UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**) Investigation Nos.:**
CITRIC ACID AND CERTAIN CITRATE SALTS	**) 701-TA-581 AND**
FROM BELGIUM, COLOMBIA, AND THAILAND	**) 731-TA-1374-1376 (PRELIMINARY)**

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UNITED STATES OF AMERICA

BEFORE THE

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:	) Investigation Nos.:
CITRIC ACID AND CERTAIN CITRATE	) 701-TA-581 AND
SALTS FROM BELGIUM, COLOMBIA,	) 731-TA-1374-1376
AND THAILAND	) (PRELIMINARY)

Hearing Room A
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Friday, June 23, 2017

The meeting commenced pursuant to notice at 9:30 a.m., before the Investigative Staff of the United States International Trade Commission, Douglas Corkran, Supervisory Investigator, presiding.

APPEARANCES:

Staff:

William Bishop, Supervisory Hearings and Information Officer

Sharon Bellamy, Records Management Specialist

Douglas Corkran, Supervisory Investigator (presiding)

Lawrence Jones, Investigator

Carolyn Carlson, Investigator

Jeffrey Clark, International Trade Analyst

Lauren Gamache, International Economist

Benjamin Allen, Attorney/Advisor

APPEARANCES:

Opening Remarks:

Petitioners (Stephen A. Jones, King & Spalding LLP)

Respondents (Alexander H. Schaefer, Crowell & Morning LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

King & Spalding LLP

Washington, DC

on behalf of

Archer Daniels Midland Company

Cargill, Inc.

Tate & Lyle Ingredients Americas LLC

Christopher B. Aud, Assistant Vice President, Cargill Starches and Sweeteners, Acidulants Product Line, Cargill, Inc.

Brett S. Tuma, Commercial Manager, Acidulants, Cargill, Inc.

Jeffrey S. Peel, Director, Acidulants, Archer Daniels Midland Company

Kenneth F. Erickson, Vice President, Product Line Management Acidulants & Vico, Tate & Lyle Ingredients Americas LLC

Charles Anderson, Principal, Capital Trade, Inc.

Stephen A. Jones and Benjamin J. Bay - Of Counsel

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders:
Crowell & Moring LLP
Washington, DC
on behalf of
Citrique Belge
Hans De Backer, Managing Director, Citrique Belge
Beate Braeuer, Sales Manager, Citrque Belge
Michael Gijsegom, Key Account Manager, Citrique Belge
Alexander H. Schaefer and Daniel J. Cannistra - Of Counsel

Rebuttal/Closing Remarks:
Petitioners (Stephen A. Jones, King & Spalding LLP)
Respondents (Alexander H. Schaefer, Crowell & Moring LLP)

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P R O C E E D I N G S

9:30 a.m.

MR. BISHOP: Will the room please come to order?

MR. CORKRAN: Good morning and welcome to the United States International Trade Commission's Conference in connection with the preliminary phase Antidumping and Countervailing Duty Investigation Nos. 701-TA-581 and 731-TA-1374 through 1376 concerning Citric Acid and Certain Citrate Salts from Belgium, Colombia and Thailand.

I'm Douglas Corkran the Supervisory Investigator and I will preside at this conference on behalf of Michael Anderson the Director of Investigations. Among those present from the Commission Staff are on my far right: Lawrence Jones, one of our Investigators; Carolyn Carlson, also one of our investigators; Benjamin Allen our Attorney Advisor who is participating on behalf of Courtney McNamara; Lauren Gamache our Economist; and Jeffrey Clark, our Industry Analyst; Mary Klir our Accountant Auditor could not be here today but will be reviewing the transcript.

I understand that the parties are aware of the time allocations and any questions regarding the time allocations should be addressed with the Secretary. I would remind speakers not to refer in your remarks to Business Proprietary Information and to speak directly into the microphones. We also ask that you state your name and

affiliation for the record before beginning your presentation or answering questions for the benefit of the court reporter. All witnesses must be sworn before presenting testimony.

Are there any questions? Mr. Secretary, are there any preliminary matters?

MR. BISHOP: No, Mr. Chairman

MR. CORKRAN: Very well, let us begin with opening remarks.

MR. BISHOP: Opening remarks on behalf of Petitioners will be given by Steven A. Jones of King and Spaulding.

MR. CORKRAN: Welcome back Mr. Jones, you may begin when you are ready.

OPENING REMARKS OF STEPHEN A. JONES

MR. JONES: Good morning. Thank you Mr. Corkran and members of Staff. My name is Steve Jones. I'm from King and Spaulding and I am representing the Petitioners in these investigations.

This case is about rapidly increasing imports of citric acid and certain citrate salts from Belgium, Colombia, and Thailand. Imports from all three countries are being dumped and imports from Thailand are also being subsidized. The Commission is very familiar with this product. It reached affirmative determinations in

investigations involving imports of citric acid from China and Canada in 2009 and it reached affirmative determinations as to imports from both countries in the first Sunset Review in 2015.

The scope of these investigations is the same as the scope of those orders. As in those prior investigations the domestic like product should be defined commensurate with the scope definition. The key conditions of competition which have not changed over the past decade make the Domestic Industry especially susceptible to injury from unfairly priced imports.

First, citric acid is a commodity-like product and suppliers from the Subject Countries in the United States compete primarily on the basis of price. Subject Imports from all three countries compete with each other and with Domestic Producers. The imports and domestic products are highly fungible.

Second, the industry is highly capital-intensive. Citric acid plants are intended to operate 24/7 in order to minimize fixed per unit cost and to avoid costly shut downs to sensitive biofermentation operations. Therefore, U.S. Producers have a very strong incentive to meet lower-priced import competition to avoid lost sales and underutilized capacity.

Third, a small number of U.S. purchasers account

for a large percentage of domestic consumption. Most of them put up their annual requirements for bid around the same time of the year. This has the effect of intensifying the focus on price because purchasers are well aware of import prices and the availability of imports and are able to use that information to their benefit in negotiations with Domestic Producers.

Applying the statutory factors in the context of these conditions in competition, there is clearly a reasonable indication that the Domestic Industry is materially injured by reason of Subject Imports. First, the volume of Subject Imports and the increase of volume in imports are both significant. During the period of Period of Investigation cumulative Subject Imports increased 25.3 percent from 2014 to 2016 and by another 30.6 percent from interim 2016 to interim 2017. In 2016, Subject Imports accounted for 60 percent of all imports and 24 percent of apparent consumption. They increased their share of the U.S. Market from 19 percent in 2014 to 24 percent in 2016 and from 19 percent in interim 2016 to 24 percent in interim 2017.

Second, the Subject Imports have had very negative price effects. The average unit value of Subject Imports declined significantly over the POI. The increase in volume and decreasing prices of Subject Imports have both

depressed and suppressed U.S. prices. U.S. Producers' prices declined from 2014 to 2016. U.S. Producers have attempted to hold the line and not follow imported prices downward but they have not been able to do so the imports have undersold the domestic like product taking increasing market share and suppressed U.S. prices.

Finally, the Subject Imports negative volume and price effects have adversely impacted the Domestic Industry's market share, production, sales, profitability and capital investment. The Domestic Industry lost 5 percentage points of market share and another 3 points during the interim period. The rapid increase of lower price imports at the expense of U.S. Production is accelerating the Domestic Industry's disinvestment in U.S. Production assets, which is adversely affecting the industry's competitiveness.

Because the industry is already injured, there is no need for the Commission to assess threat of injury but the rapid increase in imports, the low and declining prices, the excess capacity in the Subject Countries and the government subsidies in Thailand all in the context of essentially flat U.S. consumption make clear that future injury is also imminent if duties are not imposed to offset the unfair pricing and illegal subsidies.

Thus, the Commission should reach affirmative

preliminary determinations in each of these investigations. Thank you.

MR. BISHOP: Opening remarks on behalf of Respondents will be given by Alexander H. Schaefer of Crowell and Morning.

MR. CORKRAN: welcome to the Commission, Mr. Schaefer. You may begin when you are ready.

OPENING REMARKS OF ALEXANDER H. SCHAEFER

MR. SCHAEFER: Thank you Mr. Corkran and good morning members of the Commission Staff. My name is Alex Schaefer and to be clear, I am not here on behalf of the Respondents, broadly speaking I am here specifically on behalf of Citrique Belge the Belgian Producer of Subject Merchandise. It's important for reasons I'm going to get to.

I've been to a number of these proceedings but nothing like the number that you all have been to. It must be interesting for you to hear both the Petitioner and Respondent templates. Right, so the Petitioners come in and they talk about the halcyon days when demand was rising, profitability was high and everybody was happy and then the imports came. Profitability deteriorated.

There's never a gradual increase in imports, there is only ever a spike or a surge. There's never a gradual price erosion, there is only a precipitous drop and

then typically the Petitioners tell you that notwithstanding their technology and their high quality workforce and their ability to compete, they still depend on a level playing field and only with relief will their business unit survive.

The Respondents typically then come in and say "no, no, no -- that's all wrong. The Petitioners have shot themselves in the foot. Their SGNA is bloated. They have established commercial terms that their customers don't like. Their quality is poor, their rejection rate is too high. We compete in different arenas. Any wounds that they have are self inflicted." How many times have you all heard self-inflicted coming from the Respondents part?

Happily, we are not making that sort of a presentation today. I say today, we reserve the right to do who knows what going forward but we didn't put that presentation together today because we were too busy being a little bit puzzled about why we are here and in that regard note what Mr. Jones didn't say in his opening remarks. He said imports from all three Subject Countries are dumped.

First of all, that remains to be seen. That is the Commerce Department's determination to make but what he didn't say was imports from all three countries have grown, because they haven't. This is why Citrique Belge is a little puzzled about why they're here. Their imports shrank during the Period of Investigation. You are going to hear a

little bit from Mr. De Backer about how that was and why that was and why it's exceedingly unlikely to change.

What we ask is that you consider Citrique Belge's role in the market, its historical record of imports and its likely future prospects for imports and on that basis conclude that there is neither injury nor threat of injury from this small and frankly shrinking volume of imports from Belgium. Thank you very much.

MR. BISHOP: Would the Panel in support of the imposition of the Antidumping and Countervailing Duty Orders please come forward and be seated. Mr. Chairman, all witnesses on this Panel have been sworn in.

MR. CORKRAN: Thank you very much Mr. Secretary. Welcome back, Mr. Jones and to the Panel and you may begin when you are ready.

MR. JONES: Thank you, Mr. Corkran. Steve Jones again for the Petitioners. We will begin right away with the industry witnesses and our first industry witness is Chris Aud from Cargill.

STATEMENT OF CHRISTOPHER AUD

MR. AUD: Good morning. My name is Chris Aud. Since 2013 I have worked at Cargill as Assistant Vice President, starches and sweeteners acidulants product line manager. My main responsibilities in that capacity include leading the citric acid business for Cargill Starches and

Sweeteners, North America.

Cargill is a privately held, family-owned company that celebrated its 150th anniversary just a couple of years ago. From our small beginnings in 1865 in Conover, Iowa we have grown into a global company that produces and sells agricultural-based products like citric acid in many different countries all over the world. We currently product citric acid at our plants in Eddyville, Iowa and Uberlandia, Brazil.

Our Eddyville plant is part of an integrative biorefinery and corn processing complex which provides approximately one thousand good paying jobs. The Eddyville citric acid plant uses a share of the dextrose produced in the adjacent corn wet milling complex as a substrate for the citric acid production.

While modest in its location in South Central Iowa, Eddyville is connected to a truly global market. Citric acid is globally produced and traded. There are a small number of world class citric producers supplying the global market. The major global players are located in Austria, Canada, China, Brazil, Belgium, Colombia, Thailand and the United States.

The demand side of the equation is also global. The largest citric acid purchasers are global in nature and scope. They have offices and buying agents in foreign

countries and purchase citric acid from non-U.S. Producers for consumption in many different markets including the United States. They are well aware of the world's supply and demand pricing, availability and non U.S. citric acid.

They are motivated to maintain the lowest prices because citric acid is interchangeable regardless of source or end-use application. Three of the major exporting countries are Belgium, Colombia and Thailand. For these countries, the total production capacity for citric acid far exceeds domestic consumption. As a result, all three countries are major exporters and due to the orders on imports from China and Canada that were imposed in 2009, prices in the U.S. Market were higher than elsewhere in the world for a few years.

That changed, however, when the Chinese Producers responded to the U.S. orders on imports from China by establishing production facilities in Thailand. Niran allegedly started producing in Thailand in 2010, Sunshine Biotech started production in 2011 and Kofco started production in 2013. All of these Thai producers are affiliated with Chinese Producers and all were established in Thailand after the orders on imports from China were imposed on the United States.

There are only a handful of Chinese Producers that are world class and can compete with Domestic Producers

for the largest U.S. Customers but it was these world class Chinese Producers that shifted production to Thailand in order to circumvent the orders in the United States. It is a classic whack-a-mole situation and the imports began to have an injurious impact in 2014.

A similar situation occurred in Colombia. Tate and Lyle was a joint venture partner in the sole citric acid plant in Colombia which focused on sales in the Colombian market and exports within Latin America. Accordingly, its exports to the United States were not significant. After Tate and Lyle divested its share of that facility in 2012 however, U.S. Imports from that Colombian plant surged.

The U.S. is now by far the leading export destination for Columbian citric acid. Like the imports from Thailand, the Colombian producer has taken advantage of the effectiveness of the U.S. Orders on imports from China and Canada and filled the void with low priced citric acid.

With respect to Belgium, Citrique Belge has also taken advantage of the relatively higher prices in the United States to dump its excess capacity in the U.S. Market. although the volume of imports from Belgium is not as high as those from Thailand and Colombia the merchandise is being sold at very low prices and is just as injurious as the Colombian and Thai imports given the high degree of fungibility of imports from all three countries and

domestic production.

Because citric acid producers strive to run their plants at full capacity there are powerful economic incentives driving producers in Belgium, Colombia and Thailand to produce below their fully absorbed cost of production. Every year during the Period of Investigation our customers have been receiving extremely and increasingly attractive price offers for Subject Imports. This downward price pressure has resulted in numerous lost sales and revenues with the expected and harmful impact on our bottom line.

After minimizing investments in our plant due to negative profits before orders in China and Canada were imposed, Cargill made significant investments after those orders that enhanced our productivity and expanded our capacity. We also increased our investment in general plant maintenance to be able to reliably and consistently supply customers. Unfortunately however, the surge in Subject Imports since that time have prevented us in achieving the expected return on those investments.

In fact since 2014 we have yet again been forced to reduce investment in these same areas. At Cargill, we focus our customers on what we believe is Cargill's superior supply reliability and service but the reality is that price is the overwhelming driver in the market for this product.

Price in this market is magnified by the way in which most citric acid is bought and sold in the United States.

In November and December every year, Cargill along with other U.S. Producers and importers negotiate with purchasers to sell most of our total output for the following year. Because almost all sales are negotiated well in advance to cover a one-year period performance related to non-price factors such as quality, delivery, availability, and timeliness is a given.

If you are large enough to warrant a place at the negotiating table then purchasers assume that you can deliver quality product on time. Because we must sell a substantial percentage of our output for the following year within a very short window near the end of the year a few large customers have tremendous negotiating leverage.

While the annual contracting process begins in the early fall with discussions about volumes and price trends, at some point toward the end of the year Cargill and other sellers must meet the customer's price requirements in order to book sufficient volumes to keep our plant operating. If one producer misses out on a major order or two early in the selling season, the pressure to lower prices to make up for lost volume can become enormous.

Therefore just a small amount of incremental volume if offered in the contract market at low prices at a

critical time in the negotiating season can shift the market dynamics decidedly and stall suppliers. In a commodity market where there are few major buys and a few major sellers the side with the majority of marketing power will depend on the balance of supply and demand.

It is well known that there are substantial production capacity in excess of domestic requirements in Belgium, Colombia and Thailand. That capacity can be and has been engaged to serve the U.S. Market not only in the spot market but in the all important annual contract market as well. The citric acid producers in Belgium, Colombia, and Thailand are world class producers capable of delivering high quality citric acid, meeting USD specifications in substantial volumes.

While we think Cargill offers the best supply reliability and service we also believe that many if not most customers have concluded that there are no material quality differences, product availability differences, or logistical disadvantages that might restrict the availability of imports from these countries.

Even the global nature of the citric acid market, the large available capacity in the Subject Countries has an impact on the negotiating behavior of both the major purchasers and sellers in all markets including the United States. In recent years, additional supplies of

lower-priced imports from Belgium, Colombia, and Thailand have shifted the existing supply and demand balance in the United States and have caused U.S. prices to fall rapidly.

Because prices in the United States while falling are still higher than in unprotected markets due to the orders on China and Canada, the Subject Producers have increased their sales to large volumes in the United States by using aggressive and unfair pricing. The market impact of the overcapacity in the Subject Countries and the increasing imports is not lost on our major customers. They enjoy a clear view of product availability and pricing from the Subject Countries.

Unrestrained, import pricing from Belgium, Colombia, and Thailand in the U.S. Market has caused material injury to our citric acid business. Without relief on imports from Belgium, Colombia, and Thailand the volume of imports will continue to increase and prices will continue to fall. We will lose more volume to Subject Imports that undersell our product resulting in lost sales volume and overall revenue.

The negative impact on our operations has already been significant. The lower market prices caused by increased underselling by Subject Imports have placed our citric acid operations at risk. Continued volume losses compromise our ability to operate at the high levels of

capacity utilization that are necessary and lower prices and profits have translated into a reduction in investments in our assets. Without relief on imports from Belgium, Colombia, and Thailand continuation of our citric acid operations is in doubt.

I look forward to responding to your questions. Thank you.

MR. JONES: Thank you Mr. Aud. Our next witness is Jeff Peel from Archer Daniels Midland.

STATEMENT OF JEFFREY S. PEEL

MR. PEEL: Good morning. My name is Jeff Peel and I am the Director of Acidulants at Archer Daniels Midland Company. I am responsible for all the commercial activities of the company's North American Acidulant businesses. I previously managed ADM Starch Business Unit since 2006.

ADM is one of the world's largest agricultural processor and food ingredients 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 application.

ADM has been in the citric business since 1990 when we purchased the business from Pfizer. That purchase included two raw class citric plants, one in Ireland and the

other in South Port, 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 South Port 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 high level capacity utilization compels us to follow market pricing to maintain sales and production volumes. Our major customers are sophisticated companies that are well aware of these conditions of competition. They demand that we meet or beat prices being offered by other suppliers.

Purchasers have substantial leverage in sales negotiation because of a small number of purchasers account for a large percentage of the 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 purchased high Colombian or Belgian citric acid for their

overseas operation. In addition, imports from China and Canada have been in the market for many years although they are now disciplined by AD and the 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 price in order to keep their business. Since 2014, imports from three Subject Countries have increased significantly, taken market share and depressed Domestic Producer prices.

Like the Domestic Industry as a whole, ADM has experienced significant negative effect caused by the increasing volume of Subject Imports. The increasing supply of dumped imports have 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 the 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 about 2400 tons in 2011 to almost 45,000 tons in 2016.

Imports from Colombia also surged almost doubling from 2013 to 2014 from 9500 tons to over 17000 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 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 the U.S. Producers and depressed market pricing harming our profitability and

return investment.

Citric acid is a relatively small part of ADM's total global business but for approximately 250 ADM and contracted employees who work at the Southport plant the citric acid business is their livelihood. The same is true for ADM's employees in our corn milling facilities in Iowa and Illinois for the substrate our citric acid is produced.

The jobs at the Southport plant are among the best and sought after in southeastern South Carolina but they are in jeopardy. Despite the fact that the ADM plant in Southport is efficient and environmentally friendly, increasing imports have put this continued operation in doubt. Our citric acid operations including all the jobs in 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 operation. Our plant is in urgent 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 cost and improve productivity have been inadequate to improve the profitability of our operations in light of the 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 this investigation to continue.

MR. JONES: Thank you, Mr. Peel. Our next industry witness is Ken Erickson from Tate & Lyle Ingredients Americas.

STATEMENT OF KENNETH F. ERICKSON

MR. ERICKSON: Good morning. My name is Ken Erickson. I am the vice president product line management of Acidulants & Vico for Tate & Lyle Ingredients America, LLC. I've held this position since 2015 and I have worked and Tate & Lyle since 2011. Altogether, I have 13 years of experience working in management and financial positions in the agri business 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 in manufacturing and blending facilities in over 30 countries around the world. We employ over 4200 people and have been in the business for 150 years. We entered the citric acid business in 1998 when we bought the citric acid operations of Bayers Haarman and 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 combatting unfair trade. We're forced to close and sell the U.K. plant in 2007 because of inadequate financial performance that was a direct result of dumped imports from China. Similarly, we still produce citric acid in Brazil, but imports resulting from global overcapacity have also had significant negative effects on our operations there.

The same thing happened in Mexico, where we 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 into 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 imports 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 export 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 on 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 products sold in the United States is citric acid in hydrous form. The second most common form is sodium citrate. Although 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 specification. Citric acid varies only in particle size and level of moisture. Therefore, in almost all cases, even the different types of citric acid and hydrous monohydrate or solution are highly interchangeable. This is not surprising, because citric acid is typically used in aqueous solution. And the only difference among the three types of citric acid is the amount of water 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 on regularly using import prices to leverage down our price in the contract negotiations. In fact, as low price 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 than 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 that resulted therefore in lower prices for our merchandise in the United -- U.S. market. This is severe injury just by itself, but the injury is compounded by the cost environment in which we operate. We have not only been able to force -- been forced to reduce our prices, but we have also been unable to increase our prices to cover our costs. Both of the 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 improves as soon as preliminary anti-dumping duty cash deposits were imposed in November 2008, which was in 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 remain 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 increases 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 acid 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, if the plant cannot be turned on and off, it must run continuously to achieve the lowest cost and highest market competitiveness. Unscheduled downtime for maintenance is very harmful for the profitability of the business. The increase in low priced subject imports has adversely impacted our ability to make both capital investments to improve our processes and to make routine maintenance expenditures.

U.S. demand likely will continue to be flat, primarily to declining consumption of both naturally and artificially sweetened carbonated beverages. Given this demand trend, as well as ample supply of global 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 fair market to employment in the citric acid industry. Our workers in Dayton are represented by the United Steel Workers, 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 pays -- provides good manufacturing jobs that are highly desirable. We have several employees that 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.

STATEMENT OF CHARLES ANDERSON

MR. ANDERSON: Good morning. For the record, this is Chuck Anderson from Capital Trade. I think I'm going to have to start by apologizing to Alex Schaefer because I'm going to stick very close to the standard petitioner script, but that standard script has the

additional benefit of being quite true in this case. So apologies to Alex, but here I go.

This is my fourth time testifying before the Commission on citric acid. And I can say with a great deal of confidence that not much has changed in this industry over the market, except the countries from which the dumped and subsidized merchandise were -- are being imported.

Let me start by summarizing what others have already said about the subject of this investigation. Citric acid really is the poster child for a commodity good. As is evident from slide 1, where the font size here represents the relative significance, for the most part, citric acid is sold in two types: citric acid or sodium citrate in one grade, which is food grade, in one form, which is granular or fine granular. There's very little distinction between the two and they're usually priced the same. And in two types of packing. You can get them in 50 pound bags or super sacks.

Once a producer's citric acid has received food grade certification, the product can be purchased for virtually every end use by almost every U.S. customer. And it's a condition found in the recent sunset case involving citric acid from China and Canada. There's no branding or product differentiation strategy that might give one citric acid producer a sustained nonprice edge over its

competitors.

The product is storable for multiple years and can be shipped in bulk across oceans and continents fairly cheaply. Thus, the only way to sell citric acid in an oversupplied market is to lower price.

Turning now to the supply aspects of conditions of competition. The next three slides you'll see are the aerial photos of the citric acid plants of the three U.S. producers. So first, we have ADM's facility in Southport, North Carolina. Slide 3 is the Cargill facility in Eddyville, Iowa. This also includes an adjoining corn processing plant and -- that produces the dextrose that is used as a substrate. And there's some other downstream plants around this facility as well.

And the next slide, Slide 4, this is the -- an aerial of the Tate & Lyle facility in Dayton, Ohio. And you can see very clearly from these photographs a modern citric acid plant is a major capital investment. Today, a Greenfield plant in the United States would cost well in the excess of $100 million. Not only does it cost a lot of money to set up a citric acid plant, these plants are also extremely difficult to operate.

Citric is produced through a highly -- I call it a finicky bio fermentation process. Each producer has its own in-house bred organism that is designed to achieve

optimum yields in its own plant using its particular type of substrate.

Environmental conditions in fermentation, such as temperature, pressure, ph, sterility, all of those must be strictly controlled. It takes a lot of know how to operate a citric acid plant at consistently high yields. For these reasons outside of China, there are really very few producers of citric acid.

So citric acid is made of continuous process of fermentation, extraction, purification, and packing. These plants are designed to operate only one way, 24/7. In fact, shutting down a plant results in substantial losses. Not only do you lose all of the citric work in process, it's also very expensive to restart production. All of the holding tanks and lines have to be flushed and sterilized. And it takes a while to bring back an idled plant fully on line.

With respect to demand, there are two principal channels of distribution. Citric producers sell a majority of their output directly to end users, but they also sell product to specialty and general food and industrial products distributors. As I'll explain in a moment, these two channels are linked in a number of ways.

Another important element of demand is that U.S. market is dominated by a few large purchasers, the major

soft drinks manufacturers, detergent producers, general food companies, and large multinational general chemical distributors.

All of these customers purchased on contract, which typically extend one year or more. Usually, these major contracts are all under negotiations simultaneously in the fall and early winter for the following year's shipments. The contracts, and I emphasize hopefully, fixed prices, but quantities while typically specified in the contracts, are not fixed in practice.

All of these large purchasers are extremely sophisticated and know well the dynamics of the domestic and global citric markets. A number of them purchased citric from producers of subject imports in other markets. If not, they certainly are well aware of citric export prices to other markets, as well as the current state of the spot market in the United States.

Moreover, major U.S. producers will make some spot market purchasers. So they're well aware of subject import availability and pricing. Contract sales to distributors are also connected to the spot market through the mechanism of manufactured price supports. That is, if a U.S. distributor that's a contract customer of a U.S. producer finds itself competing with imports in the resale market, then the U.S. contract customer often comes back

and requests special price concessions from a 2S source in order to win the sale from the ultimate end user. This is how fixed price contracts become unfixed. So in a number of different ways, the spot in the contract markets are linked.

Demand for citric acid in the United States has basically been flat for several years. As is shown in slide 5, the biggest component of demand is beverages. Soft drinks consumption in slide 6 illustrates has been declining for a number of years now as the population ages and as consumers turn more towards bottled water and other alternative drinks.

While high oil prices in the mid to late 2000s led to a small spike in demand for citric use in fracking, with crude now selling at under $50 a barrel, this market has cooled in the last few years. The lack of growing market opportunities leave U.S. producers especially vulnerable to injury from dumped and subsidized imports.

Globally, the market clearly is oversupply. According to the definitive CEH study in 2015, China alone represented 60 percent of total citric acid production capacity, but only 11 percent of global consumption. With few large buyers and few large sellers in plants that must operate 24/7 to survive, this overcapacity shifts pricing power decidedly in the favor of the buyers.

The last point I'd like to make with respect to

demand is that is fairly inelastic. As the Commission has found in past cases, citric acid constitutes a very small percentage, like one percent or less, of the total cost of the finished products in which it is use. Moreover, citric has no close substitutes. Consequently, the only way to increase total demand is to lower prices significantly.

With all this competition -- conditions of competition in mind, let's now turn to the role of subject imports. Citric acid from Thailand, Colombia, and Belgium have been coming in in increasing volumes over the past three years. Having started from virtually nothing after the imposition of the orders on Canada and China, imports from subject countries now account for almost a quarter of the total U.S. consumption.

As it's clear from slide 7, price has been the driving factor for these substantial gains in import volumes and market share. Thailand has become a platform for Chinese citric producers who have been unable to re-enter the U.S. market with their Chinese product at fairly traded prices.

Two of the Thai plants, Sunshine Biotech and COFCO Thailand were started by and are presumably still owned by COFCO, formerly BBCA, the giant state owned agro processing conglomerate and one of the largest citric acid producers in China.

COFCO has repeatedly refused to cooperate with U.S. Department of Commerce's anti-dumping and countervailing duty investigations and reviews and has been shut out of the U.S. market by virtue of high adverse facts available, dumping and countervailing duties.

We believe that Chinese money is also behind the third Thai export oriented plant Niran. In fact, the core of the Niran production facility in Rayong was the old DSM Wooshi citric acid plant, which was disassembled and shipped to Thailand.

Since allegedly starting production 2011, this plant has been shut down over extended periods and may have been used as a front for Chinese producer evasion of U.S. anti-dumping duties.

Chinese excess capacity is also a factor in the increasing volumes coming from Colombia and Belgium. As is shown in slide 8, Chinese producers have exported large quantities to these two countries, thereby spoiling these markets for the local producers.

As a result, Sucroal and Citrique Belge have been opportunistically seeking volume in the United States. Sucrual in particular began to lower prices and ramp up exports dramatically after its relationship with Tate & Lyle expired.

Of course, as is usually the case with

oversupplied commodities, the surge in imports has depressed U.S. prices and shifted volume from U.S. producers to subject imports. The graph now in front of you, slide 9, shows the relationship of U.S. producers' operating profits and subject import volume. As you can see, there is a clear inverse relationship between the two. Imports from Thailand, Colombia, and Belgium started coming in not long after the orders against China and Canada were imposed. And as imports from Thailand, Colombia, and Belgium have increased, U.S. profits have declined.

The injury being felt by the U.S. industry is both price based and volume based. Average U.S. prices have declined dramatically in the POI. Large contract customers have repeatedly invoked lower import prices in their attempts to jaw bone down prices of the U.S. producers.

As is evident from the U.S. producer's questionnaire responses, U.S. AUVs for citric acid have fallen faster than the cost of goods sold, resulting in price depression and a classic price cost squeeze.

With respect to volume, that U.S. producers have shown declines, notwithstanding the fact that the plants must run 24/7. As documented in the petitions, U.S. producers have also experienced lost sales.

Given as is shown in slide 10, their dependency on exports, if left unchecked, producers in Thailand,

Colombia, and Belgium will continue to use United States, which is the world's largest import market for citric as their dumping ground.

Finally, a few words about impact. Adverse price effects and adverse volume effects have translated into the following indicia of industry -- injury. First, a decline in U.S. commercial shipments and sales. Second, a major drop in U.S. prices apparent both in the AUVs and in the pricing product data. Third, a serious deterioration in operating profits. And finally, an increase in the ratio of cogs to sales.

No nonsubject import factor can explain these declines. U.S. producers have been operating at near full capacity during the POI. The market share of nonsubject imports during this period has remained stable. The three U.S. producers are competing for the same large contracts under similar market conditions that prevailed prior to the POI, yet their operating performance has deteriorated significantly.

Finally, let me make a quick point about GMO versus non GMO. You may hear today that subject imports are only serving a segment of the market, which is the non GMO market that U.S. producers cannot serve. This statement is terribly misleading for at least two reasons. First, all subject imports from all three countries can make the claim

to non GMO. The total size of the non GMO market, however, is only a tiny fraction of the total volume of nonsubject imports. So they all can't make that claim.

Second, U.S. producers do make a product that is considered non GMO under some standards. They're not one simple standards for what's considered to be non GMO. And could make -- that is considered under non GMO under other standards if the market were big enough and if the product were priced fairly, reflecting its premium characteristics in the eyes of some consumers.

In short, considering all the information on the record, this is a textbook causation case. The data clearly showed that subject imports have been a material cause of declining U.S. prices and volumes and reduction in operating profits. Thank you and I'll be pleased to answer any questions.

MR. JONES: Thank you, Mr. Anderson. Steve Jones, again, for the Petitioners. Before we wrap up, I'd just like to make one point in response to Mr. Schaefer's opening statement.

You will not hear us today, and in briefs further as we hopefully get beyond the prelim into the final investigation, talking about imports from these individual countries in isolation. And the reason why is because the statute, we believe in this case, requires the Commission to

cumulate subject imports.

So you're going to be hearing us talk about cumulated subject imports. Imports from Belgium were included in this case because they are contributing to the adverse volume price effects of cumulated subject imports. And as you just heard from Mr. Anderson, this is a material injury case. And in a material injury case, if the subject imports compete with each other and with the domestic producers in the U.S. market, the Commission is required to consider the volume and price effects of those imports on a cumulated basis.

So this is a cumulation case, and in our view it would be contrary to the statute to view it any other way. So we will be happy to respond to any questions that you have, but I just wanted to make sure it was clear what our position is. And in our view, no basis exists in this case to decumulate imports from any subject country. And the Commission should consider the volume and price effects of the subject imports on a cumulated basis.

And that concludes our presentation, and we would be happy to respond to your questions. Thank you very much for your attention.

MR. CORKRAN: Thank you very much. And on behalf of staff, I just want to express our appreciation for your coming and for your testimony today.

We will start with Mr. Jones.

MR. JONES: Good morning, everyone. Lawrence Jones from Office of Investigations. I am going to start with some questions about the product and the industry.

So the first question would be: Since the last review, which was done about two years ago, on China and Canada, it was approximately two years ago, what problems have your firms, the three combined, have had with regard to supply disruptions? And is this a recurring theme?

MR. AUD: I can take a shot at that. Chris Aud with Cargill. Specific to internal supply disruptions, or issues within our own company, we haven't had any in the last several years. Part of that reason is we keep an inventory on hand, and so we keep a certain amount of inventory on hand to be able to handle minor disruptions that are inherent in the business. But we haven't had any issues with putting customers on allocation, or shorting customers, not honoring our commitments on a contract, in the last several years.

MR. PEEL: Jeff Peel with ADM. We are pretty much in the same position. We have had no outages. We've had no down time, other than what would be scheduled for maintenance. But that's taken care of because we build inventories. And we have warehouses throughout the U.S., as well as at the plant site, so that we build inventory to

make certain that we have all of our customer needs taken care of.

MR. ERICKSON: I'll echo a similar response. No significant outages over the Period of Investigation. And we use inventory as a buffer for any unscheduled plant issues that may arise.

MR. JONES: Thank you. So following up with that, what would you say as far as the domestic industry having the sufficient capacity to satisfy the U.S. market as a whole? And is this more relevant, this question more relevant now than it was two years ago when the review was done for Canada and China?

MR. ERICKSON: I can start this one. You know, the U.S. is a net importer of citric acid, so we do rely on imports to fill a void in supply. The citric supply situation hasn't really changed; it's just changed by who's actually importing material at this point. You know, capacity that I believe as all three testimonies have said, we've all invested since the China duties were imposed, expanding capacity, but we're still in a net importer role for citric acid as a U.S. market. So we do rely on imports to fill that void.

MR. AUD: And I'll just add that, you know--oh, I'm sorry, Chris Aud, Cargill. I would just add at Cargill, and I think is the case with my colleagues here at the

table, we very much appreciate and enjoy competing in an open and fair market environment.

So the fact that there is a supply deficit among the domestic U.S. producers, it necessarily means that imports are required. But when they're dumped and subsidized, that's when we run into a problem.

MR. PEEL: Jeff at ADM. One of the concerns that I really has is if you take a look at domestic capacity as utilization, which I think are eroding, and that has a lot to do because of the increased imports. So realistically when one takes a look at the offset, the imports coming in are a much higher rate than what they were. And so that has a dramatic impact on our ability to run efficiently the way we want to. And at the same time, it's all based on lower prices. And so you're taking profitability away.

MR. JONES: Thank you. Mr. Peel, just to follow up on what you presented, I had a question about some of the investments. You mentioned some of the investments that your company firm was looking to since 2000 when the last reviews were done. I wanted to see what investments were you specifically looking to include for your company?

MR. PEEL: We are looking at replacing turbines. We're also looking at replacing equipment that has been in position for quite awhile and is starting to deteriorate. Because any facility that is going to run 24/7 eventually is

going to break down.

We are even looking at new opportunities out there when we take a look at where we become more efficient in our operations. And we're not able to pursue those.

MR. JONES: Thank you. And just to follow up on that, since the Orders were imposed back in 2009, was there any reason why those investments were not done or completed between 2009 and '13?

MR. PEEL: We've made some investments for improvement, but that's still quite awhile ago. And at the same time, when you're taking a look at the business you're trying to see is that business sustainable? And you're looking at a three-year situation of where we were able to gain and get back to where we once were. And then we saw that turn and start to go down, especially with the product, the imports that were coming in. And so you as a corporation, we have responsibility to our shareholders, and our shareholders expect us to run our business responsibly, understand what makes us efficient, and invest back into our facilities wisely.

MR. AUD: Chris Aud with Cargill. Just one thing to add. So we have an annual preventative maintenance budget that literally runs in the millions of dollars. So not only is it investment in terms of improving kind of current operations, but just to maintain the base operations

is a significant capital investment.

And given what's happening out in the market, we've made the decisions internally to cut back on some of that spent. And that not only puts our business at risk, but ultimately our customers. And so, you know, we see this as a necessary thing for the U.S. industry, not just for the three of us in here, but for our customers and the long-term sustainability of our businesses, and our ability to supply them reliably over the long term. This is critically important for our business.

MR. JONES: Thank you. So following up on that, as far as growth and the projection of growth within the U.S. and global markets for citric acid, what do you see as the reasonable future, or reasonably foreseeable future? And what do you base that on as far as where you see it going?

MR. ERICKSON: Ken Erickson with Tate & Lyle. I'll start with this one. You know, our outlook on citric acid in the U.S. market is relatively flat from a demand side. You know, we see, as the one chart that was up earlier showed, beverage is about half the consumption.

You know, carbonated beverages have been on the decline, and that's a significant consumer of citric acid. There are other areas of the, you know, packaged goods industry for food that are growing, other applications, GDP

and just population growth as well will continue to increase consumption elsewhere. But our viewpoint is basically the decline in soft drink consumption will about offset by any other organic growth. So we're looking at a flattish demand.

MR. TUMA: This is Brett Tuma, Commercial Manager at Cargill. I work with Chris. I would echo Ken's sentiment that the majority of the market is sold into the beverage industry. And so if you look at the trend that's continued there and that we expect, given consumer preferences, any real organic growth to have meaningful impact to our demand, and so that's why it's ever more important to understand and take action on what's going on in the marketplace. Because our industry is at risk. And you hear the rest of our colleagues mention the impact of import pricing, but there's nowhere else for us to go with product at this point.

We're seeing a flat marketplace. And if we can't compete at the current customer base we're going to be in trouble.

MR. ANDERSON: This is Chuck Anderson. I'll try the global picture. If you look at the CH Study, which I think we provided in the Petition, it shows I think fairly clearly that there's global over-capacity.

Global demand is expected to grow I believe

fairly consistently with global GDP. But there's so much over-capacity that it's going to take a number of years to work off the existing capacities.

So we've--notwithstanding the fact that I think the global market looks a little bit more optimistic than the U.S. market, it doesn't really solve the problem of global over-capacity for a number of years.

MR. JONES: Thank you. And just following up on that, I suppose a question begs as far as non-GMO preferences specifically for customers. Can you guys tell us a little bit about the customer preferences for non-GMO citric acid, where it stands now, and where you project it?

MR. AUD: I can start off. So generally speaking, we say it is a fraction of the market, the overall market. We do offer a non-GMO product, as Mr. Anderson mentioned. This is Chris Aud with Cargill, by the way. Sorry. That Mr. Anderson mentioned in his testimony.

The fact that there are many different standards to apply to non-GM, and depending on the customer, their specific application, that can really vary widely. And so there's not a lot of clarity in the market on non-GM in general. But we do have a non-GM product. We offer it. We don't invest significantly in terms of increasing the amount of the capacity for that product within Cargill just because it's such a small market and our customers aren't

asking for it.

And lastly, the reason we don't make further investment in growing that market is because it's not traded at a premium in the market. And so the people who are supplying that different standard type non-GM product that's imported material do not ask for and command a premium product. In fact, the product that they sell as non-GMO to their customers is below our regular standard citric acid pricing in many cases.

MR. PEEL: This is Jeff, ADM. It's sort of a niche market because of the fact that there's lower demand. It's something that should have a premium to it in the marketplace because of the smaller demand. But the product that comes in, this non-GMO, is not only competing as a non-GMO, it's competing against the GMO product.

And so when you're selling product at commodity prices, you don't differentiate yourself. And as Chris was saying, until we get a clear definition, too, from the government as to what the non-GMO is, and what it isn't, it's going to be another year or two. And we're not certain that this market is sustainable.

MR. ANDERSON; Just to give you a little insight into some of the difficulties, okay? The GMO versus non-GMO relates to the substrate. So it starts out as corn. Okay? You and I know, yellow number two corn. And then it gets

converted to dextrose, okay? And then through the process of fermentation, it's molecularly changed entirely into something completely different. So this is why it gets complicated, because the "non-GMO" for a number of customers, they consider that the conversion eliminates any sort of genetic modification effect.

Others, purely for marketing reasons, want to say that 100 percent of their ingredients are non-GMO. So the market is very sort of vague and fuzzy right now as to what really is non-GMO when it comes to citric acid.

You can make a credible claim that all citric acid really is non-GMO. Or, you know, that some of it's not. So until the market really clarifies what constitutes non-GMO, it's hard to predict where it's going to go.

MR. ERICKSON: Ken Erickson with Tate & Lyle. I just had one other piece of that. We also own a manufacturing facility in Brazil that produces non-GMO citric acid. You know, Brazil is a protected market. They have similar protections against the Chinese manufacturers going back to along the timelines of the U.S. market.

So a relatively healthy marketplace where there is demand in-country, and prices that support the local demand. We do not get--we do not import material in large quantities to the U.S. for non-GMO because the pricing does not merit the amount of volume that would be required to

take on what fairly priced traded material in Brazil, plus freight to land in the U.S., would land it at a much higher cost than what the dumped imports are arriving on our shores at.

So just from another manufacturer's point of view of a different geography for true non-GMO material, you know, we just can't make it work economically.

MR. AUD: Chris Aud with Cargill. Just one last thing to add. So there is an EU standard, or a European standard for non-GM, and our product meets that standard. And so many of our customers require that standard, and our non-GM product that's the same as our GM product to certain customers is the same exact product.

MR. JONES: Thank you for the answers regarding non-GMO. Shifting gears a little bit to employment trends--this is for all the firms individually, and then also as a whole--how would you describe the current employment trends regarding citric acid? And basically what would you say as far as the future as far as employment trends? And where would you say it's been for the last three years or so?

MR. PEEL: This is Jeff, ADM. The trends are going to change. I mean, we can't live at the current pricing levels and stay in business. And we're being pressured very strenuously from up top. And that means that we potentially have our facility at South Port in jeopardy

of not being around long term. And that's over 250 jobs just in that particular facility, and that doesn't take into consideration the other jobs that are supporting that with the substrains that we sell.

So, you know, with the continued increase from Thailand, Colombia, and Belgium in import volumes, it's going to create a higher level of unemployment, I believe.

MR. JONES: Have you increased your hiring? Have you increased the number of jobs since the Orders were imposed for Canada and China?

MR. PEEL: Have we increased since then? No, we haven't. We've actually streamlined. We went to a different approach in supporting sales. We--you're looking at the business manager and a sales person at the same time. I'm wearing two hats. And that's changed in our business where we had three or four people supporting on this business.

So at this point in time, it's tough to justify adding heads and adding personnel with no returns.

MR. ANDERSON: I'd just like to say, I've visited these plants a number of different times now, and the type of people who are working there--first of all, it's amazing how efficient these plants are. Their continuous process equipment doesn't take a lot of employees. It's not that labor-intensive an industry. But because it's continuous

process and 24/7, it's very difficult to make marginal changes in employment.

That is, if the plant has to run, you have to have these same highly trained people. There's not a lot of room for increase or decrease, and for that reason I think generally the employment numbers have been flat for a number of years. You would have to have a huge increase in capacity or a significant decrease in capacity in order to have a big employment change.

MR. STEVE JONES: Steve Jones. Mr. Jones, just one thing to add on that. Just looking at the Commission's report from the Sunset Review, the employment data are public there. There was a slight increase in employment for the industry from 2009 to 2013. It looks like about a plus-18 production workers over that time. But the reason for that is the reason that Mr. Anderson just stated. The plant is run 24/7. You can't turn them on and off. And a temporary shutdown is very harmful to the business and the financial performance of the business.

So there has not been a lot of change in employment since the China and Canada orders in 2009.

MR. AUD: Chris Aud with Cargill. Just from our viewpoint, very consistent with what's already been said in terms of our kind of current state of employment. Just to speak of the future trend part of the question, I think if

we continue to stay where we're at in terms of levels of profitability, and certainly if the trend continues downward that we've seen, it will absolutely have to be addressed, unfortunately.

MR. LAWRENCE JONES: Okay. Thank you very much. Any other comments on the employment trends since 2014, for the Period of Investigation?

(No response.)

MR. LAWRENCE JONES: Thank you. Just shifting gears a little bit into market conditions and conditions of competition, where do you see most of the end users? Where are they going to? And where are they currently at? And based on what you know, who are they going to on the other side specific to the importers and the subject countries involved?

MR. TUMA: I can start out. This is Brett Tuma from Cargill. I think it's important to understand that, you heard many people up on the panel talk about the interchangeability of citric. And while I would love to be able to sit in front of a customer, and we do talk about the difference of Cargill quality and reliability and supply chain, unfortunately for me and Cargill we're not able to get that in the means of price premium.

And so what happens is, many of our customers are distributors or spot contract users and have many qualified

sources from all three subject countries, and others. And so what it really gets down to is competition across the board, and eventually down to price, unfortunately. And so, back to my earlier point, when you have unfair pricing practices from three subject countries, and that is the landscape, it makes it very difficult to impossible to be successful as a domestic producer.

MR. ERICKSON: Ken Erickson with Tate & Lyle. When we look at who the customers are we're working with or working on a bid with, we'll see basically all three names of the domestics bidding on that volume, as well as the importers.

I mean, basically every subject country and the domestic manufacturers are competing on these bids. So there aren't that many suppliers of citric acid, so those prices are out there. Importers are directly bidding on not only end-user consumption but the distributor consumption as well.

MR. LAWRENCE JONES: Thank you. So as far as the most recent reviews, the product imports from--there were five non-subject countries that were alleged to have grown by about approximately 50 percent. Three of those five countries, non-subject countries in previous investigations are currently involved today in the proceedings. I suppose a question begs: how come Israel and Germany were not

included as far as into the cumulation?

MR. ANDERSON: Chuck Anderson. I may be able to address that from the 64,000 feet. Germany is--the producer in Germany is JBL. JBL serves the U.S. market from its Canadian operations. So traditionally there haven't been that many shipments of product from Germany or Austria because they do some finishing in Austria, to the United States since JBL Canada commenced production in the early 2000s.

Gadot is the name of the Israeli producer. My understanding is they have limited capacity. It's not a huge plant. They have exported to the United States on occasion, but I don't think they've been a consistent large-volume participant in the U.S. market.

MR. AUD: Yeah, I would agree with that. Chris Aud with Cargill. We don't see Israel, or JBL, or Gadot in the market near the amount we do with the three subject imports. So we put them on a completely different level. Now JBL Canada absolutely, but the two specific that Chuck mentioned we don't really see very often.

MR. LAWRENCE JONES: Thank you. That's all of my questions.

MR. CORKRAN: Thank you very much, Mr. Jones. Now we'll turn to Ms. Carlson.

MS. CARLSON: Good morning. Thank you all for

being here and for your testimony. I am Carolyn Carlson from the Office of Investigations. Thank you to my colleague for his questions.

You answered a bunch of my questions already, but I have a few more. Are there any characteristics of citric acid and certain citrate salts produced in any of the three subject countries that are very unique to that country that cannot be found elsewhere? Are there any characteristics you can identify?

MR. AUD: Not to my knowledge, no. Chris Aud with Cargill.

MR. ERICKSON: Ken Erickson with Tate & Lyle. Simplistically, no.

MS. CARLSON: Are you as producers unable to meet certain requirements or specifications of your customers that are met by the imported product?

MR. AUD: Chris Aud with Cargill. No. We are able to supply and meet the needs of our customers.

MS. CARLSON: Okay. Thank you. To what extent is there intra-industry competition among the three producers? And does this impact your performance currently? And how would you anticipate it could impact your performance going forward?

MR. STEVE JONES: I'm sorry, Ms. Carlson? The question is about intra-industry competition?

MS. CARLSON: Yes.

MR. STEVE JONES: Okay. Thank you.

MR. ERICKSON: Ken Erickson, Tate & Lyle. I can start. We are aggressively competing against Cargill and ADM for most volumes. You know, there's a static demand in the marketplace. We know that there's import pressure. We know that, you know, ADM and Cargill are also actively wanting to sell out their facilities. So there's a healthy dose of competition for all volumes. So we view ourselves competing for every pound that we sell out of our Dayton facility.

MR. PEEL: Jeff, ADM. I really don't think as an industry that we discriminate in picking out as to who we're going to compete against and how we're going to compete against them. It's an open bid process. Everybody has the opportunity to bid. That includes Thailand, Colombia, and Belgium, as well.

And so we're going in with the idea that, you know, we want the business. And we're going to try to be as competitive as we can. But it all comes down to price.

MR. AUD: I would just add if sort of the underlying assumption with the question, if it is, you know are we kind of the problem amongst the three of us versus the subject import countries, I would just reference back to you know the period of kind of 2013 to -- excuse me -- 2009

to 2013, prior to 2014, when the Canada and China duties were put in place.

When the playing field was leveled, our profitability turned around overnight amongst the three of us and we were able to compete for you know a good amount of years before subject imports started coming in and dumping and subsidizing product into the market.

It's public record that prices pretty much doubled that following year after those duties were put in place and we competed head-to-head with ourselves and others in the market at profitable levels for a number of years.

MS. CARLSON: Thank you for your answers.

Mr. Anderson, you showed in one of your slides the different grades of citric acid. Would you say there's some sort of continuum of grades and if so, are these grades interchangeable at all?

MR. ANDERSON: I think the industry considers that a continuum, if you look at like the 2015 CHE study, the industry is considered the citric acid industry and certain citrate salts industry. The citrate molecule is common, obviously, to citric acid, potassium citrate and sodium citrate. And if you're buying citric acid, potassium, or sodium what you want is the citrate and whatever your formulation is you want a little bit of potassium and sodium, so it doesn't really physically change

the product. It's an addition. If you're doing like a low salt product, you may want to use potassium citrate as opposed to sodium. So yeah, I would consider that a continuum of products.

And then, beyond those three types, then you're basically just talking about finishing or grading and they're all produced in the same plant and with the same equipment. And so, yeah, this is pretty clearly a continuum within this universe.

MS. CARLSON: Thank you. That's helpful.

So there was some testimony and references concerning that the plants must be running 24/7. Are these plants fully devoted to only producing citric acid or can you switch production to other products?

MR. PEEL: It's devoted to citric and the two citrates of potassium and sodium, but that's all we make.

MR. AUD: The same. As I mentioned in my testimony, the refinery that we're a part of has several plants within that site, but our citrate acid and salts plant specifically makes the products here referenced in your question and they cannot make other products.

MR. ERICKSON: Our Dayton, Ohio plant is only citric acid. We don't even have the citrates at our facility, but it's dedicated to citric acid manufacturing.

MS. CARLSON: And to follow up, do you produce

both solution and dry form citric acid? And if so, why would you produce one over the other?

MR. ERICKSON: Yes, we produce both. I mean our real production you basically get to a dried citric acid and then you can deliver it as an aqueous solution, depending on customer need. So if there's a customer in a relatively close to the geographical proximity to the plant and they're going to use it as a liquid solutions anyway, they may want to purchase it in liquid form. Typically, it's a freight disadvantage to be shipping water, so that's where your geographic proximity will dictate whether or not you're buying a liquid bases or a dry bases, but yes, we can do that, but the vast majority of our product comes out as a dried product.

MR. JONES: Just one thing to add to Mr. Erickson's statement, it's important to keep in mind that distributors of citric acid can and do liquefy product for customers, and if a customer is requiring the product in a liquid form, it can still buy subject imports and then the distributor will liquefy. So the product doesn't have to be shipped in liquid form from one of the three countries, but it can be liquefied by a distributor in the United States prior to shipment to end users.

MS. CARLSON: Okay, thank you.

Mr. Erickson, I believe you said in your

testimony that the different forms of citric acid, such as granular or powder solution are essentially interchangeable. Would other industry witnesses agree to that?

MR. AUD: We don't see any differentiation in terms of -- I mean all of these products are completely fungible across competitors. We don't see a difference.

MS. CARLSON: So are these different forms just based on customer specifications?

MR. AUD: Yes, the different forms being citric salt and citric versus sodium potassium salts.

MS. CARLSON: Well, I was referring to more granular, fine granular and powder.

MR. AUD: I'm sorry. Yes, granular, fine granular, those different forms are just based on the functionality of the application that it's going into, whether it's a beverage, an industrial application, a food application. Customers will have different needs, depending on what their application is.

MS. CARLSON: Thank you.

The petition says on page 9 that some manufacturers use different equipment for crystallizing hydrous and anhydrous citric acid, whereas, other manufacturers use the same equipment and adjust it according. Is it only temperature that suggests it and are there any advantages or disadvantages of using different

versus the same equipment?

MR. AUD: We might take that, from our perspective, and include that in our post-brief feedback and get some input from our operations team, if that's okay.

MS. CARLSON: Sure, no problem.

So regarding the different purity and other standards established by like the FCC and the USP, what happens in the manufacturing process that makes these different standards and do you put a premium on products that are sold at certain standards?

MR. ANDERSON: I think, and tell me if I'm wrong, that all the U.S. producers actually produce to one grade. That is, they make one form that covers all the standards. So they're not making like a USP grade versus an FCC grade, and correct me if I'm wrong.

MR. AUD: That's correct. The process is the same. It's more of a regulatory paperwork exercise to get those different ratings and grades.

MR. PEEL: We do the same thing. I mean we make all of our product to food and up to the highest specifications and document them that way as well.

MR. ERICKSON: We do the same. I mean it's a continuous process. There's no way to interchange or call it degrade the product to go to a lower standard, so we produce at the highest standard all product that comes out

of the plant.

MS. CARLSON: So if you produce to the highest standard, it could be used -- if you produce at the food standard, it could be used in the industrial standards. It doesn't make a difference?

MR. TUMA: Everyone in the industry, including the subject import countries, produce a food grade product. It's kind of table stakes. Whether it's sold in to food or industrial applications is indifferent to the standard. We all manage to a food chemical CODEC standard and that's the food grade specification, but it can go into various markets.

MS. CARLSON: That's very helpful. Thank you.

So going back to the non-GMO issue for a minute, is the corn-base that you use is the corn genetically modified?

MR. AUD: Yes, the corn that we use to produce our EU standard non-GM is genetically modified. We do have the ability to identity preserve non-GM corn and bring it into our facility; however, the cost to do that is prohibitive relative to what the market will bear from a price standpoint for that non-GM product, given my earlier comments.

MS. CARLSON: Are there any other sources of starch you have used or would consider using, other than

corn?

MR. AUD: No, from our perspective.

MR. ERICKSON: We use a generically modified corn and there's no alternative to the dextrose that we consume for the fermentation process.

MS. CARLSON: And the petition explains that beet molasses, sugar cane, and tapioca are the sources used by the foreign producers in the subject countries. What drives the uses of these different sources?

MR. ERICKSON: It's the proximity to those inputs and the costs of those inputs relative to the plant locations, so those are the cheapest sources of substrate that are available to those plants that are operating.

MS. CARLSON: Thank you.

If U.S. firms purchase citric acid, whether domestically produced or imported, and convert it into sodium citrate or other citrate salts should these firms be included in the domestic industry?

MR. ANDERSON: I'll take a first shot at that. This issue was considered in the original investigation and the Commission decided not to include them in the domestic industry. There are converters who do purchase citric acid and then mix it with potassium or sodium and then dry it and bag it and sell it as potassium citrate or sodium citrate, but really the capital investment associated with that is

minimal. All you need is a mixing tank and a drying unit and a packaging unit.

The real expensive and difficult part of the exercise is to create the citric molecule. So for that reason the Commission in earlier investigations declined to include converters in the U.S. industry and I don't think there's been any change since then.

MS. CARLSON: Thank you.

This question is for counsel. Have you filed any change of scope with the Department of Commerce or do you plan to?

MR. JONES: Ms. Carlson, I believe we did. And we'll provide that to you. It did not substantively change the scope. I think we, at the Department of Commerce's request, moved one ^^^^ you know removed a paragraph, change the order of the paragraphs at their request, but there's been no substantive change. But we would be happy to give you -- well, you'll have it, hopefully, in the initiation notice today, but we'd be happy to provide that to you in our post-conference brief.

MS. CARLSON: I'll keep an eye out for that. Thank you.

This question might be for the post-conference brief, but are there any other anti-dumping or countervailing duty orders in third countries? I believe an

investigation began in Columbia in 2014. I don't know if you have an update to this. You can answer now or later is fine.

MR. JONES: We'll address that in our post-conference. I believe there is an order in Columbia on sodium citrate from China, but we will answer that question comprehensively for you in our post-conference brief.

MS. CARLSON: Thank you. That concludes my questions.

MR. CORKRAN: Thank you, Ms. Carlson. Mr. Allen.

MR. ALLEN: Thank you. So you discussed a minute ago that different producers may use different substrates. To your knowledge, does using different substrates differ in terms of cost to that input?

MR. ERICKSON: I mean all inputs can be different. I mean if you're using a sugar versus a corn, they're differently traded commodities, different bases you know globally in terms of how they're landed to your facility as well, so there can be different cost of input. Typically, you're looking to use the lowest cost raw material at your disposal for your facility.

MR. ALLEN: Is there an input that's generally cheaper?

MR. ERICKSON: Generally, I would say corn is

the cheapest, so the dextrose that we consume in the U.S. is typically the cheapest, but you know depending on where sugar markets may trade. I mean sugar can be a competitive input as well.

MR. ALLEN: Okay, thank you.

Page 16 of the petition indicates that contracts are negotiated almost solely on price. What other factors go into these negotiations?

MR. TUMA: I mentioned that we try to display a level of supply, reliability, supply chain expertise, and so while we spend a lot of time promoting those qualities, at the end of the day in the environment that we operate, unfortunately, price is the deciding factor. So while defend what we do and we think and try to promote that value add, it is a commodity environment and so price is ultimately what our buyers care about.

MR. ALLEN: Any other producers?

MR. ERICKSON: You know I would echo that. You know to a certain extent it's table stakes to get to the negotiating table to be able to provide a product that is of high quality that you deliver on time, in full, all the things that the customer expects in order to dump that bag of citric acid into their next production run. So basically, if all of those are expected to get to the table, it's all just about price at that point once you're

actually negotiating.

MR. PEEL: One of the things in dealing with customer they usually have requirements, specifications, and whatever else, and everyone, including the imports, have the capability of meeting that specification or those requirements that makes them eligible.

MR. ALLEN: Okay, thank you.

So page 16 of the petition also discusses how most citric acid is sold through fixed price, fixed term contracts. To your knowledge, is that true for subject imports as well and can you discuss how prices are generally set in those contracts and the duration of those contracts?

MR. TUMA: I think I may have mentioned, but go in to more detail, it is my understanding that subject import countries behave and compete both on long term, fixed contracts that would span a whole year. We've seen them at some of our direct accounts. And they also operate within quarterly pricing environments.

I will add to this that even the quarterly pricing environments we compete with them in that space within our annual contract negotiations. Mr. Anderson mentioned that a lot of our distribution accounts are negotiated on annual contracts, but what happens is they compete for those quarterly or spot loads and if we see a decline in import prices, ultimately, in order for us to

maintain our business with our distributor and with our customer we have to meet that price and so we are affected throughout the year.

MR. PEEL: Similar to that, even long-term contracts a lot of customers write in their requirements to meet a release and if you can't meet that cheaper price they will go out and buy from them. At the same time, we also find that even though we may have fixed volumes those volumes are not always achieved and that, we find, is interrupted by cheaper pricing from imports.

MR. ALLEN: Okay. And then my final question, maybe for counsel, so on page 24 and 25, you discussed AV data. Are there any issues that would call into question the use of that AV data?

MR. JONES: I'm sorry, Mr. Allen, could you repeat that please. I just lost the last part of your question.

MR. ALLEN: Sure. On pages 24 and 25, you discuss AV data. Are there any issues that would call into question the use of that data?

MR. ANDERSON: I'll put my two cents in. This is actually -- I'll start with imports, okay? In terms of imports, if you don't get good coverage in your questionnaire response, then you can definitely rely on the AUV data from the imports statistics because you've got one

HGS number that's solely devoted to citric acid and virtually all of the citric acid coming in is anhydrous dry. That's a very good indicator of what the prices are on the import stats.

The second is sodium citrate. There's a specific HGS number for sodium citrates, so similarly, when you look at the U.S. date if you look at our citrate acid price separate from our sodium citrate price then that AUV data is actually specific to those two types of products. And those two types of products probably constitute well in excess of 95 percent of the total subject merchandise.

So this is a case where AUV data, in particular, is quite probative, even when you blend sodium and citric the numbers come out about the same. That is, there's not that much price difference on a per pound basis between sodium citrate and citric acid, so even then you don't even really get any major product mixes. So my reply will be, yeah, you can rely pretty confidently on AUV data in this case.

MR. ALLEN: Great, thank you. I have no more questions.

MR. CORKRAN: Thank you, Mr. Allen. Ms. Gamache.

MS. GAMACHE: Good morning. I'd like to thank all the witnesses for taking the journey to come speak to us

today. So I really appreciate your time and I think I can speak for all of us up here.

I'd like to continue the conversation about the substrates. So I think I have just a couple of basic questions and hopefully we can go through this quickly. From the petition, it sounded like depending on country source there was generally one primary substrates source. Is that right or in your knowledge of the industry do producers sometimes mix some substrates like use corn and molasses, for example?

MR. ERICKSON: I'll take the first stab at this. Most producers are tied into one source of substrates. There is interchangeability if you have multiple sources. I believe some of the Tia producers are able to switch between sugar and tapioca, but for the most part, you know you're using the cheapest and the most prevalent substrate available and that typically does not change.

I can have Chris probably talk better to this. I believe their Cargill plant in Brazil can switch between sugar and corn. You know so I mean there is flexibility, but typically, your organism performs best with a certain type of substrate and you're not flipping around between organisms either within your plant because it just can upset things and create a lot of unpredictability in a process that really likes predictability.

MR. AUD: Just to touch on Ken's point about Cargill in Brazil, we're happy to provide information relative to that point in the post-brief.

MS. GAMACHE: Great. That'd be appreciated. Thank you.

To the best of your knowledge, are there any sort of quality differences or differences in characteristics of the citric acid, depending on the substrate used in production?

MR. ERICKSON: No. I mean once it becomes a citric acid molecule it's the same.

MR. PEEL: We agree.

MR. AUD: We agree. I mean you can think about the substrate as essentially a bug eating that as its source and excreting that substrate so it doesn't exist in the product at the end.

MS. GAMACHE: And lastly, regarding raw materials, do your firms domestically source your substrate? And secondly, how do the prices of these raw materials affect your costs of citric acid?

MR. ERICKSON: Yes, we domestically source in the U.S. corn. We purchase dextrose from our LaFayette facility, so we have corn wet mill in Lafayette, Indiana that we source our dextrose from. You know corn is an openly traded commodity, so it really depends on what is

that underlying commodity price and what is the local bases to get that corn delivered to your facility.

MR. PEEL: Yes, we basically use one of the same that we're able to source within our facilities in the Midwest and we make the transportation via railcar to our destination, but it's domestic.

MR. AUD: Ours is domestic as well. It's produced on site there in Eddyville and transferred over via pipe to our citric acid plant.

MS. GAMACHE: Thank you.

Mr. Erickson had touched on this a little bit before, but just for a little bit of clarification, is the only reason a consumer would prefer an aqueous form of citric acid just for like use of their own production or is there a reason a consumer might prefer dry over aqueous or vice versa?

MR. ERICKSON: I can start with this one. I mean it's really depending on the use, so if you were using a dried powder you're packaging it in you're not going to, obviously, go to a solution to then mix other ingredients. So if it's s dry blend, you're going to want dry product. If you're going into a -- you know it's really about your plant's capabilities as well in terms of handling. So if you're able to store dried product and liquefy yourself, you may just buy dry 50-pound bags or dried super sacks, but if

you have a liquid storage tank where you can take a railcar or a tanker car of liquid solution and bring it into your plant and then use liquid that allows you to not have to cut and dump the bag into your own solution.

So I mean it really depends on the plant's handling and the plant's end use, but that's just capabilities of the end facility, not necessarily any differences of product fungibility. It's all the same. It's just one has 50 percent water and the other doesn't.

MR. PEEL: We agree with that. Usually, if you're going to take liquids, you've got a bulk system set up. And that means that you're able to take bulk liquid trucks or bulk liquid rail. You can't really ship dry citric in a dry bulk truck or car because it's a hydroscopic. It absorbs moisture and you're going to have a lot of lumpy/clumpy at the end, so that's what the preference is, is basically a bulk system.

MS. GAMACHE: And is there a price difference between an aqueous form or a dry form?

MR. TUMA: Typically, in the marketplace, aqueous is priced based on dry basis, so there is effectively no difference. And just to clarify further, there are many points, based on the explanation Jeff just mentioned, where shipping dry across the country makes sense and then liquefying close to the customer base and so that's

why we don't really see a differentiation with that market being served either by domestic sources or by subject import sources through distribution close to those customer bases on the coast.

MS. GAMACHE: Thank you.

In your experience, are there differences in the type of purchasers who prefer to purchase via contract or via the spot market?

MR. ERICKSON: I would say your more sophisticated purchasing networks are going to be contracting on an annual basis. Typically, your smaller end users will be active in the spot market where they're being served by distribution, but typically, if you have a large enough purchaser, you're out there contracting on an annual basis. You have that price certainty.

MR. AUD: We see the same thing and we participate in both contract and spot markets.

MS. GAMACHE: Thank you.

Are there any public price indices that you reference during negotiations?

MR. ANDERSON: I've been looking for public prices in this industry for years and I've never found one. There are very few producers and very few major purchasers. Although there's price transparency within the group, outside, there's--as far as I know--there's no published

pricing. CEH would put out some pricing occasionally, but it's fairly generic.

MR. JONES: Of course the import statistics provide information on pricing as well.

MR. AUD: Just to bring back up Mr. Anderson's comments, yes, there are no--to my knowledge--there are no public price lists or indexes for citric acid that are used by the industry.

MS. GAMACHE: Thank you. So based on your experience in the market, would you expect to see prices for the pricing data that we've collected? Would you expect to see underselling by subject sources?

MR. ANDERSON: As is often the case with commodities, I would expect to see mixed. I would be surprised if there are large price differences. If there are, it's something to drill down into and try to figure out what's going on, but in the past citric cases, once we've sort of corrected for some of the different terms in sales and the like, we've seen patterns of mixed, and that's what I would expect to see.

MS. GAMACHE: Thank you. And last question regarding contract prices and spot prices. Generally, how quickly do you see prices either through contracts or through the spot market bleeding over and affecting the other? If you do see that sort of pattern.

MR. TUMA: Within the contract period, we contract in the fall of each annual period, so Q3-Q4, and effectively what happens, because a lot of the large purchasers either are well-aware of what's going on in the spot market or participate in the spot market, they have exact knowledge of what that spot pricing is. And they do leverage it very openly in our annual contract negotiations.

So whether or not imports get that business, it does affect and does cause injury to our business. In the spot market -- I'll go back to what I stated previously -- we do a share of business through distribution. They are at the whims of the spot market because a lot of their customer base are either quarter by quarter or potentially load by load, and if we are seeing very intense decline in prices, eventually it comes back to us, whether you reduce price or we lose the business.

MS. GAMACHE: Thank you. That concludes my questions.

MR. CORKRAN: Thank you, Ms. Gamache. Mr. Clark.

MR. CLARK: Thank you. I wanna join my colleagues in thanking you for coming today. I'm with the Office of Industries here at the Commission.

I wanna ask some questions about the operation of a plant. We talked about continuous operation, but this

is a batch process. So how long does it take, between emptying one substrate, one tank, and refilling it with the next substrate, the organism for the next batch?

MR. AUD: If that's OK, there can be differences between competitors on that, so if we can include that in our post-hearing comments, that'd be appreciated.

MR. CLARK: Okay, that'd be fine.

MR. ERICKSON: We'll follow up on that as well.

MR. CLARK: Okay, thanks. Just a few other things. You may wanna address these as well in the post-conference brief.

Just wondering again, what that time would be, what would be involved? I don't know if there's any inspections required of the tank before you refill it? If you switch between, let's say, the GMO and non-GMO, how much time is required there? You're making it sound like it's cost-prohibitive, and so just if you can give some sense of the timing.

Is it possible -- I assume most of these plants have numerous tanks? Is it possible to shut down one tank or is it basically on or off for the entire facility?

MR. AUD: We'll include that in our post-hearing comments, just from a proprietary standpoint.

MR. CLARK: On Pages 20 and 21 of the petition, you talk about a slow-down affecting the yield. What is

meant by a slow-down? How do you -- is that changing the process, changing the amount of substrate?

MR. PEEL: If your plant is set up to run to a certain rate of capacity, that's what you are expecting -- that's what you wanna run to. If your sales are not to that rate and under, you now have to slow down the throughput in order to manage your inventory.

Because if you continue to operate at the same rate full-out, you're gonna build huge inventories and eventually you may have to shut it down for a while, or figure out how you burn off your inventories. And with the abundant supply of citric in the marketplace right now, it may take you several years to burn that inventory off. So that's why you have to run a lower rate.

MR. CLARK: Okay -- I don't know, I'm trying to figure out exactly how you're lowering that rate. Again, as y'all talked about this, it's a continuous operation. When you want it to run all but, what, two weeks or so for maintenance out of the year or something like that?

And so if it needs to be operating at a continuous rate, how do you get to a slow-down? Do you take a tank out of commission, do you, again, do you modify the conditions and were to slow down your throughput, but again, you're saying that's affecting yield? And so it must be some other factor there.

MR. ERICKSON: I can take a stab at this and then, you know, some follow-up additional details. Typically, your options on the front-end, which is kind of your fermentation, are to either not utilize all your fermenters or to drop less sugar into the tank, less dextrose into the tank. So you're utilizing less of the available volume to you.

You know, one of the issues that you have is, as you think about that whole back in process, if you're running less volume through, but your motor's still running, you're still running that motor at the same rate, still consuming all the energy, although other variables, but you're just putting less through, so you become less efficient.

So instead of putting 100 pounds through it in an hour, I'm putting 50 pounds through it in an hour, but I'm still consuming the same, so my costs per hour of operation goes up. That's really where we say, you know, to get the most bang for your buck is in operating it at highest efficiencies. You're really wanting to maximize what's going into the front-end so you get the same amount off the back end of that plant.

You know, in order to, that's where -- you're almost better off running full-out and then taking an extended shut-down, so you're not having those

inefficiencies in running if you bump against a higher inventory situation as just mentioned.

MR. CLARK: If you were going to make a decision to shut down, the decision to shut down a plant for a period would be -- if you're gonna do that, how long would be the minimum time you would shut down? You're not gonna shut down for a day, I'm assuming.

So you would say, okay, well, if we're gonna shut down, we're gonna shut down the plant for -- things are going too slow, the holidays are coming up. Let's just go ahead and shut the plant down for a month. Would that be a reasonable consideration?

And if you shut it down then, and then things still are recovering the way you want, how long after you make the decision to restart a plant does it take to get a plant back to full operations?

MR. ERICKSON: I'd have to follow-up in our post-conference brief with some follow-ups with operations, kind of an ideal timeframe to be down. But you wouldn't wanna go down for a couple of days and then come back up. Ideally, you'd be running extended periods, building inventory actually, and then having those carrying costs of inventory to then get you through that shutdown window.

But there are complexities that we mentioned testimony of, you know, sterilization and things of that

nature, other complicating factors that, to get a plant back up and running, it's not an ideal situation, and that's where a lot of times, we'll compete on the basis of price and have to meet import pricing because it's more cost-effective for the plant actually to sell at a lower price than to have that downtime.

MR. AUD: We'll include comments in our post-hearing, but I would say that it's a living organism, and so that's part of the problem when you either shut down or slow down, depending on how you slow down. It's a living organism, so it can be finicky, to use a term that was used earlier, in terms of getting back to where you were before you slowed down or shut down. And so that creates a lot of risk to the process and the business.

MR. ANDERSON: And part of the difficulty in slowing down and then ramping back up, as you mentioned, it starts out as a batch and it ends up as a continuous, which means you can't start it all at once.

The batches are designed to basically come to completion on a regular basis. Because it's a multi-day process. Which means, if you shut it down, you have to sort of shut it down gradually and then you have to start it up gradually. It's extremely expensive to do that. Because as Ken says, then your unit cost during the slow down and the ramp up is prohibitive.

The other factor is, if you shut it down, like immediately, like that, then you have a big environmental waste issue you have to deal with. Because a lot of work in process that has to go through your water treatment facility, and so you're backing that up.

The bottom line is, it's for economic and for, also just for physical reasons, it's an extremely difficult sort of process to tinker with in terms of throughput rates and production volumes.

MR. CLARK: Okay, thank you. I guess, going off of that, one other follow-up on the question we had with substrate, talking about using different substrates, how far afield from one substrate can you wander before you need a completely different organism to ferment it and to get anywhere near the same yield?

I mean, is that something that's kind of constraining you once you decide a substrate that's gonna be the main substrate for that facility? And you have your organism, and how hard is it to change or deal with a different substrate?

MR. ERICKSON: Once you're tied into a substrate and your organism is adapted to that substrate, there's no real switching back. I mean, they can consume something else, but your yields would be so poor that it wouldn't make sense to switch.

MR. CLARK: Okay, thank you. Some of the, in general, we're talking about food and beverage applications here, but some of the other things that you've either had in your petition or in your exhibits, talking about the other factors used as a buffering agent, used as sequester ions, can you just comment a little bit on which applications those are important to, and how citric acid is what brings that value to that application, that customer?

MR. AUD: I can take a shot at that -- the buffering piece, like one of the applications that you can sort of enjoy that functionality of citric acid is as a beverage. And so buffering meaning -- citric acid is very low in its PH level, and so if you need to reduce the amount of the PH level in a beverage application, citric is a great performer for that.

And so from a sequestering the ions -- also we talked about chelation from that standpoint -- and laundry detergents, it's one of the key applications where it ties up the metal ions and helps sort of wash away the dirt and free up those metal ions in the detergent application.

MR. CLARK: Thank you. I'm assuming that since the original investigations and our Sunset, there has been no real change in any kind of production process, right? Just throwing that out as, just confirmation.

MR. ERICKSON: I'd confirm that.

MR. CLARK: Okay.

MR. PEEL: As far as I'm known, and I've been doing this for a couple of years, the process is pretty much the same. So, no change.

MR. AUD: I agree, no change.

MR. CLARK: Okay, thank you. At one point in the Sunset review, someone made a comment about the possibility of a new application emerging that was gonna be significant, but I haven't heard anything to that effect today, or seen it in the petition. Are there any new applications that are emerging for citric acid? Is there anything that looks like it's on the horizon, but hasn't fully materialized yet?

MR. ERICKSON: We have not seen any new applications. I mean, citric acid is a well-known molecule. It's been around for a long time. It's actively used in development, but no new or large volume offtake opportunities that we've seen that have materialized.

MR. AUD: We would agree with that. And not by lack of effort on our part. Obviously we do have internal projects and such throughout the time, trying to find those new applications, but to Mr. Erickson's point, it's been around a long time and people have exhausted a lot of those possibilities.

MR. CLARK: Okay, thank you. I just wanted to

follow-up because I remember that from the Sunset review. Thanks. Those are all the questions that I have for now. Thank you.

MR. CORKRAN: Thank you, Mr. Clark. And thank you to the entire panel. I have a few questions. Coming at the end, they may sort of bounce around a little bit, because I'm just trying to clean up some areas.

In the petition, it states that demand is seasonal and it attributes that seasonality to, I believe, it's an increase in soft drink sales in the first and second quarter. So my question more in general is, is seasonality declining over time in light of the declining level of soft drink consumption? Is this becoming a less and less seasonal industry?

MR. AUD: We have not seen a significant change in seasonality due to the decline in beverage consumption. And so, for us, it would be Q1 and Q2 we see as our kind of peak demand periods. And you should see that in the data. And then Q4 especially is when things really fall off.

And so your performance -- if you don't perform well kind of the first half of the calendar, years of business from a profitability standpoint, largely due to that seasonality, you're pretty much setting yourself up for a tough calendar year, because the back half won't usually, unless there's some new demand or something that comes in

unexpectedly, in your business, usually the back half is not as profitable as the first half.

MR. PEEL: We pretty much see the same type of seasonality, and as you know, in the warm months, soft drink consumption usually goes up and so you're gonna see that spike, and that's pretty consistent from year to year.

MR. ERICKSON: I would agree. I mean there's still seasonality. You know, I'd have to go back and check, you know, going back a decade and see if the seasonality has changed at all, but we still see seasonality and seasonal builds and Q4s are definitely are our slowest time with the first half being where we see the largest volumes moving.

MR. CORKRAN: Thank you. That's very helpful. I'm always interested to hear about the various market participants competing for sales in their product. We talked a little bit earlier about imports from Israel, imports from Germany.

Can you please tell me about the role of Canada in the U.S. market? Has that changed in recent years? Has there been any change to their status in terms of anti-dumping duty order of coverage, or the administration of that anti-dumping order?

MR. PEEL: One of the things that we've noticed on JBL from Germany, when they were involved with their production in Canada, it was an "over-the-fence" arrangement

with--at that time--corn products, which is now Ingredion and they then bought the facility.

And so, rather than that facility continue to run as a wet miller that made sweeteners and starches to offset some of their byproduct cost, they're now pretty much set to run citric and other citrates through that facility. So we have, from our standpoint, we have seen a little bit more activity coming from them over the last year or so, because now they've got to look at where they sell that volume after they take over that plant. And instead of only getting X, they're now getting double- or triple-X. So we have seen a little.

MR. TUMA: Just to add to that. And what was mentioned before is -- we do see JBL Canada participate more, and they are a strong competitor. But what I think is important to note is that they behave appropriately and at a fair market price level.

We have the Sunset review once past, gives us a glimpse into their behaviors, and the last review, the Department of Commerce issued a 0% duty. So I think it's important to note that, as an industry, competition's important, and if competitors from import jurisdictions behave fairly, then we invite them to participate.

MR. CORKRAN: That was one of the issues I was driving at, was that, even with the results of the last

administrative review, Canada occupies a not-insubstantial space in the U.S. market. And I am kind of surprised not to hear more -- I mean their volume is quite substantial.

MR. JONES: Let me just add to that. The anti-dumping duty order on imports from Canada I think is a success story. It is critical to have that in place to make sure that the imports are coming in from Canada at fair prices.

And the Department of Commerce conducts administrative reviews of JBL, and JBL is able to establish that it is not dumping. That, to us, is how the law should work. And as Mr. Tuma said, that's all that this industry asks for is a fair market, fair pricing and the order on imports from Canada has worked as it should.

MR. ANDERSON: And just to say something, because I'm an old Commerce Department guy. So I understand sort of that side of the equation fairly well. It's true that Canada has remained in the market. They had a 23% dumping margin in the original investigation and they fairly rapidly reduced that and it finally got to 0%. But that doesn't mean that they're completely unrestrained in terms of pricing and the like.

The dumping order imposes significant discipline on pricing. That makes them qualitatively different in terms of their behavior in the market. These would be the

imports. Yes, they do compete, and we see them. But there are certain restrictions on what they can do in terms of price and volume. And we think those are very meaningful.

MR. CORKRAN: Thank you very much. I was really interested in the discussion about changes that have been taking place in Thailand and in Colombia. And I wonder if I could get a little bit more information. I think the Colombia situation has been largely explained. But can you give me a little more detail on the alteration in the relationship with Tate & Lyle? With the Colombian operation?

MR. ERICKSON: Sure. So we were JB Partners with Sucromiles, what was it? Sucromiles was the name of the joint venture that we acquired from Haarman & Reimer back in 1998. We owned that joint venture through April of 2012. At that point, we decided to sell our share to the JB Partner and that company then became Sucroal.

At the time of divestiture, though, we were still the exclusive distributor for North America for their material. And in August of 2013 we ended that exclusivity. They bought back the distribution rights, and at that point, our relationship with Sucroal ceased.

MR. ANDERSON: So Mr. Corkran, we've given you another picture of this. And here we're just graphing on import volumes on the bar chart versus average unit prices

in the line, to demonstrate that market change in behavior with the Colombian imports, after the relationship with Tate & Lyle ceased. As you can see in 2011, 2012 and 2013, the import volumes were relatively modest, under 20 million pounds.

But soon after the relationship ceased, the volume doubled and the price basically was reduced by about 50%. So there was a real market change in behavior between the time at which they were still affiliated with Tate & Lyle and had a business arrangement, and after.

MR. CORKRAN: Thank you very much. That's very helpful and I appreciate that. Do you have a timeframe on some of the changes you identified in Thailand? You specifically, Mr. Anderson, in your testimony, you were talking about Sunshine Biotech and COFCO Thailand. Do you have a timeframe when they started? And you mentioned their ownership was through COFCO?

MR. ANDERSON: I think I had the years where we believe they began production.

MR. JONES: In Mr. Aud's prepared testimony, he runs through, to the best of our knowledge, what the timeline is for the establishment of the citric acid facilities in Thailand.

And in the Sunset review, we noted and expressed concern in that proceeding about what we believed to be the

transshipment of Chinese material through Thailand being declared upon entry in the United States as Thai origin, when in fact, the production facilities in Thailand were not yet fully operational, to the best of our knowledge. And we communicated that concern to other agencies within the government and to the best of our knowledge, there was an investigation of that.

At this point, we're not entirely sure, but you know, we believe that what's coming in is produced in Thailand, although there is the possibility that there still could be some transshipment, we're not sure. But it's through the passage of time. And I think our best intelligence on that is that the Thai producers are producing in Thailand now. The Chinese have established facilities now in Thailand, and are producing and exporting from there.

MR. CORKRAN: I wonder if you wouldn't mind putting back up Slide 9? Thank you very much. Mr. Jones, you mentioned, as you were wrapping up your presentation earlier, that your theory of the case is focused on material injury and a cumulative assessment of imports.

If the Commission were to look at threat, what would your position be with A, with respect to cumulation, and B, with the question of, is the Belgium experience arguably different than that of the other two countries?

Where we are talking about import trends that may look somewhat different, and changes in ownership that appear to be taking place at the inflection points of those import trends?

MR. JONES: It's certainly something we'll address post-conference. I'm not gonna try to make the Belgium argument for them. I'd like to hear what they have to say and respond to it.

You know, I think the first point we would make is that this, in our view, is a clear material injury case. But if it were a threat case, and the Commission looked at cumulation and Commission has the discretion to cumulate in a threat context, we still think the Commission should cumulate imports from all three countries.

And while the import trends might be somewhat different, we don't see the imports from Belgium operating under different conditions of competition. There's a high degree of fungibility among the imports from all three countries. This is a commodity product as you've heard from the industry witnesses. And we have not seen anything and, you know, we'll be happy to respond to whatever arguments are made, but we don't see any basis not to cumulate imports from all three countries, even in a threat case.

MR. CORKRAN: Okay.

Looking back more toward the product in general,

can you speak a little bit about the nature and prevalence of mixtures and blends in the U.S. market, other than the two main citrates that we're talking about? Any other mixtures and blends? And also crude in the U.S. market? What characteristics do those products have? And to what extent do you see them in the market?

MR. ANDERSON: I'm going to start out with that one, because I think it's important for you to know why they're in the scope of the petition. Both the blends in the crude calcium citrate are within the scope as a protection against possible circumvention.

We don't see blends of citric acid or citric acid in other materials in the market currently, nor do we see crude calcium citrate in the market currently. However, we included these in the original petition against Canada and China and we have extended that inclusion to the scope here to preempt any potential attempt to get around any antidumping or countervailing duty orders by first blending citrate with other products, but really you're bringing a citric in. And secondly, by interrupting your production process after the citric molecule has been created, if you run what's called the lime sulfuric extraction process. Once the citric has been produced in fermentation, you first react it with calcium carbonate, and that forms crude calcium citrate.

There's no market for that, but it would be theoretically possible to interrupt the process at that point, dry it, and then ship it. I believe that in fact early on when citric acid was being produced in China, before they had been able to meet the food certifications, they in fact did ship crude calcium citrate to Japan where it was finished.

So that's the reason why crude calcium citrate is in the Petition. The blends, if you think about it, citric acid oftentimes is used in conjunction with other materials. For example, a big use of citric is in the powdered soft drinks like Crystal-Lite and things like that.

That is a large percentage of citric and some form of sweetener. So one possible way to circumvent the Order would essentially be to mix the sugar and the citric and then bring it as a blend.

So we set a percentage that was high enough so that real blended products, you know, made not for circumvention purposes could enter, but it couldn't--a blend could not be used essentially just to evade the citric acid.

So that's essentially why they're in the Petition. And as I mentioned, there's really no market for either product, but there could be if somebody got clever and those things weren't in the Petition.

MR. CORKRAN: Thank you very much. That was very

helpful.

Let me turn to my colleagues to see if there are any additional questions? Any additional questions?

(No response.)

MR. CORKRAN: Well with that, I would like to thank you one more time for your appearance here today. It has been very helpful. We appreciate all your testimony. I will dismiss the panel in a minute and we will take a ten-minute break, and then we will reconvene with the Respondents' panel. Thank you, very much.

(Whereupon, a recess is taken.)

MR. CORKRAN: Thank you, Mr. Secretary. Before we begin, are there any preliminary matters?

MR. BISHOP: Mr. Chairman, I would note that the panel in opposition to the imposition of the antidumping and countervailing duty orders have been seated. All witnesses on this panel have been sworn in.

MR. CORKRAN: Thank you, Mr. Secretary. And welcome to this afternoon's panel. We are very much looking forward to your testimony. We appreciate you being here.

And with that, you may begin.

MR. SCHAEFER: Thank you, Mr. Corkran. Without any ado or preliminaries from me--and this again is Alex Schafer from Crowell & Moring on behalf of Citrique Beige. I will pass the baton to Mr. De Backer.

STATEMENT HANS DE BACKER

MR. DE BACKER: Thank you. So good afternoon, Mr. Corkran, Mr. Jones, Ms. Carlson, members of the Commission staff. My name is Hans de Becker, and I am the managing director of Citrique Beige in Tana, which is a small town 25 miles east of Brussels.

I would like to begin by thanking the staff for the opportunity to testify today and for your efforts in this case, because although it's new to us we do understand that in these proceedings the staff have a great deal of work to do in relatively little time. So we appreciate your dedication to this task.

To help you accomplish this task, I would like to provide you some background about Citrique Beige's role in the U.S. citric acid market, and our views about the current state of the market and the industry.

In short, there are a couple of key points that we urge the Commission to consider.

First, imports from Belgium during the Period of Investigation were both small and shrinking.

Second, those volumes will not increase in the future for several inescapable commercial reasons. Key amongst those is the fact that our primary focus has been and remains our European home market, and that will not change on a going-forward basis.

Taken together, these facts suggest that the Commission should evaluate imports from Belgium separately, and that the Commission should find that Belgium imports are not injuring or threatening to injure the U.S. industry.

Let me give you now some additional details on each of those key points.

First, let's talk about import volumes. The import data show that the volumes from Belgium are shrinking. And Citrique Beige's questionnaire response confirms that trend. Our volumes have slightly increased by about 3 percent from 2014 to 2015, and then dropped significantly in 2016. We anticipate a modest increase in 2017 and 2018 relative to 2016, but our projection is that those 2017 and '18 volumes will remain well below 2014 and 2015 levels. This again is detailed in our questionnaire response.

These volumes are a small fraction of U.S. consumption, and they are simply not sufficient to contribute to any injury of the domestic industry.

My second point was that our export volumes will not increase in the future, and there are several reasons for this.

First, as our response shows, for the last several years we have been operating at or around 90 percent of our nominal production capacity. In fact, because of

increased sales volumes in the European Union, this year we are running at over 91 percent of our nominal production capacity.

This is obviously extremely high for any industry, and as a practical matter for us this represents full capacity utilization. That in turn means that we have no meaningful ability to increase production. Know, too, that we are running at a very high level of capacity even though our first quarter sales to the U.S. are down over 12 percent in quantity and 17 percent in value relative to the first quarter of last year.

And I should add that we have no intention or incentive to add capacity because at a global level, as mentioned, there is already over-supply of about 500,000 tons per annum. So it would be economically irrational for us to add capacity in the near term.

Second, the fact is that in the EU the demand for citric acid outstrips the supply of it by more than 250,000 tons per annum. So I should add that basically these imports are much higher than in the U.S. market. So 250,000 tons per annum of imports of citric acid into the European Union.

So imports fill part of that gap. But even so, given the demand situation, we are much better served to focus on our European home market than we would be to shift

additional attention to the U.S. market where competition is indeed fierce, and pricing is becoming less favorable.

I would note that in this regard exports from Thailand and Colombia have had the ability to take advantage of GSP and the Free Trade Agreement respectively, whereas ours are the only citric acid exports that are subject to the MFN duty rate of either 6 percent of citric acid, or 6-1/2 percent of citrates.

As a matter of fact, if you look at the Thai import volumes, you couldn't help but notice that it was almost at the exact moment in mid-2015 when GSP was renewed that the Thai imports have spiked significantly.

So because we sell primarily to distributors, and for the most part on a SIF basis, we are already at a competitive disadvantage relative to U.S. producers, and producers in FTA eligible countries like Colombia and Thailand.

This is why we have remained home-market focused over the last several years, and our questionnaire demonstrates that our EU sales consistently far outweighed our U.S. sales during the Period of Investigation.

Apparently, our EU sales, which is a Free Trade Zone, obviously, comprise over 85 percent of our overall sales, with only about 9 percent going to the U.S., and over 50 percent of our EU sales are contracted either on a one,

or a one-in-five-year basis, rather than being spot sales, which obviously is beneficial.

We fully expect these trends to continue as our focus remains on the EU market. This is in stark contrast with the situation in Colombia and Thailand where the level of domestic production capacity far exceeds domestic demand.

Given the relatively low levels of demand in those countries, producers have had no choice but to be export-oriented. This is, luckily, not a dilemma that we face in the European Union.

To sum up, our exports to the U.S. were never large in the first place, and they got smaller over the Investigation Period. That trend will indeed continue for us because we are focused on the European market, with good reason. We don't face import duties there, as we do here. We have long contracts there, which is different than here. And there is under-supply in Europe much more than here.

And even if this were not true, the fact is that you cannot increase our production because we are running at capacity already. These are the facts of the market. You can see them reflected in our questionnaire response.

For those reasons, we kindly request that the Commission considers our exports separately and determine that we are not injuring or threatening to injure the U.S. industry.

Thank you once again for the opportunity to present our views today, and my colleagues, Ms. Braeuer, who is my director of sales, and Mr. Gijsegom, who is our key account manager for the U.S. market, would be happy, and myself, happy to answer any questions that you will have. Thank you, very much.

MR. SCHAEFER: Thank you, Mr. Corkran and members of the staff. That largely concludes our affirmative presentation, although of course we are delighted to answer questions.

I just wanted to make one additional point. As you probably noted during Mr. De Backer's testimony, he refers to their European home market. And I point this out only because one of the slides that we saw in Petitioner's presentation this morning identified the purported over-supply in the home country of Belgium.

I'm not sure whether that's accurate or not, but it's sort of beside the point in the sense that it presents a somewhat distorted picture of what Citrique Beige's home market looks like. As a functional and practical matter, there's no difference when this company makes the sale in Belgium versus in France, or in Germany, or even the fabled Liechtenstein citric acid market that we are always reading so much about in the news.

And so taken at a regional level, there is in

fact substantial under-supply, and the industry guides that talk about this industry are in a fair degree of consensus on that point. And so we want to be clear that when we talk about the "home market," we're not just talking about Belgium, but rather Western Europe.

And so with that, we will defer to your all's questions and thank you.

MR. CORKRAN: Thank you very much. We certainly appreciate your testimony. We find it very helpful, and we appreciate you coming to testify today.

With that, I am going to turn to my colleagues starting with Mr. Jones.

MR. LAWRENCE JONES: Thank you. Lawrence Jones, Office of Investigations. Thank you for your testimony.

Speaking about the European market, specifically, where and to whom is your product going to within the European market?

MR. DE BACKER: Our main market is Germany. That's why my director of sales is German speaking. Beyond--you would have Italy as number two. I would guess that France would be number three. UK would be either number three or number four. These are obviously the big European markets. Maybe we'd have Spain. Belgium is very small to us, although we happen to be there. It's a tiny market for us. And Germany is by far the biggest market for two

reasons. You have also big multinationals there producing food and drinks. And you have actually a lot of small food producers still in Germany.

MR. LAWRENCE JONES: Thank you. And you just touched on it briefly about the domestic industry having the sufficient capacity to supply the U.S. market. Could you go into a little bit more detail about that as far as the domestic industry's ability to supply not just the U.S. market--well, more specifically the U.S. market, and how would you respond to that as far as the last time we looked at this two years ago as far as the Orders on Canada and China?

MR. DE BACKER: Maybe it's interesting that I go back a little bit in history on the European market, although I'm quite new in the industry, and Beate has been there for 25 years.

Europe had many producers as well until antidumping was started also in 2008. I think we can say that we have seven producers in Europe at that stage. Some of them are behind us here in the room. And we are now down to two.

So Jungbunzlauer out of Austria. We had a plant in Germany, as you heard. And we had one plant in Belgium. That's all what is left. The reason is simple: China.

Some 25 years ago there was a huge capacity built

in China. We now have six exporters out of China, but there were many, many more in the old days. And the imports have been flushing us to the extent that everybody was losing a lot of money until 2008. In our case, for instance, we had just taken over the company six months ago, in our case between 2003-2008, the losses accumulated to 43 million Euros over these five years.

So we also had to join hands with our Austrian competitor to start antidumping against China. Now the outcome of that was a little bit different than in the U.S. Actually we also won the petition, if I may say so, but the outcome was that three of the Chinese exporters have to abide by minimum import price. So they don't have to pay a duty. They just have to keep their price above a certain level, which is actually linked to the European corn price. And so it's reviewed on a quarterly basis by the European Union.

The other three, out of six exporters, do have to pay import duties to the European Union. But the level is lower than they would have to pay here. And that's the reason why they have left completely the U.S. market. They have just made the balance between what they have to pay in U.S. compared to what they have to pay in European Union.

Actually in European Union these three pay import duties ranging between 6 percent and 45 percent. And so

they continue to supply. And that's why Europe has low prices. But despite the fact that Europe has low prices, there is under-supply because we have only two left. The capacity of Jungbunzlauer is more or less double our capacity.

So as I mentioned in my testimony, there is 250,000 tons lacking, which has to be met by imports. And they mainly come out of China and, obviously much more, Thailand.

That also means that Jungbunzlauer and us are very much market-oriented, except for the fact that they have built a plant in Canada, which we have not.

MR. LAWRENCE JONES: Thank you. And as far as--I asked this question to the domestic parties--but as far as customer preferences, what you're exporting to the U.S., can you tell us a little bit about non-GMO citric acid and what role it plays in driving future import trends?

MR. DE BAKER: First of all, the customers come to us because of quality flexibility customer service. That's what we believe in. We have a good reputation in the market.

That being said, we see a vast increasing trend in the U.S. market which is what has been discussed this morning. The demand from U.S. consumers is for non-GMO. Now it's hard to put data on it, because indeed, as was

mentioned this morning, the market is a little bit blurred. So it's for us difficult to say that this percentage of the market is non-GMO versus that percent of the market is GMO. But the fact is, the demand for non-GMO is increasing relatively fast from a consumer standpoint.

Now for us, the situation is a little big difficult in the sense that we are working very hard to get our non-GMO certificate from the Non-GMO Project Board, which is a U.S. nonprofit organization. We face some difficulties for the simple fact that we use sugar beet molasses mainly as our feedstock, and in the States all this is GMO, while in Europe it's non-GMO.

So we are currently investing a lot of time and a lot of effort in trying to get our non-GMO Certificate. In the meantime, we already supply the non-GMO market because some of our clients realize that our citric acid is non-GMO, although we don't have the Certificate yet. Some of the clients have actually been able to prove even to the non-GMO Project Board that our products are non-GMO.

So we do see that this market is increasing. We see that this actually commands for us a bit better prices if we would be able to enter that market, which we are not today because we don't have the Certificate.

We do see that the market would be commanding some higher--some premium prices.

MR. LAWRENCE JONES: As far as the non-GMO Certificate, what would that entail? And what would change once you do receive it, or if you--basically, the process, how it would go, once you receive it, how would that change your role in terms of exports to the U.S.?

MR. DE BACKER: I would invite my colleagues to add to that, but our customers are basically screaming for us to have that Certificate. Although I believe that our products are non-GMO because there are no sugar beets genetically modified in Europe, they want us to have the Certificate because it will make for them life easier. If we will have that Certificate, they will have an easier time to sell our products because they are distributors. And so they're screaming for that certificate.

This being said, we do anticipate that once we have that Certificate, we can raise our prices.

MR. LAWRENCE JONES: And how long do you anticipate that?

MR. DE BACKER: They make our life very difficult because it's a sliding slope, and it's not an easy process. It seems to change every six months. But we are probably near the end of it. To give you a small example, we have to prove through our suppliers that there are no enzymes in the feedstock. So we are now gathering all the certificates from all our suppliers to prove that. We hope that we're

near the end of it.

MR. LAWRENCE JONES: Thank you. And as far as obtaining the non-GMO Certificate, and into the future, not just for yourself but for all other importers, how would that affect the U.S. industry specifically?

MR. DE BACKER: It's a trend. It's a trend like the U.S. consumer is refraining on eating bread, and the U.S. consumer is refraining from other things, carbonated soft drinks, for instance, although that is replaced--the slide is actually showing one thing--but the carbonated soft drinks are to some extent replaced by other type of drinks, energy drinks, isotonic drinks, et cetera. So the market is still increasing a bit, 0.9 percent. It's a trend to which we cannot deny, and that's why we are making all the effort to get that Certificate.

MR. LAWRENCE JONES: Thank you. You mentioned--shifting gears a little bit--you mentioned the market specifically from 2014 into 2015, and then 2015 to 2016. Can you describe, as far as what the domestic market, or more specifically your exports to the U.S., and the distinction between year to year, to between 2014-2015 and then also into the interim period of 2017. Just a little bit of a description, details, as far as how the market changed, specifically, in those time periods?

MS. BRAEUER: Okay, I think the price is actually,

the price situation in the market really changed drastically between, from 2015 onwards. Prices go down, and we are no longer competitive in this market at the moment. The pricing is under pressure, and that is why we deliberately reduced our exports to the U.S. And also at the same time, demand in the EU increased. So as we already stated, we prefer to stay in our home market.

MR. BE BACKER: Obviously as the pricing became more tight, the fact that we have to top up 6 or 6-1/2 percent import duty makes also a difference. And the exchange rate is also important. So we have to follow the exchange rate. As a matter of fact, it helped us to focus even more on our home market.

MR. LAWRENCE JONES: .Thank you. As far as projections going into 2017 for the rest of the year, and also into 2018, specific to exports to the U.S., how would you describe those? And also to other markets? You mentioned EU, over 85 percent, and then into the U.S. about 9 percent. Do you see that changing? Or do you see that trend continuing?

MR. DE BAKER: The main reason we are running at full capacity this year is, again, China, but on the other side. The Chinese Government has a five-year plan, and it's very clear. The prime focus of the five-year plan is climate change and blue sky. The Chinese people have never

seen blue sky in Beijing. So they are fed up with that.

And so the Chinese Government has understood that. And to the extent that they are stopping factories from producing who are basically not meeting environmental constraints, or CO2 output constraints.

We are aware of the fact that three of the six producers are now running at reduced capacity because of the Beijing Government imposing that upon them. The three of them have reduced capacity between minus-30 to minus-40, even minus-50 percent. The question is how long this is going to take, and is this structurally or not? We expect this to take at least the rest of this year. So this year we can hardly follow demand. The question obviously is: Is this going ro remain next year?

Well, we do see this as structural. I have been living there for a long time, and we talk to a lot of people also in other industries. We do see that the Chinese Government is serious about this, about stopping environmental burdens to their own population, which obviously means that their costs will also increase a bit, and the labor costs which is also rising in China.

So we hope, obviously we all hope that, together with you, we hope that the level of competition will become a little bit more economic, if I can say so, and also based on proper environmental behavior.

Now beyond that, we should also probably add something to the U.S. As Beate said, the prices are for us basically too low right now. So we don't want to go into that.

MS. BRAEUER: We mainly focus on those niche, certain customers who are really asking for our quality of the product. We have a very high standard of quality, and that is why the customers are buying this quality.

MR. LAWRENCE JONES: Thank you. And as far as exports to the U.S., were there any trends over the last three years, 2014 to 2016, specific to the U.S. market? Not just the non-GMOs but anything aside from that, and whether and how it affected the U.S. market and your export orientation?

MR. DE BACKER: I see only two trends, which is lowering prices and more demand for non-GMO.

MR. LAWRENCE JONES: Thank you. No further questions.

MR. CORKRAN: Thank you, Mr. Jones. Ms. Carlson?

MS. CARLSON: Good afternoon. Thank you all for traveling here and for your testimony.

I want to start with a couple of product-specific questions. Earlier the Petitioners said that citric acid is a commodity product. Would you agree with this?

MR. DE BACKER: The answer is yes, and no. When

we talk to customers, and obviously my people do that on a constant basis, we seem to be able to come to the table with arguments that are quality-driven, customer-service driven, and flexibility driven.

Quality, for instance, although it's not easy to differentiate in citric acid, we can talk about purity of our product. We can talk about moisture, of caking. We can talk about grainometry. So there are sufficient elements to talk about when you talk about quality.

So we should not immediately turn to pricing when we have a discussion with our customer. We first go through quality, customer service, and flexibility. And this is why our customers are coming to us. Obviously from there, pricing is important.

MS. CARLSON: Thank you. There was also some discussion earlier about the different standards and the different grades. Would you say you follow these same standards are there any standards in the EU that are different than those in the U.S.?

MS. BRAEUER: Well, I would say the standards are the same. We differentiate between different product forms on the anhydrous and the monohydrate and the sodium citrates. Within the products you have different grainometries different packaging, but in principle, it is the same, yes, than in the U.S.

MR. DE BACKER: Just to give you an example of our flexibility, we have the Halal certificate. We have the kosher certificate, Kosher for Passover. I mean customers ask can we do it. We have the FCC and we have a score of 97 percent on our audit. We have the IFIS, although thats a bit of double up. We have both certificates in the food sector. In addition, obviously, you have the GMP for some products going to the animal feedstock.

You have also the fact that we serve all the pharmaceutical and cosmetics clients and they like to go and audit our plant. So for instance, just last week had a group audit by six pharmaceutical clients. So you have to meet all these demands and all these audits to underpin all the certificates. The certificates are pretty widely spread in the industry, but they come together with severe audits.

MS. CARLSON: Okay, thank you.

Regarding the specific product itself that you produce, would you say that its essentially interchangeable with U.S. produced products? Are there any instances when they are not, or would it point to certain certification? Is there any other example?

MR. DE BACKER: Theyre largely interchangeable, although we start from a different feedstock, and so we start from sugar beet molasses and they are mixed to some extent with sugar cane molasses. The reason was mentioned

this morning. This is the fact that we are near the sugar beet belt and we are very happy that the sugar quota will end at the end of September because it will be 17 percent more sugar supply coming out of Europe, which also means 70 percent more molasses, which means big savings for us on our feedstock, which is raw materials is roughly 57 percent of our costs and obviously, this is the biggest raw material.

With respect to differentiation, chemically speaking, you can say that most producers are producing the same type of product, but there would still be quality differences, hard to measure, hard to put in indexes or indices, but there are differences in quality. And theres also the fact that you could argue, but this is a very difficult to argue, that if everybodys asking for -- if some people ask for non-GMO, you could argue that as this starts to become a bit of a different market.

Is it really a different market? Hard to say, but if consumer demand is there pushing for that, you could argue that this starts to become slowly, but surely, a different market.

MR. CANNISTRA: If I could just add one addition point following up on Hans on fungibility and substitutability, and really building from the GMO point, even if were talking about two chemically identical products, one with a kosher certificate, the other one

without, are those really entirely interchangeable products. I suspect that they are not from the perception of a customer. And this is a market filled with very differentiated end users and all of those end users with a series of individualized requirements, every producer coming to the market with their particular suite of certifications, in effect, GMO, non-GMO, kosher, non-GMO, pharmaceutical.

And so we believe that the question of fungibility and interchangeability should be viewed in the larger framework, particularly, for example, in the kosher/non-kosher I think is a classic example. Theres truly no entirely fungible, interchangeable commodity that Im aware of, with the possible exception of gold. Everything short of gold really needs to answer the question of substitutability and fungibility from subjective criteria. Thats not an objective yes or no, fungibility really short of gold. Thank you.

MS. CARLSON: Following up on that, earlier it was established that the U.S. producers produce to the highest grade, which is the food grade and then that can be interchangeable with lower grade or industrial use citric acid. Would you say you produce the product in the same way? Is there a highest grade that you produce too and then it can be used in, I guess, for lack of a better word, lower grades?

MS. BRAEUER: Well, we have chosen for the highest quality, so we are really producing to the highest standard of the industry. Lets say, okay, there is an official Pharmacopic standard and FCC or European Pharmacopic whatever, but within this distinction you can still have an above average quality. So lets say if you look on the residues on the purity criteria, they can be above this level even. Despite youre in conformance with this Pharma criteria, you can have a quality which is even above if you have had very high quality standard and a very high purity. So this is something very important for the pharmaceutical industry, for example.

And we have only one quality that we sell and this is the high pharmaceutical quality standard.

MS. CARLSON: Thats helpful. Thank you.

Is there any aspect of the EU market thats significantly different from the U.S. market that we should be aware of, maybe in terms of end uses or channels of distribution or would you say theyre more or less similar?

MR. DE BACKER: Probably quite some similarities. We also have the famous contract season at the end of the year and for us these key accounts, which Frances Michael is serving, that would mean at least 40 to 50 percent of our sales. So we also are booking, more or less, close to 50 percent of our sales towards the end of

the year or maybe early January after this contract season and these are typically one-year contracts. And indeed, as mentioned this morning, they come with a fixed price. They should come with a fixed volume, but that could alter a little bit throughout the year. We will not penalize Proctor & Gamble if they would take 500 tons less than what is on the contract, to give you a clearer answer.

The spot sales is still a very big chunk of the market because there are so many small producers -- food producers, drink producers. Our distributor its a German company. They bring our product to 45,000 end consumers and so this is another 30 to 40 percent of our market. These are distributors. Sometimes they need -- they bring it in solutions to their end users and they serve the small bakeries and the small food producers, small drink producers, so this is a very important part of our market.

And then I would say the last part of the export, but the export in our case, as we just discussed, is not very high.

MS. CARLSON: Have there been any recent developments or changes regarding your industry that we should be aware of? For example, with regard to technology or the workforce or has it been pretty constant?

MR. DE BACKER: This morning Gadot was mentioned. According to us, they have stopped citric acid

because also theyre too small in it. They were already a very small player. Their capacity was 30,000 tons, have to double it by 2.2 per pounds and so theyve stopped doing citric acid, but they still produce citrates. And potassium citrate was mentioned and other citrates, so thats now their focus.

We are also aware of the fact that Jungbunzlauer has done a small addition to its capacity. We dont know the exact number, but they have slightly increased capacity. I think these are the differences that we can say on the competition front.

With respect to the market, actually, we have been able to renew the anti-dumping that was initiated in the beginning in 2009 in 2015. Malaysia wasnt added because China was playing a game. They were so-called producing in Malaysia. Obviously, everybody knew that they were not producing in Malaysia, so the funny export statistics pumped up and everybody understood that they were playing a transshipment game, so Malaysia was added in 2015. And so the anti-dumping measures have been extended until January 2020.

Because of the fact that the anti-dumping measures have been extended until January 2020, we can say that although prices in Europe are quite low, the two European producers can still survive on that. So I think we

can say that we are profitable and we are the smallest of the two, so we could assume that the other one is more profitable. Our profit is official because our figures are public. They were not in the petition because you saw only the 2014/2015 numbers, but in the meantime, as all the Belgian companies our numbers are publicly available. We can also supply them through the post-hearing submission as we have been running at a profit in 2016 and we have been also increasing our profit this year.

MS. CARLSON: Thank you.

And Ms. Braeuer, do you produce both solution in dry form citric acid and would you say those are essentially interchangeable or why would you produce one over the other?

MS. BRAEUER: Well, we produce solutions solely for the European market, so it does not make sense to export solutions. This is not a topic for us, so we solely supply dry material into the U.S. But in fact, yes, solutions is 50 percent dry material and depending on the installations of the customers you either supply it in dry form or in solution form, meet a certain silo installation that the customer for the solution, so because you transport 50 percent water, you need to consider really the freight cost in this context. So normally, you would say at around the maximum delivery would be about 300 to 500 kilometers maximum to really supply solutions; otherwise, it doesnt

make sense cost-wise.

MR. DE BACKER: Its not a big part of ours. Its very small.

MS. BRAEUER: No, its very customer-specific because customer needs specific installations and storage tanks to be able to handle solutions actually.

MS. CARLSON: Regarding your use of sugar beet molasses or sugar cane molasses as a starch source, have you ever used anything else or would you consider using anything else?

MR. DE BACKER: The reason why the company is situated where it is, is we are in the middle of the beet belt. We import beet molasses out of nine European countries. A little bit of sugar cane comes from Central America, but its very small quantities. We have been testing to use other feedstock, but it has never been done.

As was explained this morning, its not -- I mean our company has more than 90 years of experience in trying to increase our fermentation yields and this is a process that has been fine tuned over and over again. If you would have to change feedstock, for instance, to corn or to anything else, our fermentation would have to be restarted almost. It would be a quite new fermentation process. So its certainly not obvious to change feedstock right away. It can be done, but it would be a difficult period of time.

MS. CARLSON: So you described earlier how your main market is the EU, but with regards to any exports to the United States, to what degree would you say youre competing with other subject country exports from Columbia and Thailand?

MR. DE BACKER: The answer is very simple. The Thai have been taking market share from anybody. I think we can say that openly. The figures are there and thats also the reason why we have been facing a tough time too. Thats why we have been shrinking. We certainly did not want to follow these prices and the big change in market share in United States is very obvious. Its Thai imports.

MR. GIJSEGOM: I might add to that that when youre asked to quote by a distributor or a direct user of our product we always start from the situation as we have it in Europe and then we have to add all the cost of freight and other costs that might appear. And often it is that we are out of the game relatively soon already. And then when we have the information, because its not always available, when we get the information from our customer or our potential customer we hear Thai names. We hear Sucroal named and we hear also very often the local and the domestic producers. So were -- and I can put it in a couple of words. When I ask a question to a customer and ask him to simply and shortly describe what he thinks and what he feels

when he hears Citrique Belge, he says great quality, super service, but very high pricing. And that sums it up, I think.

MS. CARLSON: Thank you. That concludes my questions.

MR. CORKRAN: Thank you, Mr. Carlson. Mr. Allen?

MR. ALLEN: Ill start out with some questions for counsel. Do you agree with the definitions of domestic-like product and domestic industry as proposed by the Petitioners?

MR. SCHAEFER: We do.

MR. ALLEN: Okay. Moving on, Id like for you to elaborate, if you can, a little bit on your argument for why Belgium should not be cumulated with the other subject countries, particularly, if you could touch on some of the aspects and the factors that the Commission generally considers.

MR. SCHAEFER: Thank you. We intend to go through that in more detail with the requisite legalese in our post-hearing submission.

MR. ALLEN: Im sorry?

MR. SCHAEFFER: We intend to go through that in some detail in the requisite legalese in our post-hearing submission.

MR. ALLEN: Okay. So on pages 12 and 13 of the petition, the Petitioners describe the pricing products. Do you have any comments on these?

MR. DE BACKER: Obviously, we have only seen the public version so far, but I dont think we have comments on it. The numbers seem to be correct.

MR. ALLEN: Okay. And then with respect to the AUV data we discussed this morning, are you aware of any issues that would call into question the use of AUV data?

MR. DE BACKER: There have been some reconciliations that we have done, tiny differences with respect to our figures, but no.

MR. ALLEN: Okay. So the Petitioners indicate that you use beet molasses in the production process. Does the use of that substrate differ in terms of the cost as opposed to other substrates; is it higher, lower?

MR. DE BACKER: Very good question, difficult to answer because it depends on proximity and buyer contracts. I can only say that I have been enjoying the contract season on the buy side because of the fact theres 17 percent more sugar coming to the market. We have been able to lower our costs by millions of Euros per year, so for us, obviously, this is good news going forward. This could reverse a few years from now. We follow the difference between sugar beet molasses and corn every quarter. We have seen that corn

prices have been slightly going up a little bit, which also is reflected in the minimum price that is going up towards three Chinese that we just mentioned.

For instance, the next quarter, the MEP, as its called, The Minimum End Price will go up by eight Euros. That means that corn prices have again increased a bit, not a lot. Its very hard to say. It depends really on your own process whether sugar beet is cheaper or sugar cane is cheap. Normally, sugar cane molasses is a bit more expensive, but the difference with corn is hard to make because it depends on your proximity, your negotiation power. Most of the companies here in the room are backward integrated. They have a corn milling plant nearby or next to their plant. That obviously makes a difference if youre backwards integrate.

The biggest sugar factory in Belgium is just one kilometer away from us, so that helps. So yeah, its hard to say.

MR. ALLEN: Okay, thank you.

So the Petitioners content that most citric acid is sold pursuant to a fixed price, fixed terms contracts. Is that true for your product as well?

MR. BRAEUER: In general, this is true for the EU home market. It is less true for the U.S. market because we usually -- we have two direct customers end users and all

the rest is by our distributors, so it is rather spot business.

MR. GIJSEGOM: Can I add to that that, indeed, there is a difference between the direct users of our product where we have annual contract with fixed price and then we have a range of distributors importing our product and with them its up to them to -- the question is different. Some ask for quarterly pricing. Some will ask for annual pricings. Some will ask for half-year pricing, so we try to follow what they ask and we stick to that, but then, I can be open about that. There are, of course, lets say questions that come up from the market where a distributor is asking us to make a special effort for a certain volume. And today, I can only say we refuse making special efforts because we dont have the product.

MR. DE BACKER: Obviously, in Europe, around 50 percent of our sales is contract sales. In U.S., probably something like 5 percent or maybe a bit more. So its completely different.

MR. ALLEN: Thanks.

So on page 21 of the petition, Petitioners contend that demand for citrate is seasonal and it typically peaks in the first and second quarters of the year. Is that also your experience?

MS. BRAEUER: Yes, its the same.

MR. ALLEN: Okay. And then Petitioners contend that the U.S. market is one of the largest in the world and generally has higher prices. Do you agree with that contention?

MR. DE BACKER: Thats less true than before. The U.S. market was, indeed, better for, I think, everybody between 2009 and 2014, but thats not true any more. The U.S. prices are now quite low. We fully agree with that. Thats also the reason why we have been shrinking in the market. Yeah, thats probably sufficient.

MR. ALLEN: Okay, great. Thank you very much. I have no further questions.

MR. CORKRAN: Thank you Mr. Allen. Ms. Gamache?

MS. GAMACHE: Id like to thank you all for making the trek. And most of my questions have been address already, so Id like to keep this short and sweet, relatively.

And to start, Id like to follow up with your sugar. So can you explain why again well see this increase or you have seen this increase in sugar coming into the market?

MR. DBACKER: The sugar specialist, but it was a highly regulated market. There was a quota, so that means that European producers basically could not export beyond Europe. And as from the first of October, they can export.

So the quota ends and that I think thats negotiated on the WTO. Because of the fact that they know this since many years they have been expanding their capacity since many years as well and so theyre now fully ready to consume and to produce 17 percent more sugar, on average, in Western Europe because in addition that theres Russia and other countries. But in Western Europe we have the numbers.

The fact is these factories are ready to, lets say, refine all its sugar beets. Theyre also ready to export. Obviously, why are the European sugar industry very happy about this today the European sugar prices are more or less -- per ton higher than the world price and the world price is the London price or the New York price. Everybody, obviously, expects that this will shrink, so they anticipate right now that they can immediately export, but after that well have to see whether this will continue because if the European sugar prices would go down to the world sugar prices maybe one day they will not have an incentive any more to keep on pushing sugar beet and keep on pushing sugar refinery as they do right now.

So we are actually hooking some two to three-year contract right now for our feedstock because we see this as an opportunity which could reverse three years from now -- two to three years from now.

MS. GAMACHE: Thank you.

Ms. Braeuer, I believe you had said that youve seen a slight increase in demand in the EU for citric acid; is that correct?

MS. BRAEUER: Well, I would say there is a slight increase in demand. Its probably, more or less, the same situation I would say as in the U.S., so the demand its no longer a 5 percent increase that it used to be, but there is still increase in market, mainly, new soft drink types coming up on stream, less carbonated soft drinks, but more nutria and energy drinks that is where at the moment the increase is coming from. And then, as we already said, its mainly our demand increases because we see less imports coming into the EU as well from the Chinese, so that is one of the main reasons.

MS. GAMACHE: Okay, thank you.

Would you agree with Petitioners who said there arent any readily available public price indices in the industry?

MS. BRAEUER: Yes, I agree.

MS. GAMACHE: Okay. I think this is my last question. How representative of the citric acid market do you believe are a specific pricing products are and does Citrique Belge produce any major products that we havent encompassed in those eight pricing products?

MR. DE BACKER: On the citric acid and citrates,

which is 92 percent of our sales, its pretty much the same. You could probably hardly say that this is a different market in Europe than it is here. Although, obviously, the fact is in Europe, there are only two players left and most buyers need at least three suppliers. So that is probably, to some extent, an advantage that we face right now because all the big names that you know from Coca Cola to Proctor & Gamble, UniLever, Bayer, Nestle, they would all like to have at least three suppliers to ensure supply certainty -- well, basically, to have supply guarantee.

And thats actually one of the reasons why we have jut bought a company six months ago. Theres only two players left and most of our clients need at least three suppliers, so we are relatively comfort that theres a place for us in the market if we can sustain our quality, flexibility, and customer service.

That is probably a difference between the European situation right now and the American situation and theres a difference in the number of players. Gadot just stopped, as I just mentioned, so were two down.

Now whats special for us we are very old company. We are fully circular economy, so we still have almost eight million of byproducts, eight million Euro of turnover of byproducts. They have nothing to do with citric acid or with citrates. Theyre also not in the scope of

this, but it gives us some additional turnover and that goes into the feed sector and that goes into the agricultural sector, just to avoid that we waste any products. And we see opportunities to get higher value core products in the future out of that, so that could give us some momentum in the future to develop new products.

MR. CANNISTRA: The question related to the pricing products in the questionnaire and because theyre not an importer and the pricing data wasnt requested in the foreign producer questionnaire, theyre not familiar with which six products they are, but we can show them what they are and respond to the representativeness in the post-conference submission.

MS. GAMACHE: Okay, thank you. That concludes my questions for now.

MR. CORKRAN: Thank you, Ms. Gamache. Mr. Clark?

MR. CLARK: Thank you. Again, thank you for coming, making the trip here.

I have very few questions. I just, in part, want to confirm your production process. If you could just go over what your fermentation process and your extraction process is and then Ill just ask something quickly about products.

MR. DE BACKER: We are different for two reasons

than the rest of the industry. Were probably the only one being fully on molasses as a feedstock. Although, Sucroal is using some molasses and then there are also other plants who have some molasses. We are the only one in the world turning 100 percent on molasses and we are using surface pan fermentation, whereas, all the players here in the room and most of Chinese -- well, all of the Chinese use deep tank fermentation.

Well, the difference is its not that huge. Its still fermentation. And we stick to our surface pan fermentation because we have been doing this for over 90 years and we have been optimizing that for over 90 years. We have the space because it takes more space. It takes more people to run it on a 24 times 7 bases, but we simply see that we have a high yield with it. Obviously, its hard to say the number here, but we have a higher fermentation yield. We have a higher refinery yield than we see with the competition.

The only disadvantages you need a bit more labor because its a little bit less automated. You need more space because we have 196 fermentation rooms, which is opposed to a few tanks that our competitors would have, but obviously, the space is there. The size of the plant is very big and we actually consume less energy. A deep tank it has the advantage of having lower labor costs, but has a

disadvantage of consuming more energy. Energy is important to us in the world of citric acid, so we are going to build a new gas turbine to become more reliable towards the future and that will also avoid that we still have to buy electricity, for instance. So this is actually making us relatively unique within the sector of citric acid for historic reasons obviously.

MR. CLARK: Okay, thank you.

For the extraction method, do you use the Lime sulfuric acid method or -- is that what you use? Okay, thank you.

And just beyond that, do you market all three -- citric acid, potassium citrate, and sodium citrate. Correct?

MS. BRAEUER: We do not supply potassium citrate, only citric acid and sodium citrate.

MR. CLARK: Okay. And at the end of the first panel there were comments about blends and I wondered if you have any blends. Do you sell any blends?

MS. BRAEUER: No blends.

MR. CLARK: Okay, thank you. Those are all my questions.

MR. CORKRAN: Thank you, Mr. Clark. And Id like to thank all of the panelists today. I have just a couple of questions to ask similar to what I asked the Petitioners

panel.

What do you see the role of imports from Canada being in the United States? Do you bump up against them in your commercial space in the United States?

MR. GIJSEGOM: As I said before, when we are invited to quote we get feedback. We hear all names -- the domestic, the three U.S. producers. We also hear about -- from Canada and we hear about the Thai and Sucroal. Its one of the players. Its one of the competitors.

MR. DE BACKER: Beyond that, we have respect for Jungbunzlauer. The company has also been around for 90 years in the industry, just like us. They know what they are doing. In Europe, they have diversified much more because they have many other products than citric acid and citrates, which I think is not the case in Canada where theyre more focused. They have also backward integrated in Canada with corn. So I would assume that they are a strong player in the market in U.S.

MR. CORKRAN: Thank you.

And the second question I had was related to that. I know you discussed earlier how youd try to go to market and how you try to win supply opportunities. When you are successful with supply opportunities in the United States, what do your customers tell you is the factor or factors that made you successful?

MR. GIJSEGOM: I think the number one argument that will help us to sell our product is our quality. We have U.S. customers that ask specifically for our product. Im not going to say it happens every week, but it happens relatively frequently that new distributors approach us asking specifically for our product and this is only because one of their prospect customers asked them for our product. So quality is an important issue or matter in our sales and also our flexibility. I mean we try to follow the -- well, the question from the customer.

And as it already has been said by the other, we spend a lot of time and effort and money on our quality assurance system in having certificates, but we dont stop there. We go beyond that. We have the certificates, but then we have on top of that other systems that take our product and our complete quality package to a higher level.

MR. CORKRAN: This morning we saw a slide that gave a presentation on applications, sales to the beverage industry, for detergent uses, for food uses, industrial and pharmaceutical. When you are successful with your supply opportunities, is there a particular part of the market that looks more to your product?

MR. GIJSEGOM: I can take it from the other end, lets say. Because of our pricing situation, the price where we have to sit to be able to import -- well, were not doing

the import ourselves, but to be able to realize a sale through a distributor or direct when you look to the different applications and the different layers in industry only the top two will allow us to book business and this is Pharma Pharmaceutical and food. And now in food you have also, lets say, a differentiation, but we are rarely or -- well, not successful in technical industrial applications.

MS. BRAEUER: Yes, its really food and pharmaceutical applications where we focus on, nothing else.

MR. DE BACKER: The proportion is very similar in the market in Europe than in the States, so three-quarters is food and beverage. Pharma is probably around 11 to 12 percent of the market, but we obviously have to compete against the Chinese in our home markets and we see that its for us easier to sell at our high prices in the pharmaceutical business. The Chinese are less present in the pharmaceutical business. Theyre a bit more focused on the food and beverage, the drink business, so we see an opportunity since we are relatively expensive versus the Chinese and the Thai. We see actually a bit more opportunity in the pharmaceutical business and the cosmetic business going forward, also because there the growth seems to be higher than in the drink business.

MR. CORKRAN: I'm going to look to my fellow panelists to see if there are any additional questions.

Additional questions? No. Well, again, I'd like to express my appreciation to you coming to testify today. This has been very helpful to us. And with that, I will dismiss the panel. We will take five minutes to collect ourselves and then we will begin final comments.

(Break)

MS. BELLAMY: Will the room please come to order? Opening remarks on behalf of petitioners Stephen A. Jones, King & Spalding, LLP. You have 10 minutes.

CLOSING REMARKS OF STEPHEN A. JONES

MR. JONES: Thank you. Steve Jones for petitioners. Just to start out, I want to thank the staff for your attention this morning, for your excellent questions. We very much appreciate the opportunity to be here and tell you about the problems that the domestic industry is facing due to very low priced subject imports from the three subject countries.

Only one country on the other side showed up today. So we'll -- obviously, we'll focus on the presentation of the Belgian producer Citrique Belge. And I just have a few points to make in rebuttal. We'll be putting a lot more in in our post conference brief.

The presentation from Citrique Belge was focused on the -- what they say is a small and shrinking volume of imports. The volume of imports from Belgium did decline

during the period. I wouldn't call it shrinking. It's a slight decline from 14 to 16, but as you may recall from the testimony of the industry witnesses this morning, even a relatively small volume of low priced imports in this market can have a significant impact due to the conditions of competition that are unique to this industry. And in our view, the imports from Belgium have been injurious during this period of investigation and were a contributing cause on a cumulated basis to the material injury experienced by the industry.

Take a look please at, and I'm sure you will, at the average unit value of imports from Belgium during this period. The volume was essentially flat, but the average unit values of imports from Belgium declined from 70 cents a pound in 2014, to 62 cents a pound in 2016, to 60 cents a pound in the first quarter of 2017.

You ask the witnesses from Citrique Belge if they have any objection to the AUV data. Is there anything wrong with the data, why they shouldn't be relied upon? And they said no. They agreed that the AUV data were valid. And we agree. And we think that is a -- it is telling that the prices on imports from Belgium have declined so significantly during this period.

We didn't really hear a decumulation argument from the Belgian side. And counsel said that they would, of

course, put in an argument in their post conference brief. So there's not a lot to respond to there in terms of a cogent legal position, but there was an attempt made to, I guess, argue that the Belgian merchandise is different somehow. It's higher quality. It's not fungible. I think Mr. Cannistra made a comment that took that on, that it's -- that the Commission ought to be careful or take special care here in how it applies the fungibility aspect of the cumulation test.

And there is simply no evidence that we're aware of that Belgian quality is any different than what the domestic industry's produced and frankly, what imports from Thailand and Colombia produce and import into this market. This is a commodity product. It's highly interchangeable. The focus is on price. Quality is table stakes in this industry. If you don't have sufficient quality, you don't even get to bid on price. Once you've been accepted for bidding based on an assessment of your quality, everybody's the same at that point. And it's all about price.

And frankly, Citrique Belge and at several points, their testimony and we'll run through these in more detail in our post conference brief, but at several points in their testimony admitted that they compete with imports from Colombia and Thailand and the U.S. market. They compete with the U.S. against the U.S. producers. They

admitted that they're subject to the declining price environment in the U.S. I just took you through the AUV data. The data showed this.

They made a point about halal and kosher certification. All three domestic producers have halal and kosher certification. There's no difference there. They essentially admitted that they were not selling a non GMO product in this market, that they're trying to obtain the certification, but they haven't done it yet. And frankly, the extent to which they're trying, the investment that they're making and their focus no it belies the statement that they're not interested in this market. They're obviously interested in this market.

So the argument that their product is somehow different, and it's not fungible with the other subject imports and with domestic production is just not supported by the evidence. And we don't think there's going to be evidence that you collect in your questionnaire responses that supports that either. And you know, we've had ^^^^ the Commission's had since our interview two years ago, and original investigation before that, and the conclusions of the Commission, and taking close looks at this industry and this market, has always been that purchasers have found subject imports and domestic production to be highly interchangeable products. And fungible for purposes of

cumulation.

And I -- you know, I think in the sunset review, the JBL from Canada made a lot of the -- a lot of these types of quality arguments that the Commission investigated very closely and found no basis to support, based on robust questionnaire data.

We don't -- I haven't had a chance to look at the questionnaires yet in detail, but I suspect in a full investigation, you will develop a similarly robust record, showing that subject imports and domestic production are highly fungible, based on all the criteria that the Commission traditionally looks at.

And I -- just one more point on cumulation. In a threat situation, typically, the argument would be that there is some difference in the conditions of competition. And -- where the imports that are being argued to be decumulated or somehow operating differently in the market. They're not. They're not competing in the same way in the market.

And I think that the Citric Belge witnesses today confirmed that their imports are be ^^^^ are operating and are subject to the same conditions of competition in this market that the U.S. producers are subject to and that the other subject imports are subject to.

Finally, I -- the statement was made toward the

end of the presentation and the questioning that most purchasers need "at least three suppliers". Well, we've got three domestic producers. We have three domestic producers right now, but we may not for long if duties are not imposed on subject imports from Belgium, Colombia, and Thailand.

Thank you again for your attention and for your time today. We very much appreciate it.

MR. CORKRAN: Thank you very much.

MS. BELLAMY: Closing remarks on behalf of respondent Alexander H. Schaefer, Crowell & Moring, LLP.

CLOSING REMARKS OF ALEXANDER H. SCHAEFER

MR. SCHAEFER: Thank you, members of the staff. I'm going to be very quick. In my opening remarks, I expressed some puzzlement about why we, meaning Citric Belge, are here. And we've heard precious little in the way of explanation for why that is.

So Mr. Jones says that they're contributing to the injury that the domestic industry's experiencing as testified to by the domestic industry witnesses. Let's talk about what they testified to for a moment.

Mr. Aud talked about all three countries being major exporters. We know that's wrong. Citric Belge is selling 85 percent of its production in the EU. And of the remaining 15, only a portion is going to the United States. And it's a smaller portion than it was at the beginning of

the POI.

He then went on to mention their excess capacity. No. 91 percent is the number that Mr. De Backer shared. I think in his testimony he referred to that as functionally full capacity utilization. They don't have a stitch in excess capacity. Later on, we talked about the large available -- they talked about the large available capacity again. No such thing.

Mr. Peel mentioned that there was a surge in imports from Belgium after duties were imposed on imports from Canada and China. Well, for a start, those duties were imposed in 2009. So this is substantially outside the period of investigation.

But even if that weren't a problem, a few moments before that in his testimony, he said for a few years following those orders, the state of the domestic industry improved, that's 2009, for a few years following those orders. So either there's a surge that -- from Belgium that's causing problem in the years after the orders or there isn't. It can't be both.

So to recap, we have volumes that shrank. We have a company that's -- that testified to its focus on the European market. And every bit of data that you have on the record suggests that that is precisely what it's focused on. Its 2017 Q1 sales to the U.S. are down relative to its

2016 Q1 sales to the U.S. And those in turn were down relative to previous years. Imports declined.

And Mr. Jones has only had to answer to this on a cumulation basis. That is, okay, imports declined, but don't worry about it. The Thai and the Colombians, who are the real problems in this market, wash them out. If you muddle them all together, it'll work.

It's no kind of an answer and that's not actually what the statute compels. We're going to go through that more in our post conference submission. But in the meantime, I urge the Commission to consider the data and consider the roles of these participants in the marketplace. Thank you very much.

MR. CORKRAN: On behalf of the Commission and the staff, I'd like to thank the witnesses who came here today and the counsel who came here today for helping us gain a better understanding of the product and the conditions of competition in this industry and in this market.

Before concluding, please let me mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of post conference briefs is Wednesday, June 28th. If briefs contain business proprietary information, a public version is due on Thursday, June 29th. The Commission has

tentatively scheduled its vote in these investigations for Friday, July 14th and will report its determination to the Secretary of Commerce on Monday, July 17th. Commissioner's opinions will be issued on Monday, July 24th.

Thank you all for coming and this conference is now adjourned.

(Whereupon the meeting was adjourned at 1:31 p.m.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Citric Acid and Certain Citrate Salts from Belgium, Colombia, and Thailand

INVESTIGATION NOS.: 701-TA-581 and 731-TA-1374-1376

HEARING DATE: 6-23-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 6-23-17

SIGNED: Mark A. Jagan

Signature of the Contractor or the Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker identification and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceedings.

SIGNED: Duane Rice
Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

SIGNED: Gaynell Catherine
Court Reporter