Before the
UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

IN THE MATTER OF **CITRIC ACID AND CERTAIN CITRATE SALTS FROM BELGIUM, COLOMBIA, AND THAILAND**	)))))))	**ITC Inv. Nos. 701-TA-581 and 731-TA-1374-1376 (Preliminary)**

<u>TESTIMONY OF JEFF PEEL</u>

June 23, 2017

Good morning. My name is Jeff Peel. I am the Director of Acidulants at Archer Daniels Midland Company. I am responsible for all commercial activities of the company's North American acidulant businesses. I previously managed ADM's starch business unit since 2006.

ADM is one of the world's largest agricultural processors and food ingredient providers. We currently have more than 33,000 employees serving customers in more than 140 countries. Our corporate headquarters are in Illinois. We connect the harvest to the home, making products for food, animal feed, chemical, and energy applications.

ADM has been in the citric acid business since 1990, when we purchased the business from Pfizer. That purchase included two world-class citric acid plants –

one in Ireland and the other in Southport, North Carolina. We closed our plant in Ireland in 2005 due to a surge of low-priced imports from China into the European market. Today, therefore, all of ADM's citric acid production takes place at our Southport plant.

Citric acid is a commodity product. Our customers can readily substitute citric acid from Belgium, Colombia, Thailand, or the United States as a drop-in replacement in virtually every end-use. As a result, purchasing decisions are primarily based on price. Citric acid production is capital-intensive, and it is important that our plant operate continuously at a high level of capacity utilization. Our need to maintain a high level of capacity utilization compels us to follow market pricing to maintain sales and production volume.

Our major customers are sophisticated companies that are well aware of these conditions of competition. They demand that we meet or beat the prices being offered by other suppliers. Purchasers have substantial leverage in sales negotiations because a small number of purchasers account for a large percentage of U.S. citric acid consumption. Many of the large U.S. purchasers of citric acid are accustomed to using imported citric acid. Some of them purchase Thai, Colombian, or Belgian citric acid for their overseas operations. In addition, imports from China and Canada have been in the market for many years, although they are now disciplined by AD and CVD orders. Even the few purchasers who generally have purchased citric acid produced in the United States monitor import prices closely and demand that we meet the import price in order to keep their business.

Since 2014, imports from the three subject countries have increased significantly, taken market share, and depressed domestic producers' prices. Like the domestic industry as a whole, ADM has experienced significant negative effects caused by the increasing volume of subject imports. The increasing supply of dumped imports has prevented us from taking advantage of what should have been much more favorable market conditions following the imposition of duties on imports from Canada and China in 2009. For a few years following those orders, the state of the domestic industry improved. The orders restrained the volume and prices of imports from Canada and China, and the industry was able to regain lost market share and raise prices to levels that permitted a return to profitable operations. This enabled ADM once again to invest in our Southport plant. In short, the orders permitted us to completely turn around our business, which was headed toward termination due to the unfair pricing and the increased supply of imports from Canada and China.

But the benefits of those orders did not last. Starting in about 2013, imports from Belgium, Colombia, and Thailand began to surge. For example, Thailand had not been a significant producer of citric acid prior to the imposition of orders in the United States against imports from China. After those orders, however, the Chinese producers built manufacturing facilities in Thailand, targeting the U.S. market. As a result, U.S. imports from Thailand increased from only about 2,400 tons in 2011 to almost 45,000 tons in 2016.

Imports from Colombia also surged, almost doubling from 2013 to 2014, from about 9,500 tons to over 17,000 tons in just one year, and imports from Colombia have been increasing steadily ever since.

Imports from Belgium have been significant, but relatively flat during the period of investigation. Even so, there was a surge in imports from Belgium after duties were imposed on imports from Canada and China. Like the other countries, the Belgians saw an opportunity and rushed in to fill the void with low-priced merchandise. But the cumulated subject imports have done much more than just replace imports from China – they have taken additional market share from U.S. producers and depressed market prices, harming our profitability and return on investment.

Citric acid is a relatively small part of ADM's total global business, but for the approximately 250 ADM and contract employees who work in the Southport plant, the citric acid business is their livelihood. The same is true for the ADM employees in our corn milling facilities in Iowa and Illinois where the substrate for our citric acid is produced. The jobs at the Southport plant are among the best and most sought-after in southeastern North Carolina, but they are in jeopardy.

Despite the fact that ADM's plant in Southport is efficient and environmentally friendly, increasing imports have put its continued operation in doubt. Our citric acid operations, including all of the jobs at our Southport plant, are at risk. As was the case before the China and Canada orders were imposed, our unprofitable operations are forcing us to cut costs very aggressively to maintain our citric acid operations. Our plant is urgently in need of investment, but the company cannot justify additional capital expenditures in light of the unacceptable returns that low-priced imports from Belgium, Colombia, and Thailand are causing. Our deteriorating profitability has prevented us from making substantial and necessary investments in our citric acid business. Thus, not only are we losing sales and revenue, but we are also losing long-term competitiveness.

In short, although the orders on Canada and China saved our Southport plant a few years ago, the subject imports from Belgium, Colombia, and Thailand that surged into the market after those orders were imposed have again injured our operations and put the plant at risk. The steps we have taken to cut costs and improve productivity have been inadequate to improve the profitability of our operations in light of unfair import competition from the subject countries. Without the relief we are requesting, the continued existence of our production in

Southport is in question. Therefore, we request that the Commission make an affirmative determination and allow these investigations to continue.

Thank you.