

**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**

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) **ITC Inv. Nos. 701-TA-581 and**
) **731-TA-1374-1376 (Preliminary)**
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TESTIMONY OF KEN ERICKSON

June 23, 2017

Good morning. My name is Ken Erickson. I am the Vice President, Product Line Management Acidulants & Vico for Tate & Lyle Ingredients Americas LLC. I have held this position since 2015 and have worked at Tate & Lyle since 2011. Altogether I have 13 years of experience working in management and financial positions in the agribusiness and food industries. In my current position, I am responsible for all of Tate & Lyle's citric acid business worldwide. I am familiar with market conditions and prices in all markets.

Tate & Lyle is a multinational company. We operate manufacturing and blending facilities in over 30 countries around the world. We employ over 4,200 people and have been in business for over 150 years. We entered the citric acid business in 1998, when we bought the citric acid operations of Bayer's Haarman &

Reimer division, which included plants in the United States, Brazil, Colombia, Mexico, and the United Kingdom.

At Tate & Lyle, we are particularly attuned to the importance of combating unfair trade. We were forced to close the Selby, UK plant in 2007 because of inadequate financial performance that was the direct result of dumped imports from China. Similarly, we still produce citric acid in Brazil, but imports resulting from global overcapacity also have had significant negative effects on our operations there. The same thing happened in Mexico, where we also shut our business there in 2007 due to poor market conditions.

In Colombia, we divested our share of the joint venture that operated the old Haarman and Reimer facility. After the divestment, which was completed in 2012, the company changed its name to Sucroal. We decided to sell our share in the Colombian business due to our assessment of the plant's long-term competitiveness and its exposure to low-priced competition from China in the Colombian and other regional markets. When we were a partner in the venture, we had exclusive rights to import in the United States, and we were careful not to oversupply the U.S. market with imports of citric acid from Colombia. After the divestment, however, Sucroal increased exports to the United States, almost doubling the quantity of exports from 2013 to 2014 and cutting the price sharply to

buy market share. The volume of Sucroal's exports to the United States has continued to rise, and its prices have continued to fall, since the divestment.

Unfairly priced imports can have a dramatic impact in the market because citric acid and citrate salts are commodity products. The scope of the investigations cover citric acid, sodium citrate, and potassium citrate. Most of the product sold in the U.S. is citric acid, in anhydrous form. The second most common form is sodium citrate. Both citric acid and sodium citrate are made to standard specifications, which make them completely interchangeable. Accordingly, citric acid and citrate salts are "drop-in" replacements. This permits purchasers to easily substitute one qualified source for another.

Although citric acid requires specialized equipment and substantial technical expertise to produce, from a marketing standpoint it is very simple. All world-class citric producers – including the subject Belgian, Colombian, and Thai producers – produce to the standard specifications. Citric acid varies only in particle size and level of moisture. Therefore, in almost all cases, even the different types of citric acid – anhydrous, monohydrate, or solution – are highly interchangeable. This is not surprising, because citric acid is typically used in aqueous solution, and the only difference among these three types of citric acid is the amount of water that they contain.

Because citric acid is a commodity product, you would expect price to be the paramount factor in sales negotiations, and it is. The major purchasers of citric acid are global companies, with sophisticated worldwide purchasing networks. They negotiate aggressively to drive our prices down. They do not haggle about special grades, delivery terms, particle sizes, or bag sizes. The real issue to work out in negotiations is price.

The large customers on whom Tate & Lyle depends are regularly using import prices to leverage down our price in the contract negotiations. In fact, as low-priced subject imports have increased, some of our contract customers have asked us to renegotiate their contracts during the term of the contract, forcing us to lower our prices to meet subject import prices. In addition, in some cases our customers have taken less volume that was projected in the contract and increased their purchases of subject imports. The existence of a contract provides no insulation from the adverse impact of dumped and subsidized imports.

Low and declining import prices have resulted, therefore, in lower prices for our merchandise in the U.S. market. This is severely injurious by itself, but the injury is compounded by the cost environment in which we operate. We have not only been forced to reduce our prices, but we also have been unable to increase our prices to cover our costs. Both of these aspects of the price competition of subject imports have directly and negatively impacted our bottom line.

The orders on citric acid from Canada and China show what can happen when a remedy is imposed on dumped and subsidized imports into this market. The market improved as soon as preliminary antidumping duty cash deposits were imposed in November 2008, which was the middle of the 2009 contracting season. As a result, we were able to obtain much higher contract prices for 2009. The improvement was not a one year event. Prices and operating profits for Tate & Lyle remained much higher for several years, which allowed us to make necessary new investments. For example, we made investments to debottleneck certain processes in order to improve efficiency and increase production capacity. Unfortunately, the increase in imports from Belgium, Colombia, and Thailand have reversed these gains in profitability, and new remedies on these imports are now needed for us to recover.

Continuous investment in this industry is absolutely critical. Citric acid is an asset-intensive business, and continual maintenance is necessary to keep the plant running efficiently. The caustic nature of acid production increases wear and tear and requires constant attention to the maintenance of expensive equipment at the plant. Moreover, the plant cannot be turned off and on and must run continuously to achieve the lowest costs and highest market competitiveness. Unscheduled downtime for maintenance is very harmful to the profitability of the business. The increase in low-priced subject imports has adversely impacted our

ability both to make capital investments to improve our processes and to make routine maintenance expenditures.

U.S. demand likely will continue to be flat primarily due to declining consumption of both naturally sweetened and artificially sweetened beverages. Given this demand trend, as well as the ample global supply of citric acid, the future of our Dayton plant is in doubt if duties are not imposed on subject imports.

Finally, I'd like to make a point about the importance of a fair market to employment in the citric acid industry. Our workers in Dayton are represented by the United Steelworkers, which have provided a letter of support that we will include with our post-conference brief. The Dayton plant is vital to Dayton and the surrounding community. The plant provides good manufacturing jobs that are highly desirable. We have several employees who have been working at the plant since it opened in 1977, and many have been working there since we acquired the facility in 1998. If we have a job opening, we usually get 200 to 300 applications for the position. Each manufacturing job at the plant supports several additional jobs in the surrounding community. If duties are not imposed on imports from Belgium, Colombia, and Thailand, those jobs will be in jeopardy.

Thank you for your attention. I look forward to answering your questions.

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