prevailing conditions of competition within the market, including:
 - (a) Provide an overall description of the market for the goods in Australia which explains its main characteristics and trends over the past five years;

As explained above, there has been a recent trend towards the use of high chrome cast balls in secondary and tertiary mills, due to the marketing efforts and claims of chrome ball suppliers with explanation provided in the section above.

In addition, due to high metal prices, more mines and their related mills are paying greater attention to the quality and performance of forged steel grinding ball than in the past. This trend is favourable to ME Elecmetal, as a supplier of premium product [CONFIDENTIAL TEXT DELETED – marketing and sales philosophy].

Another significant change in the Australian market in the last five years has occurred with respect to the domestic producers. When the application for the anti-dumping measures was lodged by the domestic industry in 2015, it was lodged by Molycop, as a subsidiary of Arrium Limited, and Donhad. As a result of the external administration of Arrium, Molycop (referred to as the “crown jewel” of Arrium) was sold to the US private equity firm American Industrial Partners, and the remainder of Arrium was then sold to GFG Alliance. Shortly after, Molycop acquired Donhad and became the sole producer of grinding media in Australia.

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According to the ACCC's 2017 inquiry, Molycop and Donhad were the largest and second largest suppliers in the Australian market at that time.⁷

The ACCC concluded that the proposed acquisition was likely to lessen competition in the supply of steel grinding media in Australia. However, it was not satisfied that the reduction in competition was likely to be substantial.

Moly-Cop and Donhad are the only two domestic manufacturers of grinding media in Australia and compete closely with each other. While Donhad is the second largest grinding media supplier in Australia, its position and market share in the supply of grinding media in Australia has been declining in recent years.

The restructure of Molycop and Donhad also freed the domestic producers from the previous tied production and supply arrangements with Molycop's former parent company operation in Whyalla. It was observed by the Commission, in Investigation 384, that Donhad responded to this by seeking to import its raw material requirements from China. It is unclear whether the procurement practice of Donhad (now part of Molycop) of relying on import materials has continued in more recent times. Investigation 384 also noted that the separation of Molycop from Arrium/OneSteel also released Molycop from its obligation to toll process or supply grinding bar under contract or to use raw materials from OneSteel. We assume that this independence has also underpinned Molycop's strong growth in recent times.

The Australian market for grinding balls has been growing in recent years due to strong demand for gold, copper and iron ore. This has helped to further concentrate and improve Molycop's financial condition, which is now stronger than ever before. According to media reports, Molycop was sold to American Industrial Partners for USD1.2 billion in 2016. Now, American Industrial Partners is seeking to sell Molycop to a new buyer at an asking price higher than USD2 billion.⁸ The business case for acquiring Molycop, targeted at investors interested in "core-plus" infrastructure assets,⁹ includes these statements:

- *Molycop, which supplies steel balls and rods that help extract copper and gold from mined ore, was 3½ times the size of its biggest rival based on installed capacity, and expected 5 per cent a year future volume growth.*

⁷ <https://www.accc.gov.au/public-registers/mergers-registers/public-informal-merger-reviews/moly-cop-proposed-acquisition-of-donhad>

⁸ See, for example <https://www.afr.com/street-talk/ex-arrium-crown-jewel-molycop-back-on-the-block-20201217-p56o82>. A PDF version is at Attachment 9.

⁹ See, <https://www.theaustralian.com.au/business/dataroom/aip-sounds-out-infrastructure-investors-for-sale-of-molycop/news-story/e56dca902fab67b036ae2757288c9d3f> A PDF version is at Attachment 10. The article explains that "Core-plus" infrastructure assets are similar to typical infrastructure assets but have a greater risk and earnings profile, with examples being data centres, car parks, student accommodation and social infrastructure.'

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- *It said the group was likely to record \$US1.3 billion (\$1.61 billion) revenue in FY21 and \$US175 million in adjusted EBITDA, with its underlying market forecast to increase 3.5 per cent a year until the end of the decade.¹⁰*
- *The other thing that's changed is Molycop's production capacity. Potential buyers were told Molycop had invested \$US150 million over the past six years to increase capacity to 1.8 million tonnes, which included 1.1 million tonnes of small/medium balls and 0.7 million tonnes of SAG grinding balls which feed semi-autogenous mills.¹¹*

ME Elecmetal considers that these statements accurately describe the improvement in the operational condition of the Australian domestic producers, an improvement that results from the better price conditions in which Molycop now operates, and its dominant market position. In response, competitors such as ME Elecmetal have been confined to offering more specialised products and services at higher price points. ME Elecmetal fully expects these structural changes to be sustained as the boom cycle in gold, copper and iron ore continues, and to be maintained for an appreciable time thereafter as the market adjusts and as supply agreements come up for renewal. [CONFIDENTIAL TEXT DELETED – market intelligence].

- (b) Provide the sources of demand for the goods in Australia, including the categories of customers, users or consumers of the product;

Demand for grinding media overall is driven by continued growth in the mining sector, especially the strong demand for gold, copper and iron ore. Particularly, demand for ME Elecmetal's the products is driven by customer requirements for high performance operation and an awareness of and interest in the reliability and performance of ME Elecmetal's products produced by ME Longteng.

- (c) Describe the factors that influence consumption/demand in Australia, such as seasonal fluctuations, factors contributing to overall market growth or decline, government regulation, and developments in technology affecting either demand or production;

Consumption/demand is driven by the broader mining industry that uses grinding media to process the minerals. Global metal prices and currency fluctuation also tend to have a material influence on demand and prices for the goods.

¹⁰ This represents a 30% increase in revenue since the takeover from Arrium, noting that this is a global statistic. We note also that Molycop concedes that it is not suffering injury, by only alleging the possibility of a *recurrence* of injury in its application for this inquiry. That indicates that Molycop is presently as profitable as it needs to be. Our expectation is that the Australian operations are presently highly profitable, and that the Commission's inquiries will bear that out.

¹¹ See, <https://www.afr.com/street-talk/molycop-bankers-grind-and-hustle-seven-point-pitch-to-buyers-20210407-p57h26>. A PDF version is at Attachment 11.

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- (d) Describe any market segmentations in Australia; such as geographic or product segmentations;

Please refer to ME Elecmetal's comments concerning product segmentation at A-1 above.

- (e) Describe the way in which Australian manufactured and other imported goods compete in the Australian market;

For ME Elecmetal's comments concerning the domestically manufactured products, please refer to the above responses. In particular, ME Elecmetal noted these matters:

- (a) That the domestic manufacturing of grinding balls has become even more highly concentrated since the original investigation.**
- (b) [CONFIDENTIAL TEXT DELETED – price statement].**
- (c) [CONFIDENTIAL TEXT DELETED – market intelligence and price statement].**
- (d) That some customers in Australia are moving towards the use of high chrome cast ball products which are not offered by ME Elecmetal, Longte or Molycop. ME Elecmetal understands that Indian supplier Vega, as well as an Indonesian company affiliated to Molycop, may now be the main suppliers of grinding balls outside of those produced in Australia or imported from China.**

- (f) Describe the ways that the goods are marketed and distributed in the Australian market; and

As explained and illustrated above, ME Elecmetal markets its product as a premium product with strong performance and long term benefit, and offers customised supply arrangement suited to specific customers' requirements. [CONFIDENTIAL TEXT DELETED – marketing and sales philosophy].

- (g) Describe any other factors that are relevant to characteristics or influences on the market for the goods in Australia.

ME Elecmetal's customers tend to focus on the following:

- highest mill performance and efficiency;**
- lowest ball consumption;**
- lowest ball breakage;**
- good technical support.**

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2. Describe any entry restrictions for new participants into the market for the goods in Australia. Your response could include information on:

- patents and copyrights;
- licenses;
- barriers to entry;
- import restrictions; and
- government regulations (including the effect of those government regulations).

In responding to question 3 ensure that relevant regulations are referenced.

If the grinding media quality fails significantly, or if the supply to a particular mill is interrupted, then the milling operations concerned will be forced to shut down. Therefore, most major mining operations will only buy from suppliers with a proven track record in product quality and supply reliability. New market entrants are generally not seriously considered, or take considerable time to become established, due to their unknown nature.

C Relationship between price and cost in Australia

1. Rank the following factors in terms of their influence on your pricing decisions in the Australian market, with the most important factor ranked first and the least important factor ranked last:

- Competitors' prices;
- Purchase price of raw materials;
- Cost to make and sell the goods;
- Level of inventory;
- Value of the order;
- Volume of the order;
- Value of forward orders;
- Volume of forward orders;
- Customer relationship management;
- Supplier relationship management;
- Desired profit;
- Brand attributes;
- Other [please define what this factor is in your response].

ME Elecmetal can rank these factors as follows:

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- international prices trends of key raw materials, such as iron ore, steel, coal, etc;
- cost to make and sell the goods;
- desired profit;
- level of inventory;
- value of the order;
- volume of the order;
- value of forward orders;
- volume of forward orders;
- competitors' prices;
- customer relationship management;
- supplier relationship management;
- brand attributes.

D List of Attachments

No.	Title/description	Confidential (Y/N)
1	[CONFIDENTIAL TEXT DELETED – identity of end user]	Y
2	[CONFIDENTIAL TEXT DELETED – identity of end user]	Y
3	[CONFIDENTIAL TEXT DELETED – identity of end user]	Y
4	[CONFIDENTIAL TEXT DELETED – identity of end user]	Y
5	[CONFIDENTIAL TEXT DELETED – identity of end user]	Y
6	[CONFIDENTIAL TEXT DELETED – identity of end user]	Y
7	[CONFIDENTIAL TEXT DELETED – identity of end user]	Y
8	[CONFIDENTIAL TEXT DELETED – identity of end user]	Y
9	“Ex-Arrium crown jewel Molycop back on the block”	N

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10	“AIP sounds out infrastructure investors for sale of Molycop”	N
11	“Molycop bankers grind and hustle; seven-point pitch to buyers”	N