

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
RIPE OLIVES FROM SPAIN

) Investigation Nos.:
) 701-TA-582 AND 731-TA-1377 (PRELIMINARY)

Pages: 1 - 205
Place: Washington, D.C.
Date: Wednesday, July 12, 2017



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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
RIPE OLIVES FROM SPAIN) 701-TA-582 AND 731-TA-1377
) (PRELIMINARY)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Wednesday, July 12, 2017

The meeting commenced pursuant to notice at 9:30
a.m., before the Investigative Staff of the United States
International Trade Commission, Michael Anderson, Director
of Investigations, presiding.

1 APPEARANCES:

2 Staff:

3 William Bishop, Supervisory Hearings and Information
4 Officer

5

6 Michael Anderson, Director of Investigations

7 Elizabeth Haines, Supervisory Investigator

8 Jordan Harriman, Investigator

9 Sabina Neumann, International Trade Analyst

10 Amelia Preece, Economist

11 David Goldfine, Attorney/Advisor

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1 Embassy Appearances

2 The Embassy of Spain

3 Washington, DC

4 Elisa Gracia Grande, Economic and Commercial Counselor
5 (Head of the Office)

6

7 Delegation of the European Commission

8 Washington, DC

9 Jesus Zorilla, Agricultural Counselor

10

11 Opening Remarks:

12 Petitioner (Carolyn Gleason, McDermott Will & Emery LLP)

13 Respondents (Mark Ludwikowski, Sandler, Travis & Rosenberg,
14 P.A.)

15

16 In Support of the Imposition of Antidumping and

17 Countervailing Duty Orders:

18 McDermott Will & Emery LLP

19 Washington, DC

20 on behalf of

21 Coalition for Fair Trade in Ripe Olives

22 Timothy Carter, Chief Executive Officer, Bell-Carter
23 Foods, Inc.

24 Felix Musco, President and Chief Executive Officer,

25 Musco Family Olive Company

1 Dennis Burreson, Vice President of Field Operations,
2 Musco Family Olive Company; and Independent Table Olive
3 Grower, Orland, CA

4 J. Scott Hamilton, Chief Financial Officer & Vice
5 President of Supply Chain, Musco Family Olive Company

6 Bill J. McFarland, Chairman Emeritus, California Olive
7 Association

8 Edward Garcia, Independent Table Olive Grower, Stockton,
9 CA

10 Michael Silveira, Independent Table Olive Grower,
11 Orland, CA

12 Vito DeLeonardis, Independent Table Olive Grower,
13 Visalia, CA

14 Jennifer Lutz, Economist, Economic Consulting Services,
15 LLC

16 Bruce Malashevich, President, Economic Consulting
17 Services, LLC

18 Carolyn Gleason, David Levine, Raymond Paretzky and Ben
19 Kostrzewa - Of Counsel

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1 In Opposition to the Imposition of Antidumping and
2 Countervailing Duty Orders:

3 Sandler, Travis & Rosenberg, P.A.

4 Miami, FL

5 on behalf of

6 Association of Food Industries, Inc.; Acorsa, USA;

7 Acme Food Sales; Atalanta Camerican; Gus Sclafani

8 Corp.; Jack Foods, LLC; Mario Camacho Foods;

9 Mitsui; Oesse Foods; Rema Foods; Ron-Son;

10 Schreiber Foods International; The Pastene Co.; Transmed;

11 and World Finer Foods

12 Joe DeNicholas, Vice President, Operations and

13 Logistics, Atlanta Corporation

14 Enrique Escudero, CO, Acorsa USA Inc.

15 Shawn Kaddoura, President and CEO, Mario Camacho Foods

16 Agnes Valkai, Vice President of Purchasing, Schreiber

17 Foods International, Inc.

18 Stephen Devine, Senior Purchasing Manager, Mitsui Foods,

19 Inc.

20 Kristen Smith and Mark Ludwikowski - Of Counsel

21

22

23

24

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1 Curtis, Mallet-Prevost, Colt & Mosle LLP

2 Washington, DC

3 on behalf of

4 ASEMESA; Industria Aceiyunera Marciense, S.A.,

5 DCOOP; S.COOP.AND.; Agro Sevilla Aceitunas,

6 SOC.COOP.AND.; Plasoliva, S.L.; GOYA en Espana,

7 S.U.A.; Aceitunas Guadalquivir, S.L.; Angel Camacho

8 Alimentacion, S.L.; Internacional Oliverera S.A.; F.J.

9 Sanchez Sucesores, S.A.U.; Acitunas Sevillanas S.A.

10 Douglas Palmer, Executive Vice President of Sales &

11 Business Development, Agro Sevilla USA, Inc.

12 Matthew P. McCullough and Christopher A. Dunn - Of

13 Counsel

14

15 Rebuttal/Closing Remarks:

16 Petitioner (David Levine and Raymond Paretzky, McDermott

17 Will & Emery LLP)

18 Respondents (Matthew P. McCullough, Curtis, Mallet-Prevost,

19 Colt & Mosle LLP)

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1 P R O C E E D I N G S

2 (9:31 a.m.)

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

4 MR. ANDERSON: Good morning and welcome to the
5 U.S. International Trade Commission's conference in
6 connection with the preliminary phase anti-Dumping and
7 countervailing duty investigation's number 701-TA-582 and
8 731-TA-1377 concerning Ripe Olives from Spain. My name is
9 Michael Anderson. I'm the director of the office of
10 Investigations. I'll preside at this proceeding.

11 Among those present from the Commission staff
12 are from my far left are supervising investigator Elizabeth
13 Haines, our investigator Jordan Harriman, and to my left,
14 our attorney adviser Mr. David Goldfine, and our economist
15 Amelia Preece, and our industry analyst Sabina Neumann.

16 I understand that all parties are aware of the
17 time allocations and I will remind all our speakers in your
18 remarks, please do not refer to any business proprietary
19 information. And for the benefit of our court reporter, if
20 you'll please state your name before you speak or answer any
21 questions.

22 And all witnesses must be sworn in before
23 presenting testimony. Any questions regarding the time
24 allocations should be addressed with the Secretary. Are
25 there any questions?

1 Mr. Secretary, are there any preliminary
2 matters?

3 MR. BISHOP: Yes, Mr. Chairman. I do have a few
4 preliminary matters. With your leave, we will add to the
5 witness list Edward Garcia and independent -- an independent
6 table olive grower from Stockton, California with the Jay
7 Garcia Olive Company. We will add J. Scott Hamilton, Chief
8 Financial Officer and Vice President of Supply Chain with
9 Musco Family Olive Company. And we will add Bill J.
10 McFarland, Chairman Emeritus with the California Olive
11 Association.

12 I would also like to remind the room that we
13 have votes this morning at 11 a.m. We will recess today's
14 conference at 10:45 to allow me some time for set up of the
15 votes and then we will hold a votes at 11 o'clock. And we
16 will resume the conference immediately following the votes.

17 Also, I would note that all witnesses for
18 today's conference have been sworn in with the exception of
19 Counselor Zorilla, who is here right now.

20 Counselor, counselor?

21 MR. ZORILLA: Very sorry.

22 MR. BISHOP: That's okay. I just need to swear
23 you in. Thank you so much.

24 I note that all witnesses for today's hearing
25 have been sworn in. I also remind everyone to please state

1 your name when you speak. The court reporter can't see the
2 entire table. If you hear me say your name, you don't need
3 to stop talking. I'm just letting you know who's talk --
4 who's speaking, because he can't see you. With that, I have
5 no other preliminary matters.

6 MR. ANDERSON: Okay, thank you, Mr. Secretary.
7 Thank you for the additions and the getting all the
8 witnesses sworn in.

9 So with that, welcome to our guest. And please
10 proceed with our embassy witnesses.

11 MR. BISHOP: Our first embassy witness is Elisa
12 Garcia Grande, economic and commercial counselor with the
13 Embassy of Spain.

14 STATEMENT OF ELISA GARCIA GRANDE

15 MS. GRANDE: Thank you very much. And good
16 morning, ladies and gentlemen. I'm the head of the economic
17 and commercial office of the Spanish Embassy here in
18 Washington.

19 The government of Spain would like to thank the
20 United States International Trade Commission for providing
21 us with the opportunity to present its views on the current
22 investigation into the alleged material damage caused by the
23 Spanish imports for ripe olives. And in particular, for
24 allowing us to take part of this public conference.

25 This is an important case for Spain, as it

1 involves one of the most prominent Spanish exports to the
2 United States. The Spanish ripe olives have long been
3 present in this market and as a result, are recognized as an
4 outstanding product.

5 The relationship between the United States and
6 Spain regarding ripe olives started over 20 years ago.
7 During these years, the Spanish companies have invested in
8 the United State and have been present in the country by
9 creating value and jobs.

10 The Spanish producer have established strong and
11 long lasting association with the U.S. importers and
12 retailers. They have always had a good working relationship
13 with their U.S. counterparts, including the American ripe
14 olive producers.

15 Thus, we were rather surprised when we received
16 the notification of the initiation of these procedure.
17 Although we will be sending detailed information throughout
18 all these process, we would like to take this opportunity to
19 address some elements of this investigation related to the
20 subsidies and the material injury aspects. We would like to
21 dispel all doubts regarding these matters at this early
22 stage.

23 The government of Spain would like to highlight
24 what we consider according to the World Trade Organization
25 Agreement on subsidies and countervailing measures, some

1 major consistencies in this present investigation.

2 As the European Commission would also remark in
3 their next intervention, it is undoubtable for us that the
4 subsidies identified by the petitioners are not
5 countervailable under the relevant WTO rules. Moreover, the
6 petition doesn't include a proper assessment of the pass
7 through element, which is a binding requirement according to
8 the WTO jurisprudence. Therefore, in our opinion, this
9 anti-subsidy investigation shouldn't be initiated.

10 We also understand that in order to make a
11 proper assessment of any potential material damage caused by
12 the Spanish ripe olives, a better clarification of the
13 definition of the product under the investigation is
14 imperative. Data from those imports need to focus
15 exclusively on ripe olives. However, the information
16 disclosed in the petition regarding imports, Exhibit I-6,
17 includes other types of table olives.

18 Therefore, the government of Spain requests to
19 the ITC to clarify the product scope and to refine the
20 import data to be used during the investigation.

21 Furthermore, as the European Commission will
22 mention, we do not agree with the broad definition of the
23 domestic industry included in the petitioner allegation.
24 From our perspective and in accordance with the common
25 practice of WTO members, the concept of domestic industry

1 should be limited to the producers of the product under
2 investigation. In our understanding, only ripe olives
3 producers must be taken into account and not growers of raw
4 table olives, as it has been requested by the petitioners.

5 It is clear that U.S. growers of raw olives do
6 not process or pack ripe olives. And thus, they must be
7 excluded from the domestic industry definition for the
8 purpose of this injury analysis.

9 We strongly encourage the ITC to extend the
10 investigation to factors that affect the U.S. domestic
11 market other than Spanish imports and its hypothetical
12 damage cost to U.S. industry.

13 As it is broadly known, Spain is the main
14 producer and exporter of ripe olives worldwide. Spanish
15 companies have introduced technological solutions in their
16 production process, making their product more competitive
17 and of a very high quality. These improvements are shown by
18 the demand on these product and the evolution of the exports
19 all over the world.

20 In our opinion, of the upgrades mentioned give
21 significant advantages to the Spanish ripe olives producers,
22 all of which has nothing to do with the subsidies and
23 dumping practices alleged by the petitioners. We strongly
24 support the European Commission position and statement
25 regarding all these issues.

1 To conclude, we hope that all these observation
2 will be taken into account by the ITC during the
3 investigation. We are also confident that the proper
4 assessment of all these elements will lead to a negative
5 finding on the injury and causal link, concluding this
6 investigation without any enforcement measures. Thank you.

7 MR. BISHOP: Our next witness is Jesus Zorilla,
8 agricultural counselor with the delegation of the European
9 Commission

10 STATEMENT OF JESUS ZORILLA

11 MR. ZORILLA: Thank you very much. The
12 European Commission would like to thank the ITC for the
13 opportunity to submit comments in order to address the issue
14 of material injury with the U.S. domestic industry of ripe
15 olives allegedly suffered as a result of imports of
16 subsidized ripe olives.

17 We would like to recall that according to
18 Article 2 of the WTO Agreement on subsidies and
19 countervailing measures, any application of -- for
20 investigation shall include sufficient evidence of subsidy,
21 of injury, and of causal link between the subsidized imports
22 and the alleged injury.

23 Let me focus first on the subsidies targeted by
24 the petition. I would like to inform you that we submitted
25 comments on the alleged subsidies to the Department of

1 Commerce on the 10th of July, this Monday with the following
2 arguments.

3 First, some of the subsidies included in the
4 petition were discontinued long time ago. Second, some
5 other subsidies included in the petition were never granted.
6 Third, other subsidies included in the petitions have no or
7 at most minimal trade distorting effects on production
8 pursuant to the relevant provisions of the WTO Agreement on
9 agriculture.

10 In addition, the subsidies are nonspecific
11 according to the agreement on subsidies. I would like to
12 recall that the U.S. has not contested that nondistorting
13 character of these subsidies in the WTO Monitoring
14 Committee.

15 But in addition, the nonspecific subsidies have
16 been granted to Spanish farmers and not to Spanish producers
17 and/or exporters of ripe olives. Petitioners have not
18 provided evidence that the subsidies granted to Spanish
19 farmers were passed through the processors and then to the
20 producers of ripe olives and then exported to the U.S.

21 Let me now focus on injury with two comments.
22 First, the petitioners claim that significant imports of
23 ripe olives caused the injury to the U.S. domestic industry.
24 This accusation is based on the import data disclosed in the
25 Exhibits 16. These data are not appropriate for the purpose

1 of injury analysis, since they are based on codes which do
2 not correspond to ripe olives, but closer to other types of
3 table olives. Consequently, the allegations that the
4 imports of ripe olives caused the injury is not properly
5 substantiated.

6 Second, concerning the definition of domestic
7 industry as at -- as set by Spain previously, the
8 petitioners argue that the single domestic industry should
9 be composed of both the growers and the producers of ripe
10 olives. The European Commission does not agree with such a
11 broad definition. The domestic industry should be defined
12 through the prism of the merchandise which is subject to
13 the petition, which refers to ripe olives.

14 In addition, it is clear that ripe olives and
15 raw olives are completely different products. Ripe olives
16 are processed and packaged agriculture product; while raw
17 olives are grown and harvested by farmers and neither
18 processed nor packaged.

19 There is even an intermediate product also
20 imported into the U.S. and further processed by the U.S.
21 industry, which is neither covered by the petition. A view
22 of these arguments that U.S. domestic industry definition
23 should be therefore limited to the ripe olives, the
24 producers of ripe olives.

25 To conclude, the petitioners have failed to show

1 that there is a causal link between the alleged subsidies
2 import -- subsidized imports of ripe olives and the alleged
3 injury which was caused to the U.S. industry for the
4 following reasons, to summarize.

5 The alleged subsidies, some of which do not
6 exist, are not countervailable. The petitioner's accusation
7 that the imports of ripe olives caused injury is not
8 substantiated. And third, the petitioners failed to provide
9 proof that the subsidies granted to Spanish olive growers
10 were passed through to the Spanish processors and then to
11 the Spanish producers of olives, which were subsequently
12 imported into the U.S. Thank you.

13 MR. BISHOP: Mr. Chairman, that concludes
14 testimony from our Embassy witnesses.

15 MR. ANDERSON: Thank you, I just want to thank
16 you for being here and taking time out of your schedule and
17 sharing this information with us. That's very helpful for
18 our record. So thank you very much.

19 We would now like to proceed to, Mr. Secretary,
20 opening remarks?

21 MR. BISHOP: Opening remarks on behalf of
22 petitioner will be given by Carolyn Gleason of McDermott
23 Will & Emery.

24 Ms. Gleason, you have five minutes.

25 OPENING STATEMENT OF CAROLYN GLEASON

1 MS. GLEASON: Good morning to all. I'm Carolyn
2 Gleason of McDermott Will & Emery, counsel to the Coalition
3 for Fair Trade in Ripe Olives. The petitioner is seeking
4 relief against dumped and subsidized imports of ripe olives
5 from Spain.

6 You'll hear today from the CEOs of the
7 industry's two remaining processors, Bell-Carter Foods and
8 the Musco Family Olive Company and from several growers on
9 behalf of the industry's 890 ripe olives growers. The
10 processors and growers have travelled from across the
11 country to explain why relief is so necessary to save their
12 shared industry.

13 You'll hear some of them explain how over a
14 century ago, their great grandparents helped invent the ripe
15 olive, a product that continues to be known to this day as
16 the "California style olive" and how since then their
17 families across good years and bad built the preeminent U.S.
18 ripe olive market through perseverance and commitment to the
19 industry they created.

20 You'll hear them explain how the production and
21 economic viability of U.S. ripe olives rests on a single
22 indivisible industry of growers and processors. The growers
23 who have acreage exclusively dedicated to ripe olives send
24 nearly all their ripe olives to production of finished ripe
25 olives. Their product is not ingestible without processing.

1 The U.S. processors whose operations are also exclusively
2 dedicated to producing ripe olives can't maintain those
3 operations without a strong California ripe product -- raw
4 product supply. This upstream and downstream dependency
5 that binds the growers and processors is further reflected
6 in the industry price bargaining process, where growers and
7 processors are mutually impacted by U.S. market conditions.

8 It's seen too in the ripe olive federal
9 marketing order, which creates mandatory standards at both
10 the raw and processed levels. That marketing order, which
11 the law requires be administered by equal numbers of growers
12 and processors, is premised on the reality that to succeed,
13 the industry must rely on a cohesive quality-oriented line
14 of production from grower to processor.

15 Growers and processors are similarly joined
16 under the California Olive Association, formed to provide
17 government advocacy on behalf of the single collective
18 industry. The growers and processors staunchly support this
19 action precisely because their economic futures are so
20 mutually entwined and so mutually at risk from Spanish ripe
21 olives.

22 It is no exaggeration to say that Spanish ripe
23 olives have brought the growers and processors of this
24 industry to their breaking point. Ripe olives from Spain
25 have been saturating the U.S. food service market for years

1 through unfair pricing and are continuing today through
2 those same means to relegate the U.S. industry to a small
3 portion of that segment.

4 But they're now also aggressively seizing large
5 portions of the U.S. retail segment with unmatched prices
6 that are impossible to explain. We'll elaborate today on
7 the growing volume and price effects of those imports. But
8 suffice it to say, they have been underselling U.S.
9 production by breathtaking differentials over the relevant
10 period and are now using those same unfair practices,
11 inducing one major U.S. customer after another from Walmart
12 to Kroger to others to shift private label sourcing from
13 domestic to Spanish supply.

14 With virtually no place to turn, U.S. processors
15 are struggling to maintain their operations and have lost
16 all latitude to invest in the future. A great many growers
17 are facing mounting losses and are being forced to take
18 acreage out of production. This economic fallout and
19 inevitability of future harm have shaken the U.S. industry
20 to its core.

21 In the meantime, the EU and Spanish government
22 continue year after year to provide the Spanish ripe olive
23 industry with lavish amounts of subsidy assistance, so their
24 otherwise uneconomic growers and processors can stay in
25 business and continue expanding their U.S. sales at the

1 expense of the U.S. industry.

2 As you know from the Commission's prior research
3 into ripe olives, the U.S. ripe olive industry is a small
4 sector of American agriculture. It can't possibly compete
5 against EU and Spanish government treasuries and against
6 Spanish shipments dedicated to seizing a fast growing list
7 of our most important U.S. customers at increasingly
8 egregious prices.

9 Mr. Anderson, Commission team, the California
10 industry is at a tipping point. It is fighting for the
11 chance to keep this U.S. created industry alive. Thousands
12 of U.S. jobs and so much more at stake if these unfair
13 practices cannot be redressed. Our industry delegation has
14 come here today to urge the Commission in person to help
15 institute that relief and give this industry the chance it
16 needs to carry on. We thank you for this opportunity.

17 MR. BISHOP: Opening remarks on behalf of
18 respondents will be given by Mark Ludwikowski of Sandler,
19 Travis & Rosenberg. Mr. Ludwikowski, you have five minutes.

20 OPENING STATEMENT OF MARK LUDWIKOWSKI

21 MR. LUDWIKOWSKI: Thank you and good morning.
22 My name is Mark Ludwikowski and I'm from Sandler Travis and
23 Rosenberg. And I'm representing this morning -- I'm here
24 appearing with my colleague this morning Kristen Smith,
25 who's also from Sandler Travis, and Matt McCullough from

1 Curtis-Mallet, and Youssi Katiti from Uno International
2 Trade Strategy.

3 We are appearing on behalf of the U.S. importers
4 and Spanish exporters in this investigation. The
5 petitioner's burden in this case is to demonstrate that
6 there is reasonable indication that the domestic industry is
7 currently being injured or threatened with injury by reason
8 of subject imports.

9 The testimony that we and our clients will
10 present this afternoon will vigorously refute petitioner's
11 claims. The suppliers of olives, the people in this room
12 who cultivate olives, buy them, evaluate them, and market
13 them to meet their customers' needs will contradict
14 petitioner's claims. We will demonstrate that imports of
15 olives from Spain have virtually no relationship on the
16 condition of the U.S. industry.

17 The condition of the domestic industry is
18 entirely a function of the availability of supply and
19 consumer demands. That availability of supply is determined
20 primarily by the size of the domestic crop. Like most
21 crops, the olive harvest is at the mercy of weather
22 patterns, temperature, rain, as well as pollen and other
23 natural elements. Over the period of investigation, indeed
24 over the past 10 years, California's so unusual and
25 significant fluctuation in its olive crop yields, especially

1 shortfall seasons and '06, '07, and again '08, '09, '09,
2 '10, '11, '12, '12 and '13, and '13 and '14.

3 Those yields were either low for continued
4 periods or they gapped down between years. Moreover, yields
5 in domestic acreage available for olives have also been
6 pressured by cultivation of other crops, which the growers
7 may find more attractive depending on the season.

8 At the same time, the demand for olives overall
9 has continued to grow as customers have embraced the health
10 benefits of the Mediterranean diet, for example. We ask the
11 Commission to consider how is the U.S. retailer or
12 supermarket chain expected to consistently supply its
13 customers with such shortages and gaps in the California
14 crop yields?

15 These customers are not buying olives based on
16 average crop yields. They are buying olives based on actual
17 yields and availability each year and every year. They also
18 demand sustainable production and consistency in the quality
19 of their olives. Customers order olives based on the size
20 of the olive and if that specification is not met, it
21 becomes a quality issue.

22 To that end, the Commission will hear how
23 customers require consistent and dependable supply of high
24 quality olives which California alone simply cannot provide.
25 The data also shows that the acreage for olive growers

1 overall in California has been repurposed, particularly as
2 demand for olive oil has grown.

3 Indeed, California olives crushed for olive oil
4 have now surpassed those that are canned. The trend in the
5 industry has little to do with imports of ripe olives from
6 Spain. The imports have not displaced domestic production,
7 which is directly dependent on availability over all olives
8 and simply could not be the cause of any problems the
9 domestic industry is or has been experiencing.

10 Indeed, imports are needed to supplement the
11 growing demand for olives in this country. You will hear
12 from petitioners that they have unused capacity for which
13 imports are responsible. However, imports are virtually no
14 correlation with petitioner's unused capacity. Petitioner's
15 capacity is dependent on availability over olives for
16 processing and canning. Petitioners could not possibly fill
17 that capacity with California grown olives, which is why
18 they have left an exclusion in the scope for raw material.

19 Ironically to expand that canning capacity,
20 petitioners need to also import raw olives. So we the
21 Commission to consider how does that serve domestic olive
22 growers? Is this case truly about protecting the American
23 growers as the petition claims? Also, what is the position
24 of the 890 or so domestic olives growers with regard to this
25 petition? Indeed, the record so far shows an extremely

1 limited response to the Commissioner's questionnaires by
2 those growers.

3 The Spanish olive farmer is not the problem in
4 this case. As the Commission will learn, several other
5 factors impact the condition of the domestic industry. The
6 Commission will hear about an important logistical shift in
7 the industry where major U.S. retailers have realized they
8 can achieve significant savings by removing the
9 intermediaries in their supply chain and sourcing directly
10 from Spain themselves.

11 Price is only a factor insofar as the cost of
12 intermediaries are eliminated by direct sourcing and it is
13 it cheaper for the retailers to ship a container of olives
14 to the East Coast from Spain than it is from California.
15 And as mentioned, Spain provides retailers the stability and
16 availability of supply above and beyond the limited and
17 fluctuating supply of olives from California.

18 The price of olives themselves has little impact
19 on these decisions. Prices of olives are almost entirely
20 dependent on the size of the annual crop and the cumulated
21 inventories. However, currency exchange rates has had an
22 impact on the prices of olives in this case. As the
23 Commission is probably aware, the Euro has collapsed against
24 the dollar in recent years and has been slow to recover.

25 The exchange rate was approximately in the mid

1 \$1.30 per Euro range in 2013 and high \$1.30 range in 2014.
2 In 2015, rates dropped and stayed low near the \$1.10 per
3 Euro range. Thus, currency conversions markedly reflected
4 in the fluctuation of the price of imported olives, which
5 the Commission should also take into consideration.

6 And finally, imports of olives from Spain do not
7 threaten the domestic industry. The supply of Spanish olive
8 varieties that are used in the production of ripe olives has
9 been constrained by the rising demand of olive oil, which
10 uses the same variety of olives in its production.

11 Also, as will be discussed going forward, the
12 total capacity of olive production in Spain is under
13 pressure by the emergence of Xylella bacterium in southern
14 Europe and olive tree disease, which could realistically
15 decimate a considerable portion of the olive bearing trees
16 in Spain. The statements of the suppliers that are present
17 before the Commission today provide the most credible
18 evidence of the state of this market and the nature of
19 competition. Accordingly, their testimony and written
20 responses will show that there's no reasonable indication of
21 material injury or threat of material injury to the domestic
22 industry. Thank you.

23 MR. BISHOP: Would the panel in support of the
24 imposition of antidumping and countervailing duty orders
25 please come forward and be seated.

1 (Pause.)

2 I would remind the panel to please state your
3 name for the record when you speak so that the Court
4 Reporter knows who to attribute that information to. And I
5 also remind you that you gave 60 minutes for your direct
6 testimony.

7 MR. ANDERSON: Good morning to our panel and thank
8 you all for coming here, especially those who came from out
9 of town from the West Coast. We appreciate you taking time
10 away from your businesses to be here with us today. We look
11 forward to your testimony.

12 And I'll turn it over to Ms. Gleason.

13 MS. GLEASON: Good morning, again, Mr. Anderson,
14 Commission team, I am Carolyn Gleason, counsel for the
15 Coalition for Fair Trade in Ripe Olives.

16 Petitioners' panel will be presenting in the
17 following order this morning. Tim Carter will testify first
18 in his capacity as CEO of Bell-Carter Foods. Felix Musco,
19 CEO of the Musco Family Olive Company will follow. Dennis
20 Burreson will be third. He is both Vice President of Field
21 Operations for Musco and an independent olive grower.

22 Next to testify will be Mike Silveira and Vito
23 DeLeonardis, both independent growers. Jennifer Lutz of
24 Economic Consulting Services will then speak, and my
25 colleague, David Levine, will provide a short conclusion at

1 the end of the hour.

2 With that, I give you Mr. Carter.

3 STATEMENT OF TIMOTHY CARTER

4 MR. CARTER: Good morning, Mr. Anderson. Thank
5 you to you and the Commission team for the opportunity to
6 speak directly about our case. I am Tim Carter, Chief
7 Executive Officer of Bell-Carter Foods, a family-owned
8 California company started by my Great Grandfather in 1912.
9 As a fourth generation olive producer, I take great pride in
10 the rich history of our company, our top-quality olives,
11 generations of workers and their families, and the
12 communities we have helped sustain for my entire life and
13 the generations before me.

14 As we indicated in our Petition, the process for
15 making ripe olives was developed in California over 100
16 years ago. I am proud to say that our family and
17 Bell-Carter have played a prominent role in establishing and
18 developing the U.S. market for ripe olives.

19 In fact, because of the role California has
20 played in creating ripe olives, ripe olives are known
21 everywhere as California-style olives, even by our Spanish
22 competitors, even as they use unfair practices to seize the
23 market we created.

24 Further, my Great Grandfather, Arthur Bell, was
25 on the team at the University of California that developed

1 the first mechanized pitter chopper. That technology was
2 the beginning of development of a highly specialized piece
3 of equipment for the entire table olive industry.

4 The U.S. table olive market and specifically for
5 ripe olives grew substantially from its origins in the early
6 1900s. Not so long ago, with the growth in U.S. consumer
7 demand for healthy natural snacks and the perfect pizza and
8 salad topping, the U.S. ripe olive market supported over
9 1,100 table olive growers farming nearly 40,000 acres in
10 California, and some 20 processors.

11 Today we have fewer than 900 table olive growers
12 with trees on only about 18,000 acres, and my company and
13 the Musco Family Olive Company are the only two commercial
14 volume ripe olive processors left--from 40,000 acres to
15 18,000 acres due to low-priced Spanish imports when it
16 should have gone up to 50,000 acres.

17 While we continue to make the best ripe olives on
18 earth and consumer demand is stable, we simply cannot
19 compete with the ever-increasing volumes of Spanish ripe
20 olive imports that have targeted our customers in all
21 segments of the U.S. market with lower and lower unfair
22 pricing.

23 We are here today because the processors and
24 growers in our industry have come to the shared, painful
25 conclusion that, absent relief from the current flood of

1 unfairly low-priced olives from Spain, this sector we
2 invented and built will not survive for much longer.

3 Basic economics explain our dilemma. We have
4 done our best to keep prices for our olives at high enough
5 levels to cover costs, including the costs of raw olives so
6 our growers can stay in business. But at those prices, we
7 are being significantly undercut by ripe olives from Spain
8 and are losing customers to those lower-priced imports.

9 If we lower our prices to try to keep our
10 customers from switching to cheap imports from Spain, we
11 must also lower the prices we pay our growers for raw
12 olives, and they will not be able to make ends meet. And we
13 processors will feel the pressure, as well.

14 In short, we are in a lose/lose situation that
15 can't go on for much longer.

16 I know the Commission staff has already had a
17 crash course on olives, but allow me to spend a few minutes
18 talking about two of my favorite topics: my company and the
19 product we make, ripe olives.

20 Over the more than 100 years that Bell-Carter has
21 been processing olives, while our processing techniques have
22 evolved, the basic steps from orchard to market remain
23 essentially the same as when my Great Grandfather started
24 making ripe olives.

25 As you probably know by now, olives picked ripe

1 from the trees are not edible without further processing.
2 The growers pick their olives by hand. We buy them, ship
3 them to our plant, cure, and can them. The curing process
4 uses different solution baths, oxidation, and quality
5 assurance checks that give our olive their smooth texture,
6 remove the bitterness, darken their color, and bring out
7 their natural mild taste and essential character.

8 The growers and processors in our industry are
9 mutually dependent. The processors depend on the growers to
10 supply the raw olives, and the growers depend on the
11 processors to buy the raw olives, for which there is no
12 other viable end use, and make them ready for consumption.

13 Our olive varieties, primarily Manzanillo and
14 Sevillano, are dedicated to producing ripe olives. Dennis
15 Burreson, Vito DeLeonardis, Edward Garcia, and Mike Silveira
16 will shortly explain the procedures by which the processors
17 enter into bargaining arrangements with the growers.

18 While that process has historically allowed
19 growers and processors to operate profitably, the prices we
20 processors are able to pay for raw olives, the primary cost
21 driver for production, is limited ultimately by the prices
22 we are able to obtain for our finished products in the
23 marketplace.

24 In this and other ways we and the growers are
25 inseparably tied. For all of us, the market for ripe olives

1 dictates our revenues, profits, losses, and collective
2 ability to stay in business.

3 MR. BISHOP: Could you move your mike a little
4 closer, please?

5 MR. CARTER: Our products, ripe olives, are a
6 unique type of olive known for their typically black or
7 near-black color, mild flavor, and tender but firm texture.
8 Ripe olives are known throughout the industry and among
9 customers and consumers as distinct from other types of
10 olives, such as Calamara, Spanish Style, Sicilian Style, or
11 Greek, and other specialty types of olives. Unlike ripe
12 olives, specialty olives, have varied colors, different
13 consistencies, and higher levels of saltiness. They are
14 often soaked in oil--olive types you might find in a gourmet
15 grocery store or a olive bar.

16 Ripe olives, on the other hand, are typically
17 packed in cans of various sizes but are sometimes also
18 packed in glass jars, plastic containers, or pouches. The
19 market for ripe olives is also distinct from the market for
20 other olive products, including for olive oil. U.S. ripe
21 olive producers use none of the oil olive varieties.

22 The ripe olive industry sells into two broad
23 market segments: the Institution of Food Service segment,
24 and the retail market segment. The latter is further
25 subdivided into branded retail sales and private-label

1 retail sales. Private-label refers to store name brands
2 that a typical grocery store will sell with its specific
3 label. "Branded" refers to one of the three or four labels
4 that distinguish a particular producer. Our Lindsey Brand
5 is among the most well-known of the branded ripe olive
6 products.

7 The United States is by far the largest market
8 for ripe olives. We sell nearly all of our production here
9 and have only minor opportunities for export sales due to
10 the low prices of competing ripe olives.

11 The industry first felt the adverse impact of
12 cheap imports of Spanish ripe olives in the institutional or
13 food service segment of the U.S. market. The institutional
14 segment includes restaurants, commercial producers of food
15 products like frozen pizzas, and institutions like schools.

16 Although the U.S. industry built those outlets,
17 the Spanish industry has been selling into them at prices we
18 simply have not been able to match.

19 Over the past two decades, Spanish ripe olives
20 have progressively gained a foothold, and then a dominant
21 share of this segment. Although overall U.S. market demand
22 for ripe olives has remained stable and even increased, our
23 sales volume and value to this segment is nowhere near what
24 it once was, all because our sales have been supplanted by
25 cheap imports of ripe olives from Spain.

1 We have lost all but about 20 percent of this
2 market. Now we are seeing the same thing happening in the
3 U.S. retail market segment. Over the past few years we have
4 lost a number of long-standing, crucially important retail
5 customers because they are opting for cheap Spanish product.

6 Once a customer flips from domestic ripe olives
7 to low-priced Spanish imports, it will be difficult to get
8 these customers back in the absence of relief. Even where
9 we have managed to hold onto our customers, that business
10 has increasingly been at risk because Spain's ever-declining
11 prices and growing volumes have infected the entire market.

12 While we have been able for the most part to
13 continue selling our premium brand of products, we know that
14 the walls are closing there as well. As import volumes from
15 Spain climb and downward price pressure continues to
16 increase, simple principles of supply and demand make clear
17 that in short order we will not be able to keep our prices
18 high enough to pay growers what they need to continue
19 operating to cover the costs needed to sustain our
20 business.

21 Because our margins are so compressed from unfair
22 competition, we are struggling to generate enough revenue to
23 sustain us in the short term, much less invest in the
24 future. Critical investments have had to be curtailed.
25 Domestic expansion projects are out of the question.

1 Mr. Anderson and Commission staff, this U.S.
2 industry has prospered for generations through innovation,
3 hard work, quality products, and steadfast commitment to our
4 customers. While that same approach should be enough to
5 carry us forward to a bright future, it has proven to be no
6 match against unfairly priced, hugely subsidized competition
7 from Spain.

8 We are losing the fight and critically need the
9 remedies promised under our antidumping and countervailing
10 duty laws to stay in business.

11 I thank you for your efforts on our industry's
12 behalf and will be happy to answer questions during the Q&A
13 session.

14 STATEMENT OF FELIX MUSCO

15 MR. MUSCO: Good morning everyone, and thank you
16 for the chance to add my comments to those Tim Carter just
17 presented. I am Felix Musco, President and CEO of Musco
18 Family Olive Company.

19 Like Tim, I cannot be more proud of my family's
20 heritage and the generations of hard work and commitment
21 that have gone into founding and building our family-owned
22 olive business. And, like Tim and our 890 California
23 growers, it saddens me greatly that we have reached such
24 crossroads where, in the absence of decisive U.S.
25 Government relief, we will be the last of several

1 generations to keep this industry in business.

2 My grandfather from Italy made his way to
3 California in the 1930s and founded our family olive
4 business in Orland, California, in 1942. In the early
5 1980s, we had outgrown our processing plant and under my
6 father's leadership we decided to build a state-of-the-art
7 ripe olive processing facility in Tracy, California, which
8 is located just east of the San Francisco Bay Area.

9 I joined the company full-time in 1986, spending
10 my time in the institutional channel of the industry which
11 had remained our company's focus. Due to the increasing
12 price pressures of Spanish ripe olive imports in the
13 institutional marketplace, we then invested in additional
14 processing and production equipment needed to enter the
15 retail olive channels.

16 Our business is now based out of Tracy with raw
17 olives receiving facilities and specialty olive operations
18 in Orland, and also raw olive receiving in Lindsey,
19 California.

20 These facilities are located in the Northern
21 Central Valley in the same farming communities where many of
22 our raw olive suppliers live and operate their olive
23 orchards.

24 Together with our employees, the growers that
25 supply us and our business partners in our communities, we

1 continue to operate as a large extended family.

2 Today our business is nearly all retail, and we
3 are proud to offer consumers two of the leading olive brands
4 in the marketplace under both the Early California and
5 Pearls Brands. Like Bell-Carter, our business is the
6 processing and selling of ripe olives.

7 Ripe olives represent more than 95 percent of our
8 company's production. Make no mistake. My company's future
9 rises and falls on ripe olives. Like Bell-Carter and the
10 Spanish producers, we pack our ripe olives in a variety of
11 can sizes, whole, sliced, and chopped.

12 We do not make or sell olive oil. As far as I
13 know, virtually all of our olive growers who supply us with
14 raw olives grow only table olive varieties. Different
15 farmers grow the olive varieties needed for olive oil
16 production. In California, ripe olives are very much a
17 distinct industry.

18 Our company and industry have several natural
19 advantages. Importantly, we are the birthplace and
20 long-standing home of the California-style ripe olives at
21 issue in this proceeding. We have the know-how, long
22 reputation, quality, and proximity to the all-important U.S.
23 market to continue building revenues and jobs for this truly
24 American industry.

25 What we do not have, however, is the capacity to

1 withstand the increasingly unfair import prices from Spain,
2 and the exorbitant government benefits that prop up that
3 industry year after year.

4 Every dimension of our industry is now feeling
5 the consequences of those cheap subsidized imports from
6 Spain. At the raw product level, for example, we are
7 struggling to pay our growers enough to cover their farming
8 costs and support their families.

9 We know that our friends and suppliers in the
10 olive growing community, many of whom have been in the
11 industry for multiple generations are exiting the sector or
12 are barely making ends meet with their olive orchards.

13 If this trend continues unchecked, we will no
14 longer have a U.S. source of supply for ripe olives.
15 Already with the U.S. table olive acreage declining quickly,
16 Musco has had to supplement its supply with a measure of raw
17 olives from overseas. To provide some perspective, if there
18 were no unfair imports of Spanish ripe olives, our
19 California acreage would be about 52,000 acres, or more
20 than three times what it is today.

21 Raw olives are by far the single largest input
22 cost for ripe olives, and foreign-sourced olives
23 significantly add to our costs and supply chain
24 uncertainties. The processors will not be able to maintain
25 a viable U.S. ripe olive processing business if we come to

1 the point where we depend heavily or solely on
2 foreign-sourced raw olives for our supply.

3 And this says nothing of the devastating losses
4 we are certain to see among our California olive suppliers,
5 their families, and surrounding communities if our U.S. raw
6 product supply disappears.

7 I cannot stress enough the dependence between the
8 growers and processors in our industry. As Tim noted, as
9 processors of ripe olives we depend on the growers to supply
10 raw olives, and the growers in turn depend on the processors
11 to buy their olives. There is no alternative market or end
12 use for the raw olives.

13 Musco and Bell participate in the industry
14 bargaining process with the California Olive Growers Council
15 to set the industry price. That process has traditionally
16 been fair and aimed at maximizing returns for all involved.

17 But our mutual break-end points depend on the
18 prices we can obtain for our finished products in the
19 marketplace. Given the downward impact on all segments of
20 the U.S. ripe olive market being caused by cheap, subsidized
21 imports, no bargaining arrangement in the world will be
22 effective enough to allow any of us to make the money we
23 need to remain viable if this is allowed to continue.

24 We are seeing equally significant disruption
25 within our sales operations where the low prices being

1 offered by Spanish suppliers have already cost us some of
2 our longest-standing customer relationships and other
3 revenue losses.

4 I won't go into the details here in the public
5 conference, but I direct your attention to the APO version
6 of our Petition and our questionnaire response. You will
7 see that beyond our loss share in the food service market
8 segment over the past years we have recently been losing
9 vital retail customers to cheap imports from Spain.

10 Even when we have managed to hold onto our
11 customers, we been forced to lower prices to compete, often
12 resulting in losses for our company. The pricing pressure
13 from Spanish imports is only getting worse. This growing
14 price squeeze has also curtailed our ability to invest in
15 our future.

16 If we at Musco are unable to maintain our
17 historical approach to keeping our facilities in top
18 condition and innovating new market concepts, this only
19 further erodes our place in the market.

20 In short, while this industry has been built on
21 self-reliance, innovation, unrelenting hard work, and sense
22 of fairness, the Spanish industry is not playing by that
23 same set of rules. It is supporting itself and expanding
24 its U.S. market presence at our expense, solely with the
25 help of vast government resources and unfair pricing.

1 The California ripe olive sector is just too
2 small to fight back on its own. Our trade rights need to be
3 enforced. Only the U.S. Government can do this. It would
4 be a grave disappointment to the many generations that built
5 our industry, our businesses, workers, growers, families,
6 and communities if the unfair trade causing this harm is not
7 remedied as our law allows.

8 I thank you for your attention in this matter,
9 and look forward to any further questions. Thank you, very
10 much.

11 STATEMENT OF DENNIS BURRESON

12 MR. BURRESON: Good morning everyone. I'm
13 Dennis Burreson. On behalf of the ripe olive industry,
14 including all 890 industry growers, we thank you for your
15 hard work on this important investigation. I understand
16 this is a very busy time for the Commission. We appreciate
17 very much the attention and energy you are giving to our
18 case. As you have heard, this case is critical, absolutely
19 critical to our industry.

20 I work with Musco Family Olive Company,
21 currently as the vice president of Field Operations. But
22 I'm also an independent long-standing olive grower. I guess
23 you could say I'm a hybrid, working for a ripe olive
24 processing company and also running a large farming
25 operations. My sons are now running much of our family

1 farming business.

2 I began working in the olive industry about 40
3 years ago, when I joined Musco after leaving jobs I held
4 with Oscar Meyer and Claussen Pickle. I've held so many
5 positions and titles with Musco that I'm not sure I remember
6 them all. But they've included CFO, Director of HR, VP of
7 Ops, VP of Field Ops and several others.

8 Upon completion of four years of military
9 service in the United States Air Force, I obtained my degree
10 in Finance and Accounting from the University of Wisconsin.
11 I just recently celebrated my 70th birthday, and I've been
12 farming olives for over half my life. During my tenure at
13 Musco, I also started a pickle company. My mentor was Ed
14 Claussen himself, and I sold that company about five years
15 ago.

16 Today my family and I farm over 1,300 acres in
17 California, of which more than 400 of those acres are table
18 olives. I believe we're one of the top five growers in the
19 state. In addition to olives, we farm about 300 acres of
20 walnuts, 400 acres of almonds, 100 acres of prunes and 100
21 acres of blueberries. I am the vice chairman of the
22 California Olive Committee, and I chair its Research
23 Committee.

24 The federal marketing order for ripe olives
25 and the California Olive Committee were established in 1965

1 under U.S. law to implement marketing standards for ripe
2 olives. Because product quality and the economic success of
3 our growers and processors are inextricably linked, the
4 marketing order has always applied to growers and processors
5 alike, and is administered locally by growers and processors
6 as well under the California Olive Committee.

7 I'm also the chair of the International Trade
8 Committee. That's our very own International Trade
9 Committee. It's a separate organization called the
10 California Olive Association, which is the government
11 advocacy arm of the industry. Like the California Olive
12 Committee, the California Olive Association's members
13 include the processors and growers. On behalf of the
14 California Olive Association, I have had the pleasure of
15 visiting Washington, D.C. a number of times to meet with our
16 members of Congress, and on two occasions I've testified
17 before this Commission.

18 I am also an active participant on behalf of
19 Musco in our bargaining process with the California Olive
20 Growers Council, which I will discuss further in a moment.
21 I am here today in my dual role as part of the Musco Company
22 and as an olive grower. Having the experience of both
23 roles, I can confirm firsthand the economic ties that link
24 our growers and processors into a single ripe olive
25 industry. Without one or the other, there is no U.S. ripe

1 olive industry.

2 I can equally confirm from my dual vantage
3 point that no one in our industry, growers or processors, is
4 escaping the punishing consequences of cheap, subsidized
5 imports from Spain. As the processors have described, they
6 are losing retail customers and revenues. Our growers,
7 however, have been the true bellwether of harm.

8 They have been forced by our Spanish
9 competitors in recent years to pull olive trees, plant
10 alternative crops, sell acreage or exit the industry
11 altogether. As one of the largest and most efficient
12 growers, my family's own farms have recently been forced by
13 low prices to pull 40 acres, because these trees that could
14 have remained productive for hundreds of years, I cannot
15 tell you how painful that was to myself, made all the more
16 so by knowing that unfair trading practice is what forced us
17 to take those steps.

18 Over the years, table olive growers, like all
19 farmers, have had to face their share of normal financial
20 pressures, from maintenance and crop management cost to
21 weather-related costs and fluctuations in crop yield to
22 labor costs. Being a farmer is a challenging occupation.
23 There's no question about it.

24 But I also know from my own personal
25 experience and based on discussions with my fellow olive

1 growers that with U.S. demand for ripe olives remaining
2 strong, we would be doing considerably better if unfairly
3 priced imports from Spain were not destroying the foundation
4 of the U.S. market we built.

5 Because I know it's important to your
6 consideration of how all members of our industry are being
7 hurt, allow me to describe in a bit more detail the
8 bargaining process that occurs annually between the U.S.
9 ripe olive processors and the U.S. table olive growers. As
10 you may know from your investigations of other U.S. process
11 agriculture industries, California's food and agriculture
12 code enables farmers to organize cooperative price
13 bargaining associations, in our case, the California Olive
14 Growers Council.

15 When the law's criteria are met, growers can
16 negotiate collectively with the processors for the raw
17 product price. When the California Olive Growers Council
18 and processors agree on that price, it becomes the market
19 price for the entire single industry. These industry
20 negotiations are intended to ensure that all levels of the
21 collective industry receive a fair and equitable share of
22 what the marketplace returns.

23 This bargaining process works if the
24 marketplace is delivering fair prices. But as you've heard,
25 we growers and processors are confronting the shared reality

1 that unfairly traded imports from Spain are making fair U.S.
2 market prices impossible. Without fair market prices, this
3 industry has no future.

4 I will stop there and allow two of my
5 distinguished fellow olive farmers to tell you a bit about
6 their personal experiences. Thank you.

7 STATEMENT OF MICHAEL SILVEIRA

8 MR. SILVEIRA: Mr. Anderson and committee,
9 good morning. My name is Michael Silveira, and I live on
10 and operate a farm in Orland, California. In case you're
11 not familiar with rural California, Orland is in the
12 northern part of the Sacramento Valley. I grew up there and
13 have spent all my 64 years living there.

14 Orland is a small town surrounded by all kinds
15 of crops, including numerous olive orchards. For 42 years,
16 I've been employed in the agribusiness industry, including
17 sales and management. For about that same length of time,
18 I've also been farming my land on which I now have 32 acres
19 of olive trees and another 35 acres of English walnut trees.

20 I consider myself first and foremost to be a
21 farmer and a very active member of the U.S. ripe olive
22 industry. As a proud, productive olive grower, I have been
23 honored to be given a number of industry leadership
24 positions, representing my fellow growers and working
25 closely with the ripe olive processors, to whom we all sell

1 our raw olives.

2 I am currently the chair of the California
3 Olive Committee, which as Dennis mentioned administers a
4 federal marketing order locally on behalf of our growers and
5 processors. I am also the chair of the California Olive
6 Growers Council, which represents the growers in the annual
7 industry bargaining process.

8 Over the past decades, I've seen a great many
9 changes and developments in the farming communities of
10 California. Our industry has had its share of good times
11 and bad. We've had boom years with unexpected big crops,
12 and we've had the opposite. We have had years with great
13 weather, with just the right amount of rain, sun, warmth and
14 cold, and we've had years with just the opposite.

15 Historically, we've always been able to move
16 beyond the difficult years. We weathered the recent drought
17 without much trouble, for example. My fellow olive growers
18 in the southern part of California's Central Valley, who
19 were hit harder by the drought, were able to overcome it as
20 well. But the import challenges being discussed here today
21 are far more daunting than anything we've had to face as an
22 industry before.

23 Even with the best growing conditions, the
24 best farming practices, the highest yields possible, an
25 equitable bargaining system and enough demand for California

1 olive growers to sell our entire crop each year, we are
2 barely getting by in our olive business. Most growers are
3 losing money and the reason is simple: imports of ripe
4 olives from Spain are undercutting our prices so badly that
5 the processors can't charge enough for our olives.

6 This situation cannot continue. I have
7 managed to keep my 32 acres of olives intact, hoping for an
8 industry turnaround. Today, my employment in the
9 agribusiness and my walnut crop supplement is my income
10 today. Others in our olive growing community are not so
11 fortunate. As an industry, we've had to acknowledge the
12 grim reality that the flood of cheap, subsidized imports
13 from Spain is only getting worse.

14 Without government help, there will be no
15 marketplace turnaround for the U.S. industry, only further
16 casualties. We are all the more willing to continue putting
17 in the hard work required for us farmers, but this will make
18 no difference unless the government restores fairness to the
19 ripe olive marketplace. For the sake of our entire
20 industry, I urge the U.S. government to deliver the help we
21 need to correct Spain's unfair trading practices, so we can
22 act -- so we can get our olive industry back on track. In
23 closing, thank you for your time.

24 STATEMENT OF VITO DeLEONARDIS

25 MR. DeLEONARDIS: Thank you and good morning

1 everyone. My name is Vito DeLeonardis. I'm a third
2 generation California table olive grower. I'll start off by
3 expressing my strongest possible support for everything
4 you've just heard from our industry representatives. Now
5 I'd like to take a few additional minutes and tell you how
6 in my own experience unfair Spanish ripe olives are putting
7 our industry in dire straits.

8 My grandparents came to the United States from
9 Italy and settled in California. My grandfather started
10 growing olives in the late 1940s. My father was born and
11 raised in California and started growing olive orchards in
12 the 1960s. In the late 80's, I had my chance to buy land
13 and develop my first olive growth.

14 Around that same time, my father and I started
15 a nursery that specialized in growing olive trees for the
16 table olive industry in California, which I continue to
17 operate today. I also farm around 300 acres of citrus and
18 almonds. The olive farming industry is unique. Olives can
19 go for many generations. As you probably already know,
20 there are trees in Israel that date back to Christ. I don't
21 know of any other crop that can stand that period of time.

22 My father has passed away 15 years ago but I
23 continue to farm his olive groves and his father's before
24 him. I pray that my son, who is just ten years old, has the
25 same chance to carry on this legacy. I've already

1 considered myself to be a knowledgeable and successful
2 businessman. For many years, all of our operations were
3 profitable as I was raised on the belief that as long as I
4 worked hard, grew the best products possible and coordinated
5 with the processors to get to market, I could successfully
6 carry on the legacy that my father started.

7 I can no longer rely on that view. With ripe
8 olives from Spain coming into all segments of the U.S.
9 market at incredibly low prices, no matter how hard we work
10 the revenue losses and contractions are continuing. We have
11 already heard how imports from Spain are putting the squeeze
12 on our processors and growers. As with so many other
13 growers, that squeeze is getting unbearable for my family's
14 business, and putting our orchards at risk.

15 The harm to our industry from Spanish ripe
16 olives is having a rippling effect into all the allied
17 sectors that have helped build the U.S. industry over the
18 decades. Literally thousands of jobs depend on the
19 continued success of the ripe olive industry in California
20 and throughout the United States, from shipping companies to
21 agrochemical suppliers, to the olive farm labor, to local
22 stores and restaurants where our workers shop and eat, these
23 and countless other U.S. jobs are at risk.

24 We have known for years that our counterparts
25 in Spain have been receiving huge government subsidies to

1 cover their costs. We growers in California have no such
2 safety net. We do not have government treasuries involving
3 scores of millions of dollars annually to prop up and expand
4 our growers and processors the way Spain does.

5 We know from U.S. government findings that
6 were it not for those support payments, the Spanish industry
7 would not even be profitable, yet Spain continues to take
8 our business month after month through unfair practices. No
9 amount of American industrious and hard work can counteract
10 those practices. Every one in the U.S. ripe olive industry
11 is united in the realizing that we need relief from these
12 unfairly traded import practices, and if we want to keep
13 this multi-generation industry alive.

14 On behalf of my father's legacy and my family,
15 and the broader ripe olive industry, I ask that you do
16 everything in your power to help provide relief, the relief
17 that we need and allow this industry to thrive again as it
18 did once before. Thank you. Thank you very much.

19 STATEMENT OF JENNIFER LUTZ

20 MS. LUTZ: Good morning. I'm Jennifer Lutz of
21 Economic Consulting Services. You've heard from the
22 industry witnesses about the conditions of competition in
23 the U.S. ripe olive market, and I want to supplement that
24 discussion. The Commission and staff are very familiar with
25 cases in which subject imports of processed agricultural

1 products have an impact on both domestic producers of the
2 directly competing processed product, and the growers of the
3 unprocessed goods on which the processors depend.

4 The degree of that interdependence can vary
5 from case to case. In this case, the earlier industry
6 testimony and the overall record demonstrate that the
7 interdependence is strong in both directions, that is both
8 upstream and downstream in the production and sales process.

9 While the processors and growers are
10 interdependent, there's a significant difference in the
11 patterns of profitability between the two segments. The
12 growers experience cyclical changes in operations year to
13 year.

14 This is evident in the data reported in the
15 grower's questionnaire. Rates of operating income
16 experienced by the processors are more steady. These profit
17 levels, however, are demonstrably compressed throughout the
18 POI, and not sustainable at present levels. The returns
19 processors have managed to achieve have resulted in very
20 thin margins.

21 Olive are, of course, an agricultural product.
22 As such, the industry faces short term ups and downs due to
23 external conditions such as droughts and other growing
24 conditions. In order to get through rough periods, the
25 industry must be able to take advantage of boom times. The

1 recent drought conditions did lead to higher irrigation
2 costs for some growers.

3 Many in the industry, however, have not been
4 able to recoup these higher costs in subsequent years due to
5 competition with the dumped and subsidized subject imports.
6 For growers, product-shifting is not a short term decision.
7 While other crops could be grown on the same land, there are
8 significant up-front costs associated with the change to a
9 different tree crop.

10 In addition, there is a multi-year period in
11 which growers reap no rewards from the new crops as the
12 trees mature. With respect to demand for ripe olives, there
13 are three main market segments or channels of distribution:
14 institutional, that is restaurants and food service, private
15 label retail, store brands and branded retail.

16 Initially, subject imports entered the
17 institutional segment, which is now saturated with subject
18 imports, leaving the domestic industry with only a small
19 portion of that market. Subject imports have more recently
20 gained significant share in the private label market at the
21 expense of the domestic industry. While there is less
22 direct competition in the branded retail segment, that
23 segment is not insulated from the effects of the subject
24 imports.

25 The Mario brand was purchased by a Spanish

1 producer and thus competes directly in the branded segment.
2 In addition, subject import competition in the other
3 segments, particularly the private label segment, places
4 significant pressure on prices commanded by branded
5 products, which appear on shelves right next to the private
6 label products.

7 The volume of subject imports is significant
8 and increased substantially over the POI on an absolute
9 level relative to total imports, relative to U.S.
10 consumption and relative to U.S. production. According to
11 the U.S. import statistics for the category cited in the
12 petition, subject import volumes grew in each year of the
13 four year POI from around 26,500 short tons in 2013 to
14 35,100 short tons in 2016, an increase of over 30 percent.

15 This increase occurred in a mature market, not
16 one that is experiencing significant growth. Subject
17 imports are significant relative to total imports, with
18 subject imports constituting the largest single source of
19 imports and accounting for more than half of all imports
20 during the POI. Using the HTS numbers identified in the
21 petition, subject imports accounted for 75 percent of total
22 imports in 2015 and 2016. The volume of subject imports
23 increased relative to U.S. consumption, with subject imports
24 gaining market share from both the domestic industry and
25 non-subject imports.

1 U.S. production of ripe olives declined over
2 the POI, as subject import volumes increased. Subject
3 imports as a percent of U.S. production were significant and
4 increasing. By various measures considered by the
5 Commission, the volume of subject imports is significant.
6 Subject imports have entered the U.S. market at very low
7 prices and have taken market share away from the U.S.
8 producers.

9 The pricing data that we have received so far
10 confirm the industry's experience that subject imports are
11 consistently sold at significantly lower prices than the
12 domestic product, with instances and margins of underselling
13 increasing in the last two years of the Period of
14 Investigation.

15 The record contains numerous concrete accounts
16 of the processors being forced to lower prices in order to
17 avoid losing business to the subject imports. The purchaser
18 questionnaires confirm the primacy of price in purchasing
19 decisions, and a few large purchasers confirm switching
20 purchases to subject imports on the basis of price.
21 Instances of lost revenues were also confirmed.

22 The data collected by the Commission with
23 respect to processors and growers shows that the domestic
24 industry is suffering material injury. The processors have
25 recorded declines in a number of indicia. Production has

1 fallen over the period. With no changes in capacity,
2 capacity utilization fell. U.S. shipments have declined and
3 inventories have increased.

4 The processors' financial condition has
5 deteriorated as well. Net sales volumes declined over the
6 period, and the industry recorded deterioration in operating
7 income, net income and cash flow, both absolutely and as a
8 percent of sales values. Although the questionnaire data
9 issued by the Commission does not include part year data,
10 the deterioration has continued in the first quarter of
11 2017, as shown in the petition.

12 While the details are confidential, the
13 processors and growers report that subject imports have
14 significant effects on investment and growth and
15 development. Further negative effects of imports are
16 anticipated and detailed in the questionnaire responses.

17 The data also show significant negative
18 effects on the growers. The questionnaire data collected by
19 the Commission shows a decline in table olive acreage over
20 the POI. Any decline is significant, because acreage cannot
21 be shifted easily from product to product and back again.
22 Rather, taking acreage out of table olive production
23 reflects a long-term determination that growing olives will
24 not be profitable.

25 The Commission questionnaire asks growers to

1 report on growth cycles and efforts to manage such cycles.
2 Grower responses describe the standard methods they have
3 used to manage growth cycles historically, such as
4 nutrition, pruning and irrigation system management, but
5 also made it clear that low returns and the resulting poor
6 financial conditions have now made it impossible for them to
7 afford to apply their normal techniques used to manage these
8 cycles.

9 We will address in our post-conference brief
10 some of the natural differences in operating results and
11 profitability among the U.S. growers of table olives,
12 including different results caused by vast differences in
13 the size of growers and corresponding economies of scale.

14 The key point the Commission should consider
15 is that the data show financial distress for the majority of
16 reporting growers, with a number of growers reporting
17 operating losses, increasing significant over the period,
18 and a sizeable majority reporting net losses in 2016.

19 The domestic industry is threatened with
20 further material injury. The industry is vulnerable with
21 respect to processors. Declines in operating and net
22 profitability are apparent during the POI. As shown in the
23 petition, these declines worsened in the first quarter of
24 2017, and based on the industry sales negotiations for 2017
25 shipments, the industry projects the downward trends will

1 continue with operating margin compression getting worse.

2 It is also clear that growers are operating at
3 levels that are insufficient to justify continued
4 investment. The ripe olive processing industry operates
5 with very thin profit margins. What might appear to be a
6 relatively small decline in processors' operating margins
7 translates into a much more serious decline in the
8 incentives to continue producing.

9 Likewise, the pressure on growers caused by
10 the subject imports has declined -- has caused the decline
11 in incentives to continue growing olives. Because of the
12 interdependence of the industry, harm to one segment
13 necessarily causes harm to the other.

14 The Commission is instructed by the statute to
15 consider the nature of the subsidies in question in a
16 countervailing duty investigation. Spanish olive growers
17 receive enormous subsidies at the EU level, the national
18 level and the regional level as outlined in the petition.
19 The Commission touched on this issue in its 2013 report
20 prepared under Section 32 on the olive oil industry.

21 Questionnaire data collected so far show that
22 foreign producers have unused capacity and expected
23 increases in capacity. Subject import volumes are
24 significant and increasing, as I described before. The
25 foreign producer questionnaire data show that the Spanish

1 industry has significant unused capacity, and shipments to
2 other markets that could be directed to the U.S. market.
3 Given the aggressive nature of the subject imports in
4 pricing negotiations, the domestic industry expects that
5 subject imports would gain additional share and cause
6 further price deterioration in the U.S. market.

7 Subject imports are entering at prices that
8 are likely to have suppressing or depressing effects. The
9 pricing data show significant subject import underselling,
10 particularly in the second half of the Period of
11 Investigation. This underselling is likely to continue to
12 have adverse effects on U.S. processors' prices.

13 Importer inventories of the subject
14 merchandise have increased over the POI, and inventories as
15 a percentage of shipments are significant. Finally, subject
16 imports have had and are expected to continue to have
17 negative effects on the domestic industry. The processor
18 and grower questionnaire responses describe the significant
19 actual and anticipated negative effects of the subject
20 imports in some detail.

21 The Commission should determine that the
22 domestic ripe olive industry is materially injured by reason
23 of the subject imports, and I'd be glad to answer any
24 questions.

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

1 MR. ANDERSON: Thank you, Mr. Secretary. Thank
2 you for indulging us in having those official votes. For
3 those who've been here for the first time, that's what will
4 happen on August 4th with this proceeding, so just to give
5 you a preview. I'd like to turn the time back over to the
6 panel. And Mr. Secretary, could I get a time check?

7 MR. BISHOP: I would note that this panel has
8 twelve minutes remaining for direct testimony.

9 MR. ANDERSON: Okay. When you're ready to
10 continue with your presentation, please do so.

11 STATEMENT OF DAVID LEVINE

12 MR. LEVINE: Thank you, Mr. Anderson and
13 Commission staff for your attention during the presentations
14 by our industry representatives. I'm David Levine and I can
15 tell you our panel looks forward to addressing your
16 follow-up questions during the Q&A portion. But before we
17 do, I'd like to reiterate a few key points about this case
18 brought by the U.S. Ripe Olive Industry and why we're all
19 here today. I'll be brief.

20 One of the most important features, as you've
21 heard, of the U.S. Ripe Olive Industry, is the proud history
22 that this group represents. Tim and Felix, Mike and Vito
23 and Edward Garcia, who's here with us today, are second,
24 third and fourth generation olive producers. Their families
25 helped establish the industry, and as Tim explained this

1 morning, actually invented the type of olives at issue in
2 this case.

3 They created the U.S. market for ripe olives
4 that, to this day, is by far the largest market in the world
5 for this product. For generations, the industry, their
6 families and many others have enjoyed the fruits of their
7 hard labor and investments with positive returns for
8 processors and growers alike through various natural and
9 economic cycles over the years.

10 But they recently came to the harsh realization
11 as an industry that their hard work, their life-long
12 investments in processing and growing operations and their
13 proud legacy could not sustain their businesses in the face
14 of mounting imports of dumped and subsidized ripe olives
15 from Spain.

16 The product at issue, the ripe olive, is unique.
17 It's distinct from all other types of olives and, of course,
18 distinct from all other foods and from other products.
19 Under the Commission standard six-factor analysis, ripe
20 olives constitute a domestic like product separate from
21 other types of olives.

22 And information provided in the petition, the
23 federal marketing order, the industry associations covering
24 the growers and the processors, and the group's testimony
25 here today, and the aggregated questionnaire responses you

1 have on the record, all make it abundantly clear that the
2 U.S. industry producing this like product includes the Table
3 Olive Growers together with the ripe olive processors.

4 The growers and the processors fully depend on
5 each other. Their production is fully intertwined. Their
6 revenues rise and fall together. We would submit that among
7 all processed agricultural products, ripe olives may be the
8 product that most obviously is produced through a continuous
9 line of production, from orchard to finished canned product,
10 or as they say in the industry, from tree to table.

11 And the growers and processors of ripe olives
12 present the very model of substantial coincidence of
13 economic interest. Based on a statutory provision
14 applicable in cases on processed agricultural products, the
15 Commission should readily treat the growers and processors
16 together as the U.S. industry producing ripe olives.

17 And that brings me to the reason we're all here
18 today. This proud industry, including the hundreds of
19 farmers who grow the olives, and the two family-owned ripe
20 olive processing companies, are losing the U.S. market which
21 they and their families developed, to dumped and subsidized
22 imports from Spain. And they finally decided enough is
23 enough.

24 As you have heard, the problem we're here
25 discussing did not occur overnight. Subsidized imports of

1 ripe olives from Spain began several years ago, taking U.S.
2 market share in the food service segment through sales at
3 dumped prices. In retrospect, U.S. growers and processors
4 now wish they had acted sooner to curtail unfair trading
5 practices of Spain. Regrettably, they did not. And as a
6 consequence, dumped and subsidized imports of ripe olives
7 from Spain now hold a major share of that segment of the
8 U.S. market.

9 When it became abundantly clear that the
10 unfairly dumped and subsidized ripe olives from Spain were
11 also moving in on the retail segment of the U.S. market with
12 lower and lowers prices, the U.S. industry decided they had
13 to bring this action. They realize that, without dumping
14 and countervailing duties to remedy unfair trade, the U.S.
15 industry cannot stay in business much longer.

16 The unfairly low pricing is making it impossible
17 for the processors to earn reasonable returns, to be able to
18 invest in their operations, and most importantly, to be able
19 to pay the growers at a level sufficient to allow the
20 growers to maintain their olive orchards.

21 In closing, I'll say that the members of this
22 industry I've had the privilege of getting to know are a
23 great group of people, their naturally positive outlooks,
24 but make no mistake about it. They know their businesses
25 are in dire straits because of the onslaught of unfair trade

1 from Spain and proud and confident as they may be, they know
2 they need the relief available to them under the antidumping
3 and countervailing duty laws. And they look to the
4 Commission and the Commerce Department to provide that
5 relief. Thank you very much. I think we're ready to answer
6 your questions.

7 MR. ANDERSON: Okay. Thank you very much to
8 this panel for your presentations. It's very helpful. We'd
9 now like to move into staff questions and we'll start with
10 our investigator, Mr. Jordan Harriman.

11 MR. HARRIMAN: Hi, good morning. First of all,
12 thank you all for being here and traveling--some of you such
13 a long distance--to give us your testimony and answers. We
14 really appreciate it. I'll start off with a couple of
15 questions revolving around the scope language and some of
16 the provided harmonized tariff schedule numbers. We've been
17 provided with a roster of HTS numbers here.

18 Can you speak to the degree to which the HTS
19 numbers capture the scope product? If you think there are
20 any numbers which may be more or less, sort of cover the
21 product in question, and I also invite you to comment also
22 on the testimony earlier about the import data provided in
23 the exhibits and the relation with the HTS numbers for that,
24 too.

25 MR. PARETZKY: We set out in the petition which

1 scope numbers we thought were the ones that most covered the
2 product, I think, in our Exhibit I-6. We specifically
3 carved out the HTS numbers that we do think are the most
4 representative of the product.

5 In the scope, we've also included other numbers
6 that could, and we divided that into two categories, the
7 ones that are cover subject imports and ones that probably
8 don't, but also could cover. So we tried to make that
9 distinguishing factor.

10 It is true that the--and we acknowledge this in
11 the petition--that the HTS numbers do not perfectly
12 correspond to subject imports. They do not distinguish ripe
13 olives. They do distinguish by color and so that excludes
14 Spanish-style olives, for instance, in the green numbers,
15 because Spanish-style olives are always green. So when you
16 look at the black olive numbers, and those are the ones that
17 we specifically culled out in our exhibits, those are going
18 to be overwhelmingly, we think, ripe olive imports.

19 But we agree that it's potentially
20 over-inclusive. Of course, the Commission has collected
21 foreign processor, exporter questionnaire data which will be
22 specific to the subject imports. We obviously did not have
23 that at the time that we filed the petition, and did the
24 best job we could with the data.

25 MS. LUTZ: I just wanted to jump in on the

1 questionnaire issue. So far, the importer questionnaire
2 data are very incomplete, so it's hard to judge from that.
3 But if you look at the volumes from the foreign producer and
4 exporter questionnaires of exports to the United States, it
5 matches. The trends and volumes match pretty closely with
6 the volumes reported in I-6 of the petition.

7 MR. LEVIN: One additional point to add to that.
8 As with lots of other cases, the HTS categories don't
9 perfectly align with the subject imports. We also, after
10 discussions with the Commerce Department, have revised
11 slightly the scope language, and just wanted to make sure,
12 for the record, that you knew the final language that the
13 Commerce Department has considered.

14 MR. HARRIMAN: Yes, there were some adjustments
15 there. Yeah, thank you for that. Um, focusing a little bit
16 on some of the, sort of, exclusion language. It seems like
17 one of the central elements when we're talking about what
18 makes a ripe olive is the curing and processing process, so
19 I'd invite some more comment on -- and maybe a little bit
20 more detail on the specifics of that process and if you need
21 to process things in a very certain and specific way for it
22 to be considered a ripe olive. And in addition, the degree
23 to which fermentation does or does not apply to the ripe
24 olive processing.

25 MR. CARTER: Just to give a little context.

1 There's many, many different types of olives. And what
2 distinguishes one type of Table olive from another is the
3 variety, the time that it's harvested, and the process that
4 is used after it's harvested. What makes a ripe olive a
5 ripe olive is the curing solution, and what makes a
6 Spanish-style or a Kalamata or the other ones is the
7 fermentation process.

8 What we tried to do with the exclusions was make
9 it so that you couldn't start something in going down the
10 path of, say, a Spanish-style and get it classified that
11 way, and then revert back to a ripe olive process. So there
12 can be some fermentation, either in the storage tanks prior
13 to processing or curing, or even deliberately to kind of
14 start out like a different type of olive, but in the end,
15 you turn it black through oxidation and curing solution.
16 Does that answer the question?

17 MR. HARRIMAN: Yes, I think so. I invite my
18 colleagues to follow up on any of those as well. Can you
19 also discuss maybe a little bit more the nature of
20 these--this is a scope language--provisionally prepared
21 olives under that HTS heading, exactly what it is that we're
22 talking about with that kind of olive, and if that refers to
23 a certain specific variety of olive or processing style of
24 olive or is that a category that covers a basket of
25 different kinds of olives?

1 MR. PARETZKY: That category, to my knowledge,
2 covers all varieties of olives. It's simply -- it covers
3 olives that are still inedible, as you heard in our
4 testimony, you cannot eat an olive straight off the tree,
5 but if you're going to transport an olive off the tree, you
6 need to provisionally prepare it.

7 You need to pack it in brine or something for
8 transport, and so that category covers raw olives that have
9 been provisionally prepared, in other words, to make them
10 suitable to transport, but you still couldn't eat them.
11 They haven't been processed sufficiently to be eaten, so it
12 could cover any kind of olive.

13 MR. HARRIMAN: Okay. Thank you for that.
14 Before I switch to a different category, I'm just curious.
15 Is there -- the thing is the processors can speak to the
16 dynamics between sourcing domestic raw olives or sourcing
17 foreign raw olives--I believe that was alluded to
18 earlier--but I invite you to elaborate, if you can.

19 MR. CARTER: Okay, in order to cover the entire
20 U.S. market, we would need about 50 to 52,000 acres of table
21 olives grown in the U.S. As we mentioned, the growers have
22 gone from 40,000 acres to 18,000 acres because of the
23 economics of farming olives in the United States. So as
24 processors, we are from time to time forced to fill in our
25 raw product needs from other countries, Spain is included.

1 It's a much higher cost, the people that we buy
2 from overseas, whether it's Spain or other countries, they
3 have a markup, and they know that our hands are tied. If we
4 can't buy the raw product, then we lose the sale, so they or
5 the growers internationally know that there's extra freight
6 involved. There's double-handling involved. There's extra
7 packaging involved. It's really a stop-gap from our
8 perspective just to get us to the next big crop.

9 MR. MUSCO: I can add to that a little bit. To
10 Tim's point, if the U.S. industry was applying the entire
11 marketplace which we would be, I believe, without the
12 subsidies, it would be around 52,000 acres, and because we
13 haven't been able to pay the growers an equitable amount for
14 them to harvest the product and make a living, many trees
15 have been pulled and, depending on the year, the demands
16 have been relatively consistent.

17 But depending on the year, we've had to
18 supplement our supply from overseas product, raw product
19 being brought over in brine and then fully processing in
20 California and canning it. And that product can come from
21 different countries, including Spain, and it's exorbitantly
22 priced to do it.

23 MR. HARRIMAN: Okay, thank you. Shifting to,
24 thinking about the whole chain, sort of a glossary kind of
25 question. One of the things we've discussed is, how exactly

1 to characterize the olives we're talking about. All the way
2 from, it's still on the tree, hasn't been picked yet, to the
3 time where it comes off the tree, to the time it's on the
4 way to the processors, to the time it becomes sort of, like,
5 a finished ripe olive, you know?

6 For example, do we call an olive fresh from the
7 tree a fresh olive or olive? Things like that. So if the
8 growers or processors, if you guys could maybe explain to us
9 what you would refer to as an olive at different stages of
10 that process, that'd be helpful.

11 MR. BURRESON: I'll try. The olive, when it's
12 on a tree, I mean it's an olive. Quite simply that. And we
13 welcome -- it's always kind of fun to see someone experience
14 an olive tree for the first time, and it's always
15 interesting to see them bite into it and see their reaction.
16 So to that degree, it's a very bitter olive, if you will.
17 So anyway, it's an olive at that point.

18 The olive is harvested, typically by hand. It's
19 put into bins, if you will, that hold about a thousand
20 pounds of fruit. It's taken to a receiving station. At the
21 receiving station, it's weighed and identified by lot. It's
22 then sampled to see what the quality and size is. At that
23 point, it moves to the processor.

24 At the receiving station, that's actually the
25 processors as well, but then it moves to the actual plant at

1 which time it's put down into solution at that point it's
2 called olives in storage, if you will. They're in a storage
3 solution. And they may sit there for a week or two, or they
4 may sit there for a period of months.

5 Once they then are taken out of that storage
6 solution, then they're put into what we call process.
7 They're in process, the process of making them a black ripe
8 olive. From that point, they get put into a can, they get
9 put into a warehouse and from there they go to our valued
10 consumers that we're trying desperately to hang on to from
11 imports.

12 MR. HARRIMAN: Okay. Thanks for that. Thinking
13 again about the growers' side of the process, one of the
14 fundamental elements of this product is the alternate
15 bearing nature that it goes through sort of cyclical
16 measures. Can you discuss a little bit more your thoughts
17 on that identity of this product?

18 Are there elements to your operations that you
19 can undertake to try to mitigate this and what the
20 consequences of that are and are there any differences
21 between whether it is across the state, you know, is the
22 cycle relatively consistent across the state? Are there
23 different geographic differences and things like that?

24 MR. BURRESON: Yeah, the olive is -- it's unique
25 in that the olive will grow fruit, if you will, it's an

1 evergreen, and it will grow fruit on current year's growth.
2 So if you've got a heavy crop, if you will, on olives, it is
3 putting its energy into those olives that are on the tree.
4 It doesn't therefore leave a lot of nutrients or
5 carbohydrates, if you will, for the next crop year.

6 So the tendency is to have this alternate
7 bearing. If you're looking at other deciduous trees, be it
8 almonds or walnuts, they'll have a tendency to -- they can
9 kind of grow on different years. But the olive is specific
10 to that.

11 And so what you really try to do as a grower,
12 and it's certainly is advantageous to both grower and
13 packer, that you even that out as much as you can. It's not
14 a good situation to get ten of something one year and one
15 the next year and ten and one. It'd be much better to have
16 that be five and six. And that's good for the grower. It's
17 good for the packer, it's good for our industry.

18 How you do that is through nutrients, through
19 irrigation, through pruning, through spray thinning. But
20 those things are all things, cultural things that cost
21 monies. And those monies have not been forthcoming in the
22 recent years, and so we, as growers, are not putting those
23 monies into those things that we "should" be.

24 And the inability to do so creates bigger swings
25 and, again, it's -- the need is to get the return, and we're

1 not getting the return because of the packers not getting
2 the price for his product because of the subsidized product
3 coming in from overseas.

4 MR. CARTER: I would just add to the question of
5 the regionality. So Dennis described is what happens on any
6 given tree. There's many, many trees throughout the state.
7 So we could have an on year in the north and an off year in
8 the south. And from a processor standpoint, that's just
9 kind of an average year and then that could reverse itself
10 the next year.

11 But to Dennis's point, if the farmers aren't
12 managing the crops as we think we're seeing for the 2017
13 harvest, we're going to get a big boomer this year, which is
14 probably do, in part, to lack of pruning prior and it's
15 going to result in crop shortage in the 2018 harvest. So
16 the cycle is out there. We've been kind of lucky in the
17 period of investigation that the on and off have balanced
18 each other out from region to region.

19 MR. HARRIMAN: Okay, thank you. And feel free
20 to add any more detail, but my understanding is that when
21 you are starting with a new tree, a fresh tree, you can take
22 some time to start yielding, but once it is ready to yield
23 fruit it can be for decades, hundreds of years.

24 MR. BURRESON: Yes, I think it's clear that --

25 (Laughter.)

1 MR. SILVEIRA: Yes, it can yield for
2 generations. The production cycle of that in its early days
3 anywhere from four to five to seven years to start getting
4 measurable production, but once that production comes in,
5 once again, as stated earlier, to Vito's point, these things
6 are hundreds of years old. We have that over hundred of
7 years in our county in the Orland area and the Corning area.

8 MR. HARRIMAN: Great, thank you.

9 Can you describe a little bit more the decisions
10 that go into whether you will change a crop from olives to a
11 different crop? I believe Ms. Lutz discussed this a little
12 bit, but it would be interesting to know a little bit more
13 about what decisions go into why you may want to stay with
14 producing crops or might want to think about other crop
15 products, the practical realities of that kind of decision.

16 MR. SILVEIRA: I'll take a stab at that.
17 Basically, to convert a crop today, you're probably talking
18 about \$6,000 U.S. to convert it, per acre. With that said,
19 that's quite a financial burden, coupled with the economics
20 of waiting for the crop to bearing, so it behooves us to
21 keep those trees in the ground. We really don't want to do
22 that.

23 MR. BURRESON: I'll just add to it time. In
24 case you missed it, your opportunity to say Happy Birthday
25 to me. I'm going to lay that on, but time is a very

1 critical situation here. I mean the trees that I did
2 recently pull out it was heart-wrenching. I mean they were
3 my legacy to my sons and my grandchildren. I mean the trees
4 that I removed to, Mike Silveira's point, they were 110
5 years old. You know you don't do that lightly. That's a
6 heart-wrenching decision.

7 MR. HARRIMAN: And I know we asked about it in
8 the questionnaire and we discussed it a little bit already,
9 but it sounds like the drought was in some places not as
10 impactful as it may have been with other parts of the state
11 or other crops. If you care to elaborate more on the
12 impacts on the drought, that would be great too.

13 MR. DeLEONARDIS: Yeah, there was some impacts
14 with the drought. In my case, I was very blessed and we've
15 had plenty of water to get through the drought in fairly
16 good shape. There are some growers that I know of that are
17 in areas that have just surface water only and on some of
18 those years they had very low allocations of water,
19 sometimes even zero, but on the years were they had very
20 little allocation of water, for instance, they could be
21 growing 10 acres of olives and 10 acres of citrus and with
22 the allocation that they would have they would only have
23 enough water to grow one or the other.

24 And usually, what they would do is they would
25 offer the citrus or something else because of the economic

1 situation with the olives just not making enough.

2 MR. HARRIMAN: How water-intensive are olives
3 compared to other crops?

4 MR. SILVEIRA: Probably, from a water usage
5 standpoint, they're average to lower than some of the other
6 competitive crops, including almonds and some of the other
7 nut crops. So if you look at the threshold of water that
8 they need to produce a good crop, you'd be on the lower end.
9 Depending on the area and the vapor transportation rate,
10 you're probably talking about three and a half to four acre
11 feet per acre.

12 MR. HARRIMAN: Okay, great.

13 I'll also ask real quick about the impact of the
14 federal marketing order. I know there are some USDA
15 documents about; if that is something that is a -- sort of a
16 continual part of your operations and your planning,
17 addressing it. Is it something you need only think about at
18 certain times of the year? If you can talk a little bit
19 more about how that impacts you personally and directly,
20 that'd be great too.

21 MR. SILVEIRA: The Federal Marketing Order,
22 which sets standards, and those standards are their Section
23 8(E). We have several subcommittees in that that are very
24 important to the industry, including the Research and
25 Development Subcommittees that will allocate monies to

1 disease control, plant nutrition, et cetera, so this is an
2 ongoing process. We meet every year multiple times. It is
3 represented, both by the processors equally and the
4 growers.

5 MR. MUSCO: I'd like to just add a little bit to
6 that. Over the years, we've been forced to reduce our
7 budget for the Market Order significantly. So our monies in
8 research and also into any marketing efforts is quite
9 minimal at the time.

10 MR. HARRIMAN: Now do these orders -- I know
11 there's other orders for different product. Do these orders
12 exist sort of indefinitely or do they have to be renewed in
13 some way?

14 MR. SILVEIRA: The Federal Marketing Order, the
15 California Olive Committee does not have a renewal vote.
16 We're in tact.

17 MR. HARRIMAN: Okay, great. Thanks.

18 I'll just cycle back to just two more quick
19 questions about terminology and then I'll probably cede to
20 my colleagues here.

21 Going back to the question I asked earlier about
22 olive terminology along this stage, is there a specific
23 industry term that would apply to the stage between it's
24 picked from the tree and before it's processed? Would you
25 call it raw or fresh or is there any other distinguishing

1 adjective at that point?

2 MR. CARTER: It's most commonly referred to as
3 raw olives, but it's also referred to as crude olives,
4 particularly, when they're down in storage brine and
5 occasionally referred to as bulk olives, but raw olives is
6 most common.

7 MR. HARRIMAN: Okay, thank you.

8 And then secondly, my understanding -- and feel
9 free to affirm this -- but is that when we're talking about
10 ripe olives we are talking it's almost entirely or 100
11 percent sourced by table olives. And I'm just wondering if
12 there is a specific element to table olives that separate.
13 Is it simply a matter of just knowing the difference between
14 a table olive and an oil olive. Any other detail that can
15 clarify what makes a table olive a table olive would be
16 great too.

17 MR. BURRESON: Table olives, as we mentioned,
18 are primarily -- well, they are Manzanillo and Sevillano
19 olives in California and they're distinctly different from
20 the olive oil orchards or varietal. Those varietals are
21 arbequina or basana and a number of other varieties, but
22 they're remarkably different in appearance or they're
23 different in terms of how they're farmed. The olive oil
24 acreage that's gone in would be considered -- if you were
25 out there looking just as laypeople that go out to look, you

1 could easily mistake an olive oil orchard for a vineyard. I
2 mean if you went by it, you'd say, oh, I didn't know they
3 were growing grapes here. Well, they're not. That's
4 olives.

5 Conversely, if you were to look at an olive
6 orchard, it's going to be set up as an orchard. There's
7 going to be 80 to 100 trees per acre kind of traditionally,
8 as opposed to this olive oil type operation that could have
9 upwards of 6 or 700 trees per acre. The other thing is that
10 olive oil varieties will tend to be you know many times the
11 size of your small fingernail maybe even.

12 Conversely, our table olives we put in our cans
13 are significantly larger size. In addition, the table
14 olives are not really suitable for oil in terms of the
15 economics of it. Once again, you take the olive oil
16 varieties and they may literally be getting 40 gallons a ton
17 or something like that. Conversely, the table olive might
18 be lucky to get 20, so it's not -- so, no, we do not take
19 our table olives to oil. It doesn't happen.

20 MR. HARRIMAN: I see. And we're really going to
21 finish ripe olive. Is there any reason why there's a
22 distinguishing quality between Manzanillo, Sevillano? Is
23 there a reason why one -- I believe the Manzanillos are very
24 dominate in popularity. When you're finished with an olive
25 is there any reason why you may be able to distinguish

1 between one variety and another?

2 MR. MUSCO: I'll take that. I think one
3 preference is the size of the product. It's a very good
4 snacking size and also a great size of slice for pizzas ad
5 et cetera. The Manzanillo variety has, I think, the
6 preferred nutty, buttery type flavor versus the preference
7 of a Sevillano variety, but they both serve a different
8 purpose. They're just different in flavor.

9 MR. HARRIMAN: Okay. Okay, well, thank you
10 again for your time. I think that concludes my questions at
11 this stage.

12 MR. ANDERSON: Than you, Mr. Harriman. And now
13 we'll turn it over to Mr. Goldfine.

14 MR. GOLDFINE: Good morning. Thank you all for
15 being here today.

16 I have a question on the like product just
17 because you're working some things out with Commerce still
18 and there's been some changes in terms of the exclusions and
19 the scope language, but just so I'm clear, are you arguing
20 -- and I know you've gone through some of this in the
21 petition, but for a single domestic-like product consisting
22 of all ripe olives coextensive with the scope that's in
23 place right now.

24 MR. PARETZKY: That's correct. And I would add
25 what we went through with the Commerce Department didn't

1 change that all from beginning to end. It was just to make
2 -- the Commerce Department wanted us to make it very clear
3 in the descriptions as we could to encompass that central
4 point that you just made, which is that there's a single
5 domestic-like product consisting of all ripe olives.

6 MR. GOLDFINE: Coextensive with the --

7 MR. PARETZKY: Coextensive with the scope.

8 MR. GOLDFINE: I would just encourage you in
9 your post-conference brief -- you've gone through all the
10 factors in the petition, but maybe to flush out some of the
11 points that you've made in there, I think, would be helpful
12 to the Commission and when you walk through each of the six
13 factors.

14 And just sort of basic level so I can
15 understand, in terms of why the exclusion for specialty
16 olives of the six factors what are the major ones that would
17 weigh in favor of finding just a single like-product for
18 ripe olives? Is it the physical characteristics and uses or
19 is it the manufacturing facilities? What would you
20 emphasize?

21 MR. PARETZKY: I would say it's pretty much all
22 of them, other than the channels of distribution. The other
23 five factors all differ pretty significantly for ripe olives
24 from specialty olives. The physical characteristics differ
25 quite a bit and I think we've heard some of that today. I

1 mean in terms of how they're packaged is often different.
2 Specialty olives are typically in jars. The ripe olives are
3 typically in cans. Not always, but typically ripe olives
4 are rarely stuffed, are often sold sliced, chopped, or
5 wedged. That's something that isn't true of the specialty
6 olives.

7 The specialty olives are made from different
8 varieties of raw olives. Typically, the customer
9 perceptions are different. I mean the specialty olives the
10 customer see as something that's more of a product that you
11 buy in a jar, that you get at the olive bar kind of place,
12 which is not typically where you'd find the ripe olives.
13 The price is different. Ripe olives are at a lower price.
14 Point specialty olives are at a higher price point, so I
15 mean I think all of those factors distinguish them. And of
16 course, we'll go into that in our post-conference brief.

17 MR. LEVINE: Just to add, the one factor common
18 manufacturing facilities there's no question about it.
19 You've heard from the Bell-Carter & Musco companies. Their
20 manufacturing facilities are exclusively devoted to ripe
21 olives and I think the same goes for specialty olive
22 producers.

23 MR. MUSCO: I'd add to that. Traditionally,
24 most specialty olives go through, basically, just a
25 fermentation process and the flavor of them is going to be a

1 lot stronger-flavored than a ripe olive, which is very mild
2 in flavor.

3 MR. GOLDFINE: On the issue of -- I
4 understanding you're arguing to include the growers in the
5 industry and you've walked through the analysis the
6 Commission uses under Section 1677 of the statute.

7 I guess just some points of clarification. On
8 the first prong, the substantially devoted prong, it says
9 "The processed agricultural product is produced from the raw
10 product." What is the raw product here; is it olives or is
11 it table olives?

12 MR. LEVINE: Raw table olives.

13 MR. GOLDFINE: Okay, so I guess my question
14 would be why isn't it olives?

15 MR. LEVINE: You heard from Dennis Burreson that
16 varieties have different characteristics and while there may
17 be some crossover, and I'm not the expert. I'll defer to
18 the experts to expand on what I'm about to say, but while
19 there is some crossover, the physical characteristics of the
20 olives as they come off the tree really dictate whether they
21 have sufficient amounts of oil-producing capability to be
22 used for oil versus table olives.

23 And for the ripe olives, the particular
24 characteristics that Felix Musco just described really
25 dictate whether they're going to be used for a specialty or

1 ripe olives.

2 MR. GOLDFINE: Just so I understand because I'm
3 a layperson on this, obviously, so olives would be what's on
4 the tree, right, those are olives. And then raw table
5 olives are just I think -- is that the term you used?
6 That's what you want to define as the agricultural product.
7 Is that a subset of olives?

8 MR. LEVINE: I think I've used the term probably
9 not so specifically. As Dennis Burreson described, there
10 are different terms used for the olive as it's on the tree
11 and when it first comes off the tree.

12 MR. GOLDFINE: But my question is what should
13 the Commission -- sorry, the raw product you're saying
14 that's raw table olives. It's not olives.

15 MR. PARETZKY: The only distinction that we're
16 trying to draw there is between the two main types of raw
17 olives, which are table olives and oil olives.

18 MR. GOLDFINE: Okay.

19 MR. PARETZKY: So all of the olives are raw
20 before they're processed because you can't eat the raw
21 olives, so they're raw whether they're on the tree, whether
22 they come off. We're not trying to make any distinction
23 there. But the reason that we put table in there is
24 because, as you heard Dennis describe in great detail, oil
25 olives are a very different product. They look like

1 vineyards, et cetera, et cetera. I won't go over everything
2 that he said.

3 So you have raw table olives and raw oil olives.
4 The raw oil olives get processed into olive oils through
5 whatever process those processes are used and the raw table
6 olives get processed into table olives. As it happens in
7 the United States, virtually all raw table olives are
8 processed into ripe olives. I think the figure we used in
9 the petition was 94 percent in 2016, so that you really do
10 have a continuous line of production between raw table
11 olives and ripe olives.

12 MR. GOLDFINE: And how much of just raw olives
13 become ripe olives? I know you're saying that they don't
14 because --

15 MR. PARETZKY: You mean including oil olives?

16 MR. GOLDFINE: Yes.

17 MR. PARETZKY: I don't know the answer to that.

18 MR. SILVEIRA: You know you have varietal
19 differences. The pit-to-flesh ratio is a factor in table
20 olives versus olive oil. The oil content is a factor.
21 Table olives do not want a high oil content for good flavor,
22 whereas the pit-to-flesh ratio on an olive oil variety is
23 very minimal, more pit than flesh, more oil than table
24 olives.

25 So I don't know if I answered your question, Mr.

1 Goldfine. Please ask it again.

2 MR. GOLDFINE: Well, I don't think I asked it in
3 maybe the clearest way because I'm still a little bit
4 confused on some of the terminology, but I guess my question
5 would be if the raw product here is -- I know you're saying
6 it's raw table olives and then there's raw -- what was the
7 term -- oil olive. So if it's just raw olives, if that's
8 the universe of what we're talking about, mainly talking
9 about raw oil olives and raw table olives -- you know that
10 whole universe, how much of that, all of those raw olives
11 become ripe olives.

12 MR. SILVEIRA: I can answer. There's
13 approximately 18,400 acres of table olives in the ground in
14 California by variety, mostly Manzanillos. Those are not
15 crossovers, so the tonnage based on -- you've got that
16 information in front of you. Anyway, it'd be from,
17 depending on the year, last year was approximately 75,000
18 plus tons that was produced for table California ripe
19 olives. Does that answer your question?

20 MR. PARTZKY: I can --

21 MR. SILVEIRA: How many acres of oil olives?
22 I'm not an oil olive expert, but I can give you a guess
23 estimate that's not part of our agenda here today. We are
24 distinctly different. We are table olives, California ripe,
25 but there's estimates out there of pushing maybe 30,000

1 acres.

2 MR. GOLDFINE: Okay. And if you want to address
3 that more in your post-conference brief, that would be
4 helpful.

5 The processed agricultural product is ripe
6 olives?

7 MR. SILVEIRA: The Manzanillo, Sevillano
8 varieties are our California ripe olives and that is a
9 process that was invented in California basically in my neck
10 of the woods in Oroville, by Freda Ehmanns, an associate
11 professor out of Berkeley. It is California grown and
12 invented.

13 MR. GOLDFINE: Okay. Just to go back, the
14 question of a moment ago, so I think in the U.S. out of all
15 the table olives harvested over 95 percent of those olives
16 are converted into ripe olives.

17 MR. MUSCO: Out of all the table olives.

18 MR. GOLDFINE: Out of all of the table olives
19 harvested of the 18,000 acres in California --

20 MR. MUSCO: Raw table olives. I said 94
21 percent.

22 MR. GOLDFINE: 94 percent.

23 MR. MUSCO: Yes.

24 MR. GOLDFINE: Okay. On the second prong of the
25 test for whether to include the growers, could you enlighten

1 me a little bit or explain a little more. I think some of
2 this was already addressed, but how do the growers and the
3 processors -- do they share, in terms of these arrangements
4 that you have, share financial risks?

5 MR. SILVEIRA: Could you ask that question
6 again? I'm not understanding it.

7 MR. GOLDFINE: I mean I guess another way of
8 getting at it is, as a grower, I'm assuming you want the
9 highest prices for your olives.

10 MR. SILVEIRA: Right.

11 MR. GOLDFINE: And if the processors are buying
12 it from you, I'm assuming they would want the lowest price.
13 So it would sort of seem to be at loggerheads a bit, so I'm
14 trying to understand in terms of the arrangements that you
15 have with the processors. Is there some kind of shared
16 financial risks or how are your returns, as growers,
17 affected by the profitability of the processors?

18 MR. SILVEIRA: So that's addressed by the
19 California Olive Council, which is a bargaining committee.
20 We go into negotiations every year with the processes,
21 independently and confidentially, and we negotiate those
22 prices. Our issue at hand today is we've hit the wall, not
23 only on the growers' side; our cost of productions are
24 skyrocketing. But on the other side the processors are
25 unable to raise their prices; accordingly, so that we can

1 get the value of the olives we need to keep in production.
2 So you can tell those negotiations are probably a little
3 tense at time.

4 MR. GOLDFINE: And is your return affected by
5 the -- in terms of how the processors what they --

6 MR. SILVEIRA: We have both come to the
7 understanding -- they understand our cost to production. We
8 understand their cost of processing and also their ability
9 to get the value out of the marketplace. So we're at a
10 standstill point.

11 MR. MUSCO: To add to Mike's comments on that,
12 the California industry used to have 38,000 acres of olives.
13 And due to the fact that we weren't able to pay the grower,
14 we could not get the pricing at retail or in food service.
15 We were not able to pay the grower competitive amounts for
16 them to keep the orchards in the ground. At this point, I
17 believe we're literally on the same boat together and we all
18 realize that -- and most recently, as we're getting pricing
19 that is completely irrational in the marketplace, we will
20 not be able to pay nearly enough for these trees to remain
21 in the ground. So we're attached by the hips.

22 MR. GOLDFINE: Okay. And feel free to address
23 that any further in your post-conference submission.

24 And then I guess there's sort of a couple more
25 areas I wanted to just ask about, which is on the -- I think

1 Burreson talked about the storage solution and then the
2 process, so just so I understand here, what exactly are the
3 processors doing to these raw olives that would make them
4 producers? Why aren't the producers here, the growers, I
5 guess is my question because do we have an issue of
6 sufficient production-related activities in terms of if --
7 what's exactly being done to the olive from when you take
8 it off the tree? You said you put it in storage solution.
9 I understand that. And there's some kind of processing
10 that's done, but could you flush that out a little more for
11 me.

12 MR. CARTER: Yes. When the olives arrive at the
13 processing facility, they're green in dry in bulk bins, dry
14 meaning not wet, not like dry like a raisin. We take them
15 and put them across a size grader, so separate them out.
16 The little ones we send off for slicing, then they're all
17 categorized as small, medium, large, extra large up to super
18 colossal. Some of those olives will get sent right to
19 processing, which I'll talk about in a minute, but the
20 majority of them will be put down into storage -- big 10-ton
21 tanks of storage solution where they can be held for, as
22 Dennis said, up to a matter of months.

23 When it's time to process them, we'll take them
24 out of the storage tanks and send them to a processing
25 facility, which is another series of tanks, which --

1 processing or curing and de-bitterizing. So it's taking the
2 bitter proteins out of the olive and that's through a series
3 of baths and rinses. It gets a little bit of ferrous
4 gluconate which is an iron derivative to connect to the
5 tanning to turn them to dark black.

6 At this point, they will have turned brown like
7 a banana would go from yellow to brown. Olives go from
8 green to a dark brown and the ferrous gluconate turns them
9 to that jet black color, but they're still whole. It's a
10 whole, edible olive at this point in large, 10-ton
11 processing tanks. And they're sent to a pitting facility
12 where the olives are mechanically picked and for the ones
13 that are sliced or chopped or wedged that happens in the
14 same piece of equipment. And from there, the pitted or
15 sliced olive goes to the canning area where they're put into
16 cans and steamed in cans or pouches or bowls or whatever the
17 finished product is. And then from there that can or bowl
18 is put into a case. The case is put onto a pallet. The
19 pallet's wrapped and it goes out to the customer that way.

20 MR. HAMILTON: Thank you. Okay. This is
21 Scott Hamilton, and after all that I forgot what I was going
22 to talk about. No, just to add, there was a question about
23 why don't the growers, you know, go soup to nuts, and it has
24 to do with specialty of operation and economies of scale.
25 We have 890 growers. We have two processors. The processors

1 are heavily invested in capital equipment with special
2 equipment unique to ripe olives. Tim talked about grading
3 equipment. We also have processing tanks, pitting
4 equipment, canning, sealing that and then the cooking
5 equipment. We enjoy the economies of scale having two
6 processors as opposed to 890 growers having those
7 operations.

8 MR. GOLDFINE: I would just encourage you -- I
9 know we're here for the Respondents this afternoon, but as
10 you know the Commission has the six factors it looks at for
11 whether they are, you know, what constitutes domestic
12 production and some more things you touched upon just
13 touched upon now the technical expertise involved, the
14 capital investment, the value added, employment levels are
15 some of those factors. You might think about addressing
16 that in your post-conference brief.

17 Do we know what -- in terms of what these
18 olives sell for, I guess another way of getting at the
19 question I'm trying to ask is, you know, you have the -- how
20 much value added is there by the processing? You have this
21 olive that you grow and you sell it later on. If it was
22 sold for let's say a dollar, is the processing ten cents of
23 that dollar, is it 50 cents of that dollar? Is there any
24 way to give an estimate on that or is that for your
25 post-conference brief?

1 MR. LEVINE: This is Jennifer Lutz we can
2 discuss it in the brief, but the processors' questionnaires
3 break out raw olive costs from the other raw material costs.
4 So the numbers are broken out.

5 MR. GOLDFINE: Okay great, and let's see if I
6 have anything else. And are there any -- this is for the
7 attorneys. Are there any related parties issues in this
8 investigation?

9 MR. PARETZKY: There are no -- this is Raymond
10 Paretzky. No related party issues in this investigation
11 that we're aware of.

12 MR. GOLDFINE: Thank you. That's all I have.

13 MR. ANDERSON: Thank you, Mr. Goldfine. And
14 now Ms. Preece, our economist.

15 MS. PREECE: Okay. Thank you very much. It's
16 exciting to be here. I wanted to ask first we've got ripe
17 olives that include both black and green ripe olives; is
18 that correct?

19 MR. CARTER: This is Tim Carter. Yes, that's
20 correct.

21 MS. PREECE: Thank you, and how different -- I
22 mean other than color, which comes obviously from the fact
23 that they're green and black, how different are ripe olives,
24 green and black?

25 MR. CARTER: Tim Carter. There's a very

1 slight difference in flavor because there's no ferrous
2 glucanate in the green olives. The only other difference is
3 that the green olives never are exposed to oxygen. So
4 really for practical matters, the only difference is color.

5 MS. PREECE: So it's a very small difference
6 in the flavor?

7 MR. CARTER: Correct.

8 MS. PREECE: And you wouldn't -- it is in any
9 way comparable to the difference between ripe olives and
10 other table olives; correct? I mean I don't want to feed
11 this -- I don't want to give you the words. I just want --

12 MR. CARTER: So --

13 MS. PREECE: If you're talking about ripe
14 olives versus other kinds of olives, specialty olives,
15 specialty olives, the difference between green and black
16 ripe olives is much smaller than the difference between ripe
17 olives and other specialty olives; is that correct?

18 MR. CARTER: Yes. There's a very small
19 difference in flavor between green and black ripe olives.
20 The texture is the same. The difference between ripe olives
21 and other specialty olives is a big difference in flavor,
22 particularly saltiness. There could also be a big
23 difference in texture or size.

24 MS. PREECE: Okay, that's very helpful. I'm
25 trying to look at the product and see what kinds of

1 substitutes exist and that kind of thing. So it's important
2 to understand that. Of all the eating of table olives
3 consumed in the United States, how much of that is ripe
4 olives and how much of that is specialty olives? Does
5 anybody have any idea, a guess or approximation?

6 MR. LEVINE: This is David Levine. I don't
7 think we have that.

8 MS. PREECE: Okay. Well, if you can come up
9 with any ideas while you're working on your briefs, I'd
10 appreciate it very much. Why are ripe olives typically less
11 expensive than specialty olives?

12 MR. MUSCO: This is Felix Musco. That's a
13 good question. I think because the pressure the industry's
14 had from the subsidized product from Spain and the unfairly
15 priced product from Spain. I think that would go -- I think
16 throughout the world.

17 That's why ripe olives are so suppressed in
18 price, because really the amount of capital that it takes to
19 make a ripe olive is -- there's by far more capital in a
20 ripe olive facility than any other variety of style of table
21 olive process in the entire world. So that's a good
22 question.

23 MS. PREECE: You talked about provisionally
24 prepared olives brought into the United States for making
25 ripe olives. So first of all, are there any fresh olives,

1 just to make sure, that are brought into the United States
2 for processing?

3 MR. CARTER: This is Tim Carter. So usually
4 when we say "fresh olives," what we mean is just recently
5 picked.

6 MS. PREECE: Not provisionally prepared is
7 what I'm talking about. Olives that haven't been
8 provisionally prepared in any way. They just are picked
9 from the tree and go to your place. Are there any coming in
10 say from Mexico that just trundle on it and come into your
11 factory or something?

12 MR. CARTER: This is Tim Carter. Yes, we have
13 some olives trundle up from Mexico, but not from other parts
14 of the world. It would have to be within 24 hours if --

15 MS. PREECE: Okay, so that would be a fresh --
16 so there is some fresh coming in from other locations?

17 MR. CARTER: Yes.

18 MS. PREECE: Okay, okay. I just want to be --
19 when I say something, I want to be correct because sometimes
20 we don't know these things.

21 MR. SILVEIRA: Michael Silveira here. I think
22 you would term those as raw olives.

23 MS. PREECE: Yeah. Well whatever. Raw
24 olives, raw olives. I'm trying to -- we're trying to work
25 on the terminology as Jordan was explaining. Is there a

1 difference between provisionally prepared and storage
2 solution olives, or those are just different ways of saying
3 the same --

4 MR. MUSCO: This is Felix Musco. I think
5 those are really in the same ballpark.

6 MS. PREECE: Okay, good, good.

7 MR. MUSCO: Your provisionally prepared could
8 be the product that says stored in containers going across
9 the sea, and stored olive is in our tanks prior to process,
10 but it's in the same solution.

11 MS. PREECE: Okay. That's very helpful. That
12 clarifies how these things go.

13 (Pause.)

14 MS. PREECE: Is olive demand seasonal, and is
15 it regional?

16 MR. MUSCO: The answer to that would be both
17 yes. But there's not severe differences. There's peaks
18 when the holidays are occurring. There's a peak in the
19 consumption, but it's not -- it's not severe and as far as
20 the geographic consumption, there are differences. Both
21 seaboards are heavier than kind of the southern/central of
22 the country. But again, the consumption is healthy
23 throughout in all markets.

24 MR. CARTER: This is Tim Carter. I think it's
25 also worth noting not within a given year but over the last

1 few years, there's been a lot of growth in the pizza chain
2 segment, which is a big user of ripe olives, which we
3 classify as institutional.

4 MS. PREECE: Okay, okay.

5 MR. LEVINE: Ms. Preece, this is David Levine.
6 I would just add to make sure there's no confusion, that to
7 the extent there is any seasonality, it's not because the
8 finished product isn't storable. When it's in a can like
9 that, it's not seasonal the way fresh produce would be.

10 MS. PREECE: Yeah, okay. I understand. It's
11 a canned product, and even before it's a canned product it's
12 provisionally in storage solution so that it doesn't sort of
13 come on the market like some things do, like fresh figs or
14 something. Okay. Ahh, my famous question. This is the
15 economist question.

16 Only the economist is interested in this, but
17 I'm very interested in this, and this is a question about
18 cost share, and olives are a food and I assume that once you
19 get a can of olives, basically it's 100 percent food. But
20 if I were doing a recipe or a pizza, how much of the cost
21 say of a pizza from your average chain of pizzas would be
22 the cost of the olives? Assuming it's an olivy pizza, not
23 one of these plain ones with no olives. I understand that
24 one.

25 MR. CARTER: We'll definitely have to follow

1 up on that in the post-conference brief. But I can tell if
2 you need an estimate now it's about 2 cents a slice.

3 MS. PREECE: Okay, okay. So that would be --
4 and how about in a sandwich or a salad? I mean we want to
5 go through -- okay salad, sandwich, enchilada. These guys
6 are from California. What other things do you use them in?
7 Pizza, sandwich, okay.

8 That was -- yeah. If you can cover those
9 things, I think you've covered most of recipes with olives
10 in them. If you have any ideas of other recipes with olives
11 in them that you think would be relevant, then you can give
12 me that too on your briefs.

13 MR. DeLEONARDIS: This is Vito DeLeonardis.
14 You can eat them right out of the can too, just without --

15 MS. PREECE: And that's called 100 percent.

16 MR. DeLEONARDIS: It's fantastic.

17 MS. PREECE: Well you know, when I see that,
18 it's not really so -- I mean even though it's 100 percent of
19 the cost of eating olives, it's still kind of the thing is
20 like eating olives, eating something else. They're kind of
21 different. So you know, I understand that 100 percent part.
22 Okay, great. Thank you.

23 Oh yes. You have these annual agreements on
24 the price of olives; is that correct?

25 MR. SILVEIRA: Michael Silveira here. The

1 California Olive Council goes into bargaining sessions every
2 year prior to the harvest time.

3 MS. PREECE: And then they decide on a price?

4 MR. SILVEIRA: Yeah, under the -- it's through
5 the negotiations.

6 MS. PREECE: Well a set of prices actually?

7 MR. SILVEIRA: Through the negotiating
8 process, yes we do set pricing for by size.

9 MS. PREECE: By size, and is that publicly
10 available?

11 MR. SILVEIRA: Actually yes. The growers get
12 that, and once it's been negotiated, keep in mind those
13 negotiations are confidential. Once there is an agreement,
14 all that information is sent out to the growers.

15 MS. PREECE: Okay. I would like somebody in
16 your -- for the briefs, to give me the -- we cover this --
17 in this case we cover four years. Give me the price of
18 olives for each of those years.

19 MR. SILVEIRA: Yeah, and that would be through
20 2016. We haven't negotiated pricing for 2017.

21 MS. PREECE: Well, we're not looking at 2017
22 in this investigation because we just got -- so it would all
23 need to go for those four years. So yeah, you can get me in
24 -- it doesn't matter whether you give me an average price
25 or, you know, the premium olive price. It doesn't matter,

1 because I just want to see what the trend looks like.

2 MR. SILVEIRA: That can be done easily.

3 MS. PREECE: That would be helpful. That
4 would be helpful. So I think all the other questions that I
5 had have been answered by other people. Thank you very
6 much, and I hope you're enjoying the effects of all that
7 lovely rain, even though I guess Orville was not too happy
8 about that.

9 MR. ANDERSON: Ms. Neumann, please.

10 MS. NEUMANN: Hi. Thank you for coming and
11 speaking with us today and I'm going to ask for your
12 patience. I have questions that range from definitional
13 product type language to giving us a sense of the
14 production, some issues affecting production. So I have a
15 lot of questions. If there's something you can only address
16 in your post-conference brief, that's fine.

17 My first question is just a point of
18 clarification. Are California-style olives produced without
19 fermentation?

20 MR. CARTER: This is Tim Carter. Yes.

21 MS. NEUMANN: Are there any specialty-type
22 olives that are produced without fermentation?

23 MR. MUSCO: This is Felix Musco. No.

24 MS. NEUMANN: Okay. The pickling variety,
25 does that use fermentation?

1 MR. MUSCO: Yes.

2 MS. NEUMANN: Okay. Can you talk a little bit
3 about the ferment, like the process, the manufacturing
4 process of curing. I understand that the oxidization is
5 what makes your table olives turn black. The green ripe
6 olives are just not oxidized; otherwise, the manufacturing
7 process for green ripe and black ripe olives is the same; is
8 that correct?

9 MR. MUSCO: Yes, that's correct.

10 MS. NEUMANN: Okay, and then what is it that
11 inhibits fermentation, or why is that -- like is it the
12 brine in specialty olives that causes fermentation to
13 happen?

14 MR. MUSCO: Yes. When you add a certain
15 amount of salt to the product and it can sit for a period of
16 time, natural fermentation because of the sugars in the
17 product will occur.

18 MS. NEUMANN: So in that storage solution that
19 you -- that sometimes I think there are these provisionally
20 preserved olives or in your storage tank, in either of those
21 cases is there any fermentation?

22 MR. MUSCO: In California there is not.

23 MR. CARTER: This is Tim Carter. It can
24 happen. It can turn if there's an issue with these storage
25 solution. It can happen and can be corrected, and as I was

1 trying to describe earlier, you can start an olive out
2 headed towards fermentation, and if you stop it before it's
3 fully fermented, you can bring it back over to be a ripe
4 olive. So there can be a slight amount of fermentation in
5 the ripe olive, but it's not intentional usually.

6 MS. NEUMANN: Can you talk a little bit more
7 about that process, where I think you maybe mentioned that
8 there is a possibility, in terms of like defining the like
9 product and defining the product in this case of raw table
10 olives, how something could start out in one way and enter
11 the U.S. and still be processed as -- is the definition of a
12 black ripe olive one that has not been fermented? Is that
13 part of that definition?

14 MR. CARTER: It is part of the definition. I
15 think if you want the science behind it, we'd have to follow
16 up in the post-conference brief. But I can tell you what
17 happens. Some small amount of olives in the United States,
18 a large amount in other countries, but a small amount in the
19 United States are processed through fermentation, what's
20 called a Sicilian style olive.

21 We have in the past run short of -- and those
22 olives are typically much bigger, the jumbo, colossal or
23 super colossal. We have in the past run out of that size of
24 olives for our own ripe processing facility. If we -- so we
25 can call up the Sicilian style processor.

1 If we're early enough in the fermentation, we
2 can buy those olives from them and put them in ^^^^ take
3 them out of fermentation, put them in our storage solution
4 and use them for ripe olives. The same could be done with
5 the Spanish style olive or any other, or many other types of
6 olives.

7 MS. NEUMANN: Okay, and then is there a term
8 of art that is used to describe the provisionally preserved?
9 Is that bulk olive? Is that storage olive? How do I
10 distinguish that between what's in your storage tank?

11 MR. CARTER: This is Tim Carter. When you say
12 "provisionally preserved," that sounds like the HTS
13 classification.

14 MS. NEUMANN: Yeah.

15 MR. CARTER: It's not really a term that we
16 use in the industry. But I'm not sure we can answer that.

17 MS. NEUMANN: So I think the reason I'm asking
18 that is along our panel, we've been trying to get clarity in
19 terms of what you call olives when they're -- and trying to
20 understand whether what's imported is literally like a dry
21 olive or an olive that is in some sort of liquid, and then
22 how far along in that liquid it is so that we know what to
23 call it.

24 We've heard it interchangeably referred to I
25 believe as raw olives. That's a little bit of just like

1 trying to get clarity. Are you saying a dry olive is a raw
2 olive and then something in this provisionally preserved
3 liquid is also a draw olive?

4 MR. MUSCO: This is Felix Musco. I think that
5 we've heard ^^^^ I think these are really great issues
6 you're raising as far as definition. I think for us give it
7 some time and come back to you in our brief, and become very
8 accurate on this, because there's only so many different
9 terminologies that we have here and also different
10 terminologies that are in Europe.

11 So I think we can sit back and take some time
12 to really conclude that about the consistency. A lot of the
13 terms are interchangeable, you know. Provisionally cured
14 and storage brine are pretty much the same term I believe.

15 MS. NEUMANN: Okay.

16 MR. PARETZKY: This is Raymond Paretzky, and I
17 think Felix is right. We'll address this in the
18 post-conference brief. But just to, you know, we talked
19 about those two HTS term, the fresh or chilled olives and
20 the provisionally prepared.

21 But I think to the industry those are both raw
22 olives. It's just that the fresh or chilled olives are the
23 ones, as Tim pointed out before, that are within the first
24 24 hours. They're dry. They might be coming from Canada or
25 Mexico. There's no other imports into the U.S. of fresh or

1 chilled olives.

2 Anything that's going to come for longer than
3 that that's it's still a raw olive to the industry, but they
4 have to pack it in a solution for coming. I don't think
5 that that's different in kind from the raw olives that they
6 get from the grower, that they're not ready to process
7 immediately, that they're likewise going to put in a storage
8 solution before they're ready for processing.

9 So you know, I think that to the industry it's
10 all a raw olive until it's processed, and so it doesn't
11 matter if it's come in dry as a fresh olive, if it's been
12 imported and provisionally prepared under the HTS, or if
13 they've put it in a storage solution themselves. It's still
14 a raw olive until they begin the processing steps that Tim
15 outlined in his testimony before.

16 MS. NEUMANN: Okay. We talked a little bit
17 about the two primary cultivars, the Manzanillo and the
18 Seveillano that are grown in the United States. Can you
19 talk a little bit about the oil content of the Manzanillo
20 and how it changes over time, ripening on the tree, whether
21 that would allow the Manzanillo type to be processed into
22 olive oil, or whether the dynamics of the olive oil market,
23 just like the flush to pit ratio, make that impossible?

24 MR. GARCIA: This is Edward Garcia. The
25 Manzanillo olives, the specific variety it's used only

1 pretty much for table olives. The oil varieties are --
2 there's a much higher oil content. There has been instances
3 where we have tried to produce the Manzanillos for oil and
4 it does not work.

5 As far as from a production standpoint, the
6 yield is probably about half of what the oil varieties are.
7 So economically it's very unfeasible for us to take the
8 Manzanillo olive and convert it over to an oil olive. So
9 the Manzanillo olive can only be used for a table olive.

10 MS. NEUMANN: Okay. Do you have any knowledge
11 like the Hoji Blanca variety that's grown in Spain, is that
12 -- to the best of your knowledge, is that usable for both
13 table olive and olive oil use based on oil content?

14 MR. CARTER: This is Tim Carter. Yes, that's
15 an olive that can be used for either one.

16 MS. NEUMANN: Okay. In terms of the
17 production process, it's my understanding that the olive
18 trees will take about five to seven years before they become
19 commercially viable for harvest.

20 Is the age of the tree a factor in the yield,
21 in terms of like olive trees can be harvested for thousands,
22 hundreds or thousands of years? Is there a point at which
23 that yield declines? What's the optimal age of an olive
24 tree for peak harvest?

25 MR. DeLEONARDIS: Yeah. Vito DeLeonardis

1 here. For the Manzanillos, after about the third or fourth
2 year, they'll start production at a very low rate. By about
3 the tenth year, they'll come into full production, and after
4 that when the tree reaches its adulthood, you know, through
5 pruning and what-not they'll -- if you continue to, you
6 know, cultivate the trees and treat them right, you can get
7 quite a bit of longevity out of them. So they could
8 continue to grow, but you have to maintain the tree.

9 MS. NEUMANN: So the yield would not decline
10 with the age of the tree, depending on pruning?

11 MR. DeLEONARDIS: As long as you continue to
12 maintain the tree and keep it healthy, after you get past
13 the tenth year you can pretty much keep it about the same
14 level.

15 MS. NEUMANN: Okay, and how old would you say
16 on average most of the orchards, the table olive orchards in
17 California are?

18 MR. DeLEONARDIS: Oh ages.

19 MR. BURRESON: This is Dennis Burreson. I
20 would say that the average across the state is something in
21 excess of 50 years of age, 50 or 60 years of age. That
22 probably would be a pretty good number.

23 MS. NEUMANN: Okay. A little bit about the
24 alternate bearing nature of the olive trees. My
25 understanding is it's naturally an on and off cycle, but

1 that through your production management techniques you can
2 smooth that out into like three pretty good years, one like
3 the fourth year being a slightly worse year.

4 To the extent that there are differences in
5 orchard sizes and you have larger growers and smaller
6 growers, are larger growers more likely to be able to smooth
7 that alternate bearing cycle out than family sized growers?
8 Can you make any comment about like the use of those
9 techniques?

10 MR. GARCIA: This is Edward R. Garcia. I
11 think the alternate bearing techniques in order to avoid
12 that alternate bearing cycle, it's not necessarily to the
13 size of the grower. It's more to the economics of each
14 individual grower if they have the economic means to do the
15 pruning techniques, the spray thinning chemicals, the water
16 management and so forth. It's not necessarily to the size
17 of each individual grower. It's more to the economics.

18 MS. NEUMANN: And then do growers typically
19 try to divide up their orchards, so that you have maybe half
20 of your orchard on and half off?

21 MR. GARCIA: At times. The ideal thing is to
22 be ^^^^ to get the entire orchard at a consistent basis, to
23 where year after year you get that consistent yield, as
24 opposed to getting the higher swings.

25 MS. NEUMANN: So a grower would be more likely

1 to hit for all on or all off? You're not splitting the
2 baby?

3 MR. GARCIA: Well, I guess you could say if
4 the economics aren't there, then we aren't able to provide
5 the correct culture management, which has been the case
6 here.

7 MS. NEUMANN: Can you give us a sense of the
8 last four years, kind of where we are on the crop cycle in
9 terms of these on and off years?

10 MR. GARCIA: Sure. I think you heard earlier
11 that part of the acreage is in southern California, part in
12 the north. So what's happened in the last couple of years,
13 the north has had a better crop than the south? We're just
14 kind of changing the cycles a little bit. It's made it more
15 of a consistent cycle. It has created alternate cycles, but
16 when you average out the north and south, that's kind of
17 where you minimize that alternate bearing, for an industry
18 as a whole.

19 MS. NEUMANN: Is that due to the drought?

20 MR. GARCIA: No, not necessarily.

21 MS. NEUMANN: But in the last three or four
22 years?

23 MR. GARCIA: I wouldn't say it's the drought.
24 It's more I would say culture practices.

25 MS. NEUMANN: Okay. So this last crop year,

1 would it have ^^^^ was it lower than the last year or two?
2 This past crop year. Was it low -- has it been lower than
3 the last two years?

4 MR. BURRESON: The last -- this is Dennis
5 Burreson. The last couple of crop years have been pretty
6 similar, you know. '15 and '16 were quite similar.

7 MS. NEUMANN: To '13-'14, or '14, '15 and
8 '13-'14?

9 MR. BURRESON: '13 was -- you know, '13 was a
10 biggish year. '14 was down a little bit.

11 MS. NEUMANN: And then do you -- I think my
12 understanding is that based on the blooms, which typically
13 are at the end of May, you guys, the growers tend to have a
14 sense of the harvest for the coming year. Would you -- I
15 know we're not looking at 2017, but is 2017 going to be a
16 big year? I think I heard someone say that it was expected
17 to be.

18 MR. SILVEIRA: Michael Silveira here.
19 Actually, the bloom typically is around the 1st of May, and
20 we would have somewhat of an idea around the middle of June
21 as to what crop estimates would be. We do have a crop
22 estimate based on the California Olive Committee's analysis,
23 and for this year it's 81,500 tons.

24 MS. NEUMANN: I'm sorry. I don't have the
25 figures in front of me. How does that compare to last

1 year's?

2 MR. SILVEIRA: Last year was approximately
3 77-78 thousand tons, approximately. That's an estimate.

4 MS. NEUMANN: Okay, okay.

5 MS. LUTZ: This is Jennifer Lutz. I just
6 wanted to clarify, because there's been a lot of talk about
7 the effects of droughts on the harvest, and in general what
8 I heard in our preparation was that droughts increase costs
9 to the growers, but have not affected yields generally.

10 MS. NEUMANN: How much water per foot acre
11 does an olive tree need to be, you know, at a peak?

12 MR. SILVEIRA: The estimated usage of olives
13 for a commercial production is approximately three and a
14 half to four acre feet, depending on your
15 evapotranspiration, right?

16 MS. NEUMANN: Do you have a sense of the cost
17 per foot acre of water before the drought, compared to
18 during the drought, compared to now?

19 MR. SILVEIRA: So I'll answer that and then
20 I'll turn it over to somebody other, especially the southern
21 growers here, Vito. It varied across the board. The
22 southern growers especially were hard hit financially.
23 Vito.

24 MR. DeLEONARDIS: Yeah. Down south there were
25 probably some growers that paid upwards of \$1,200 an acre

1 foot of water during the drought years.

2 MS. NEUMANN: And before the drought, how much
3 would they have paid?

4 MR. DeLEONARDIS: Oh, that could have been two
5 or three hundred, maybe even less, depending on the year.

6 MS. NEUMANN: Okay. Does the allocation of
7 water as well as the cost factor into the regional
8 differences? Like do -- I mean California farmers can get
9 water from -- like farmers, neighboring farmers can have
10 vastly different prices is my understanding of the water
11 cost?

12 MR. DeLEONARDIS: That's correct.

13 MS. NEUMANN: Right, depending on where you're
14 drawing from?

15 MR. DeLEONARDIS: That's correct.

16 MS. NEUMANN: So also like the actual amount
17 of water that you're allowed to use, does that vary?

18 MR. DeLEONARDIS: In general yeah, it does
19 vary with regards to the allocations from districts. Within
20 our olive growing area, for the most part we were blessed
21 with above ground storage allocations as well as
22 supplemental irrigation wells.

23 MR. DeLEONARDIS: That's definitely a problem both
24 ways. One, the less amount of water that was allocated, the
25 more expensive. And the lower the water table, the more

1 expensive to pump it out of the ground. So it was twofold.

2 MS. GLEASON: We'll try to get back--Carolyn
3 Gleason--we'll try to get back to you in our posthearing
4 brief with average water cost.

5 MS. NEUMANN: Okay. Is there crop insurance that
6 helps you smooth out your alternate bearing cycles? And how
7 much--do most growers use that? Is there a limit on who can
8 use that?

9 MR. DeLEONARDIS: I'll answer that. We have crop
10 insurance, but it's not to help stabilize the alternate
11 bearing. It has to do with disaster. And if you're in a
12 disaster situation, that crop insurance has high premiums
13 and you must commit to that on a two-year basis. With that
14 said, it barely covers your cost.

15 MS. NEUMANN: Did the recent drought qualify under
16 that insurance program?

17 MR. DeLEONARDIS: No. If you had an issue with no
18 water, you would be disqualified.

19 MS. NEUMANN: Do you know offhand--like from my
20 understanding most broad table olive cultivars are
21 hand-harvested here in the United States. Is that correct?

22 MR. DeLEONARDIS: I didn't hear the question.

23 MS. NEUMANN: I'm sorry. So the table olive
24 varieties in the United States are hand harvested. Is that
25 correct?

1 MR. DeLEONARDIS: The majority, yes.

2 MS. NEUMANN: Is that the same, to the best of
3 your knowledge, in Spain? Are they mechanically harvested?
4 Are the table--the ripe table olives meant for ripe olive
5 processing also mechanically--also hand-harvested?

6 MS. MUSCO: I'll answer that. This is Felix
7 Musco. There seems to be--we can address this more in the
8 brief, but I believe there's more mechanical harvesting in
9 Spain. And the reason being is they've been able to invest
10 in modernized acreage, where that's been a big struggle
11 financially for the U.S. to do.

12 MS. NEUMANN: The hand-harvesting process is, in
13 my understanding, fairly slow and time consuming. It takes
14 like a picker can do one or two trees a day? That's my
15 understanding from what I've read. Is that about right?

16 MR. GARCIA: This is Edward. Yeah, the harvest
17 can be very tedious, to say the least. It's very, very
18 expensive, which is a big cost. As far as what a picker can
19 do, I'd say it's probably, depending on the load of the
20 tree, the amount of olive in the tree, they could be
21 anywhere from two to four to five trees.

22 MS. NEUMANN: Do you do multiple pass-throughs in
23 an orchard? Do you go through and harvest everything at
24 once? Do you go multiple times?

25 MR. GARCIA: As an industry, I'd say probably the

1 majority of the growers do it all in one pass. There are a
2 few growers that do a couple of passes, if you have the
3 labor available to do it.

4 MS. NEUMANN: Would you say that labor accounts
5 for the bulk of your costs?

6 MR. GARCIA: Absolutely.

7 MS. NEUMANN: And is most of that in the harvest
8 season, compared to the pruning?

9 MR. GARCIA: Correct.

10 MS. NEUMANN: Have you experienced increased labor
11 costs? Or do you have any comment on like the new overtime
12 rules in California and how that impacts your labor costs,
13 or immigration issues driving labor costs in the last three
14 or four years?

15 MR. GARCIA: Yeah. The California olive industry
16 is actually, it's so small commodity compared to other
17 commodities that are mainly harvested. So the availability
18 and shortage of labor is not really an issue. The issue
19 that we're facing is more of an economic issue.

20 As growers, we're seeing a low market price.
21 We're not able to compete with the commodities for that
22 labor with the direct relation of the subsidies that our
23 competitors are receiving.

24 MS. NEUMANN: Do you face a lot of competition for
25 labor at harvest time with other crops?

1 MR. GARCIA: Only at the very beginning of
2 harvest. Towards the middle and later part of harvest, we
3 are pretty much the only commodity with harvesting. So
4 harvesting only starts the first week of September and goes
5 all the way through the end of October or November. So the
6 month of October and even the first part of November, we're
7 pretty much the only commodity.

8 So that labor is available, we just don't have
9 the resource, the economic resources to get it.

10 MS. NEUMANN: Okay.

11 MR. MUSCO: I'd like to add comments to the
12 mechanical harvesting. There's benefits to--versus hand
13 harvesting--there's yield benefits to hand harvesting where
14 you can get nearly every olive off the tree. So you get
15 close to 100 percent off the tree. Where, regardless of the
16 type of machine you're using or where you are in the world,
17 mechanical harvesting will only get 70 percent, 80 percent
18 plus, but not near the yield you get by hand.

19 And also by mechanical harvesting, you will
20 damage the tree to a certain degree. And so you reduce the
21 potential crop for the following years, and also the length
22 of the viability of the tree. So there's pros and cons.
23 Obviously the quality is better when you hand harvest.

24 MS. NEUMANN: And in terms of quality, are you
25 looking as a processor when you're looking to buy, are you

1 looking for size? Like do you pay a higher price for the
2 size of the olive? Or the olive oil content for the table
3 olives? What is kind of the factor that you're deciding on
4 the most?

5 MR. MUSCO: There's really a split in cost between
6 the very small olives that are used for sliced, and the
7 industry pays less for those. And then after that, the
8 sizing is about the same. So there's different preferences
9 in sizing depending on the market.

10 MS. NEUMANN: Does the Federal Marketing Order
11 only cover ripe olives, not specialty olives?

12 MR. SILVEIRA: That is correct.

13 MS. NEUMANN: And so you said that the price is
14 set between--the price is set between growers and processors
15 are negotiated annually? Is that right?

16 MR. SILVEIRA: Not with the California Olive
17 Committee, but with the California Olive Growers Council.

18 MS. NEUMANN: Okay.

19 MR. SILVEIRA: Correct.

20 MS. NEUMANN: And those are based--there's a
21 specific price for each size? Is that right?

22 MR. SILVEIRA: That is correct.

23 MS. NEUMANN: Okay. And does it vary on Cultivar,
24 Manzanilla, or Seviano, or just size?

25 MR. SILVEIRA: That is correct.

1 MS. NEUMANN: And then I guess are there different
2 grades of olives, like a Grade A, Grade B, Grade C?

3 MR. SILVEIRA: It's distinguished by size.

4 MS. NEUMANN: Can all of those grades be used in
5 black ripe--in ripe olive production?

6 MR. SILVEIRA: Yes, in different forms.

7 MS. NEUMANN: Are there--Excuse me?

8 MR. BURRESON: I'm sorry. Dennis. No, there is a
9 differentiation in terms of over ripeness, or size. If the
10 fruit is under-sized, or if the fruit is over-ripe, then
11 there's a different price, obviously.

12 MS. NEUMANN: Are all growers bound by the Federal
13 Marketing Order? I mean, can you as a processor buy table
14 olives from a grower that isn't working, or isn't part of
15 the Federal Marketing Order?

16 MR. SILVEIRA: So the Federal Marketing Order is
17 in totality of the industry. So the California Ripe
18 Industry is governed by the Federal Marketing Order, the
19 California Olive Committee totally.

20 MS. NEUMANN: Okay. Could you talk a little bit
21 about whether there are any specialty olives sold into the
22 institutional sector? Or is the institutional sector pretty
23 much served only by ripe olives?

24 MR. MUSCO: The institutional sector buys all
25 types of varieties and styles of product, as well as the

1 retail.

2 MS. NEUMANN: So do the table olives that are
3 subject to our scope right now, do they compete with
4 specialty olives in the institutional sector in terms of
5 usage for like pizzas, or sandwiches?

6 MR. MUSCO: No. They are distinct products.
7 Whenever we are asked for pricing, the customer is asking
8 specifically for a certain style of, in our case it would be
9 ripe olives. And I don't see them ever switching back and
10 forth between different styles.

11 MS. NEUMANN: Okay. And do either of you, either
12 Mr. Carter or Mr. Musco, do you produce any specialty
13 olives? Do you process any specialty olives?

14 MR. MUSCO: Yeah, our company--my grandpa actually
15 started with a product called Sicilian Style olives, and we
16 still do that in our original facility up in Orland. And
17 it's around 5 percent of our production.

18 MS. NEUMANN: Can you describe just a little bit
19 about the differences in the manufacturing process between
20 the Sicilian style and the--

21 MR. MUSCO: A Sicilian style olive is, it's
22 typical of most other specialty olives. Basically you pick
23 it from the tree, put it into a tank, you introduce a good
24 level of salt, and because there's sugars in the product
25 it'll go through a fermentation period over four to seven

1 months, and then basically it's fully cured. And from there
2 you can put it in any type of package and it doesn't have
3 any--it doesn't need any cooking for it to be stable. And
4 then you sell it.

5 MS. NEUMANN: Are Sicilian style olives used
6 mostly in like snacks, appetizers, or more as ingredients in
7 further processed goods?

8 MR. MUSCO: It could be used as a snack. It could
9 be used as an ingredient, either way.

10 MS. NEUMANN: Do you have a sense of like--or do
11 you think in your post-conference brief you could maybe talk
12 a little bit about--

13 MR. MUSCO: The usages?

14 MS. NEUMANN: --the usages of not just the table
15 olives and specialty olives writ large, but maybe if you
16 could, Spanish style, Sicilian style, Greek style?

17 MR. MUSCO: Sure. We can address that. Thank
18 you.

19 MS. NEUMANN: One other question. We've talked
20 about olives not being edible from the tree. If an olive
21 stays on a tree through let's say December to when it fully
22 naturally ripens, would it be still considered a "raw olive"
23 at that point?

24 MR. MUSCO: Yes.

25 MS. NEUMANN: Okay. Is it edible at that point?

1 MR. MUSCO: No.

2 MS. NEUMANN: No? Okay, so there is some--the
3 olives that are cured through I guess salt, if there's like
4 a salt curing process, are those considered fermented?

5 MR. MUSCO: A true salt-cured olive is a different
6 type of process. Basically it's--we consider it like a
7 sun-salt cured olive. So it's heated in a sense by the sun,
8 or it could be baked. And that product, I'd have to get
9 back to you on it in the brief. I don't know if it goes
10 through fermentation or not.

11 MS. NEUMANN: Okay. On the olives that are cured
12 through repeated water rinses, are those fermented? Is that
13 considered to be a fermented olive?

14 MR. MUSCO: Again, I'm not familiar enough to
15 know. We'd probably have to get back to you on that.

16 MS. NEUMANN: Are there any commercially sold
17 table olives that are produced just through that water rinse
18 process?

19 MR. MUSCO: Not that I'm familiar with.

20 MS. NEUMANN: Okay. I told you I had a lot of
21 questions. You know; actually I will go over so I don't ask
22 too many questions. I'll give someone else a turn and then
23 maybe you can get me again at the second pass.

24 MR. ANDERSON: Thanks, Ms. Neumann. I believe Mr.
25 Harriman has a follow-up question or two.

1 MR. HARRIMAN: Hello. Thanks again. A couple of
2 quick follow-ups for you guys. Thank you again for your
3 answers.

4 First of all, it's really more of a confirmation
5 and really fundamental. We appreciate your attention you
6 folks are giving to our desire to really sort of parse out
7 these terms here.

8 I'm just sort of curious. It seems like--it
9 seems pretty fair to the industry that you have two
10 different silos here where ripe olives are a silo and that's
11 what we're here for to talk about, and then specialty olives
12 is a wholly separate silo. You really don't have to worry
13 about any overlap between these two.

14 And then, relatedly, that the specialty olive is
15 a good umbrella term for all of these Spanish-style,
16 Sicilian-style, all these things which are not intended to
17 be in the scope, essentially?

18 MR. PARETZKY: This is Raymond Paretzky. Yes,
19 that was a very good summary. Thank you.

20 MR. HARRIMAN: Okay, thank you. I know we
21 discussed earlier about you can have a ripe olive that is
22 either black or green, and the difference is whether you
23 oxidize it to make it black. Is there a deliberate reason
24 why most ripe olives end up being black? Is that a matter
25 of the historical development of it? Is it addressing some

1 demand in perception of what people expect from ripe olives?

2 MR. MUSCO: I think it was part of the original
3 invention. You know, to have such a black colored food was
4 unique, and today the American consumer, and also the
5 consumers around the world, are accustomed to that. And
6 there's a natural demand for that color.

7 MR. HARRIMAN: Okay. And this may be a question
8 more for your comments, so feel free to address it there.
9 Is oxidizing a really capital-intensive process? Is there a
10 lot to it? Is there any part of it that just natural
11 elements play a factor?

12 MR. MUSCO: There's a lot of capital to do that.
13 The tanks are developed specifically for it, and it's
14 unique. But we can address that in the brief.

15 MR. HARRIMAN: Okay. Thank you. Olives can come
16 prepared in different ways: sliced, whole, pitted, wedged,
17 and what have you. Again this might be more of a comments
18 question, but for the processes are your operations designed
19 such that you can move between producing--or preparing, I'm
20 sorry, different kinds of olives in different styles? Or is
21 the nature of the industry such that you can say, hey, let's
22 focus more on this preparation versus that preparation? And
23 that you don't need to adjust too much to different
24 preparation styles?

25 MR. CARTER: This is Tim Carter. So to switch

1 from a pitted olive to a sliced olive is a couple-hour
2 changeover. We can make that change very easily. Is that
3 the question in its entirety? Or were you also asking about
4 changing over to specialty olives?

5 MR. HARRIMAN: Well, no, in terms of just simply
6 if you have a whole olive versus a sliced, or a wedged
7 olive, I didn't know if your operations were such that you
8 tried to address those different preparation styles equally,
9 or if you focus on one or the other and if you needed to
10 change that focus, if that would be an easy thing to do or
11 not, essentially.

12 MR. CARTER: As it happens, we have two different
13 lines, and one of them is focused on the sliced and the
14 other is focused on pitted. But we do--if there's a big
15 demand for sliced, we can change over very easily. So it's
16 a pretty flexible packaging to make that change over.

17 MR. HARRIMAN: Okay.

18 MR. MUSCO: This is Felix Musco. I concur with
19 what Tim is saying. It's quite easy to switch. It's using
20 the same equipment. We call them "pitter-slicers." So you
21 can pit or you can pit and slice.

22 MR. HARRIMAN: Okay, thanks. Two quick follow-ups
23 just for the questionnaires. One, if any of the team wants
24 to comment on the coverage of our grower's questionnaires.
25 To the extent we've--both in absolute terms and to the

1 extent that we have captured any diversity of different
2 kinds of growers, feel free to comment on that. Now, or in
3 post.

4 MR. LEVINE: We've touched on in Jennifer Lutz's
5 testimony today a little bit about the distinctions between
6 the growers based on their different sizes and regional
7 differences, and we'll cover more of that in the brief as
8 well.

9 MR. HARRIMAN: Okay. And lastly, also for the
10 comments in the brief, feel free also to comment on the
11 merits of using questionnaire data for imports, or the
12 official import statistics, as well.

13 MS. LUTZ: I'll just make a quick comment. I
14 don't know what we're going to get today or tomorrow in the
15 AP release, but so far the importer coverage is very low.
16 So I don't think relying on that would give you a full
17 picture.

18 MR. HARRIMAN: Okay, thank you for mentioning
19 that. And with that. I thank you again for coming here and
20 for answering our questions. I'll pass it over.

21 MR. ANDERSON: Thank you, Mr. Jordan. And if you
22 can indulge us just a little further, our Supervisor
23 Investigator Ms. Haines has a few questions.

24 MS. HAINES: Thank you. I know that Ms. Lutz said
25 that during the drought generally speaking it didn't affect

1 the yields, generally speaking. In the opening statement,
2 the Respondent said that the size could be a problem, which
3 I think they were referring to in the drought the size of
4 the olives might have been affected.

5 So during the drought, does it affect the size?
6 Or is it the volume of the harvest? And if it does affect
7 the size, did you encounter a problem meeting size
8 requirements?

9 MR. SILVEIRA: Michael Silveira here. Generally
10 speaking, the sizing issue becomes an issue during higher
11 volume and yields per acre versus lower, generally speaking.

12 Did that answer your question?

13 MS. HAINES: Does anyone else--

14 MR. CARTER: This is Tim Carter. A big crop,
15 meaning overall tonnage, usually produces smaller olives.
16 Not to the point of it being an issue. We still want bigger
17 crops. Whereas a small crop, meaning overall total tonnage,
18 usually produces bigger olives.

19 MS. HAINES: Okay. And are the--what do the
20 larger ones go for, and what are the smaller--are you
21 chopping the smaller ones? Are you chopping the--sort of
22 how does that differentiate?

23 MR. CARTER: We'll have to send over the specific
24 pricing, but the smaller olives are--when the processors buy
25 them from the growers, we pay less for those. And the two

1 smallest sizes are sub-petit and petit, and by way of the
2 Federal Marketing Order we are only allowed to slice those.
3 They can only be sold as sliced olives.

4 The next size up, small, medium, large, those--we
5 like to sell them as pitted because we can get more for
6 them, but often times we end up slicing some of the smalls
7 and maybe even some mediums as well.

8 MS. HAINES: Okay. Thank you. Also in the
9 opening statements the Respondents were saying that the
10 processors would not be able to meet your capacity with just
11 domestic grown olives. Is this a statement you agree with?

12 MR. MUSCO: It depends what year. For the
13 foreseeable future, we will have ample supply of product for
14 the marketplace.

15 MR. SILVEIRA: If I may add to that--Michael
16 Silveira here--the issue is that the acreage base coming out
17 of olives tends to agitate this issue of full capacity. If
18 that continues, we're in trouble.

19 MS. HAINES: Just out of curiosity, again the
20 Respondents said that they felt that a lot of the acreage
21 that was being repurposed for olive oil because of the
22 demand in that, how long--if you're putting sort of the--
23 said they looked like a vineyard--how long before you would
24 be able to get a crop of olive oil olives?

25 MR. BURRESON: Dennis Burreson. It's going to

1 take the same five, or six, or seven years. Some people
2 might argue it's three or four, but it seems like it doesn't
3 matter which you go to. It's going to take that five to
4 seven years. And as Vito alluded to, it probably takes up
5 to 10 years to get the full production.

6 MS. HAINES: And do you agree with their
7 statement? Or do you have any thoughts on the statement
8 that people are repurposing because of the demand in olive
9 oil?

10 MR. BURRESON: I think it has more to do with the
11 economics of what's going on with the table olive. I mean,
12 you know, we're to the point where we're just not getting
13 the returns we need to get. And so I would say it's more
14 about that than it is about what the other opportunity might
15 be.

16 MR. MUSCO: And I'll add to that. This is Felix
17 Musco. I'm not aware--I'm not as close to it as the growers
18 in the room here, but I'm not aware of any table olive
19 acreage being converted over to olive oil acreage.

20 And when a grower makes the difficult decision to
21 pull table olive trees, they would go to a much more
22 profitable crop and probably would not consider olive oil
23 because it wouldn't be economically important enough to
24 convert table to--I don't believe table olives to olive oil
25 olives.

1 MR. BURRESON: Dennis again. I totally agree. I
2 mean it's based--well, I went to almonds.

3 MR. GARCIA: I can tell you the grower, if I'm
4 making olives out, I'm not putting oil olives in.

5 MR. SEVEIRA: Michael Silveira here. I concur
6 with that, absolutely. A lot of the olive oil varieties are
7 going to ground today in soil that has not been planted in
8 trees, and it's in some cases soil that's class 3 or class
9 4, on the lower end of the fertility scale.

10 MS. HAINES: Thank you. My last question. Again,
11 the Respondents mentioned that there's a tree, bacteria tree
12 disease that they're fighting in Spain. Do you have any
13 knowledge about that? Or are you facing anything similar
14 like that here?

15 MR. SILVEIRA: I'd like to answer that. Michael
16 Silveira again. We are aware. I don't know the exact name
17 of the bacteria, and I don't know if it was Italy or Spain,
18 but there is a disease that's popped up that's devastated
19 the orchards. I think it came out of Costa Rica potentially
20 on ornamentals, and here it's a strain we call, the common
21 name is Pierce's Disease. And we don't have that strain in
22 California. We're extremely nervous about that potential.

23 And of course the California Olive Committee,
24 which does research and development, and we're assessed for
25 that, is watching that. And our issues with that is, to get

1 a remedy takes years in many cases.

2 MS. HAINES: So if a tree is affected by that,
3 would you have to rip it out?

4 MR. SILVEIRA: Fortunately we're not to that
5 point. We don't have that organism in California. I just
6 would hate to see it. It kills them. So, yes, you'd have
7 to get rid of it, according to what I've seen. And you can
8 Google that.

9 MS. HAINES: Okay. Thank you very much. That's
10 all my questions.

11 MR. ANDERSON: Thank you, Ms. Haines. I just want
12 to close the loop on one of her questions and invite you to
13 comment on, when you mentioned profitability, about
14 switching to other plants, or trees, or crops, and that
15 you're making a tough economic choice to get out of the ripe
16 olive business, particularly for the growers, if you could
17 in your post-conference brief just talk a little bit about
18 the economics of that decision. And then what the profit
19 margins are for whether it's walnuts, almonds, or whatever
20 the alternative crop that you're choosing to move to because
21 of the market conditions for ripe olives. I would just
22 invite that kind of detail in your post-conference brief.

23 And with that, I believe Ms. Neumann has a few
24 follow-up questions.

25 MS. NEUMANN: I'll try to be brief. To stick with

1 questions, in the crop cycles when you have a lot of
2 production you hold the raw olives in storage tanks. How
3 long can they be held? I mean clearly the harvest comes in
4 like six to eight weeks in the fall. How long can you hold
5 the olives in the storage tanks?

6 MR. MUSCO: You can hold them up to 12 months.

7 MS. NEUMANN: Okay. How long can you hold the
8 fully processed olives? So you have an inventory of
9 finished product--

10 MR. MUSCO: Like in cans, for example?

11 MS. NEUMANN: Yes.

12 MR. MUSCO: Up to four years.

13 MS. NEUMANN: Up to four years? Okay. And then
14 maybe in your post-conference brief, if you could talk a
15 little bit about years--if there are any dynamics which
16 would--under which you might purchase and import olives from
17 other sources, rather than domestically grown olives, if
18 there are any such cases?

19 So if you have a year where--you know, I know
20 you've said there isn't enough, there generally isn't enough
21 California production of the table olives in raw form. Are
22 there any scenarios under which there might be growers you
23 turn away and buy imported material? If you could, discuss
24 that in your post-conference brief.

25 MR. MUSCO: Would that be under the scenario where

1 we did not have enough supply? Or we had enough supply and
2 wanted to do it another way?

3 MS. NEUMANN: Any scenario. If you don't have
4 enough supply, I understand that you would need to import.
5 But I'm just wondering if there have been any kind of like
6 situations where you might have imported and turned domestic
7 growers away? Like are there any situations where a
8 domestic--

9 MR. MUSCO: Sure. We can address that. But the
10 short answer is: No.

11 MR. CARTER: This is Tim Carter. We would never
12 turn away domestic olives.

13 MR. PARETZKY: This is Raymond Paretzky, and my
14 understanding is they're contractually obligated to purchase
15 all of the domestic raw olives.

16 MS. NEUMANN: But those are annual contracts,
17 right? Is that right?

18 MR. MUSCO: Yes, that's correct. Typically
19 speaking they are. I mean there are some longer term
20 contracts, the typical contract, we call it evergreen, which
21 is an annual contract.

22 MS. NEUMANN: And then you are contracted to buy
23 based on--

24 MR. MUSCO: The acreage.

25 MS. NEUMANN: Total acreage?

1 MR. MUSCO: Yes.

2 MS. NEUMANN: Okay, thank you. That's it.

3 MR. ANDERSON: Okay, thank you. I want to thank
4 you all. You've been very patient. I have just one closing
5 question, which is for the post-conference briefs.

6 There was a statement made by Respondents in
7 their opening comments that--if I characterize this
8 correctly here--that they have achieved an ability to
9 eliminate an intermediary player in the retail chain, and
10 that that is one of the reasons why they are more
11 successful in the retail chain in capturing market share.

12 So obviously you don't have a lot of information
13 on that, but I would invite you in a post-conference brief
14 when you hear that argument this afternoon, to think about
15 addressing that in your post-conference brief.

16 MS. GLEASON: We will plan to do that. Carolyn
17 Gleason.

18 MR. ANDERSON: Okay, thank you very much. And
19 with that, I appreciate, on behalf of the staff, your great
20 answers to our questions and indulging us with all these
21 questions. It's a product the Commission has not seen
22 before. It's a fascinating product and it's very helpful
23 for us to learn as much as you know and get as much of the
24 information on the record from both parties and develop the
25 best record for the Commission. So thank you very much.

1 We will recess now, and reconvene at 1:30,
2 according to the big clock on the wall there. Thank you,
3 very much.

4 (Whereupon, a recess is taken, to reconvene at
5 1:30 o'clock p.m., this same day.)

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1 A F T E R N O O N S E S S I O N

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

4 MR. ANDERSON: Thank you, and welcome again
5 this afternoon to the continuation of this conference. Mr.
6 Secretary, are there any preliminary matters.

7 MR. BISHOP: Yes, Mr. Chairman. With your
8 permission, we will add to the Respondent panel the
9 following witness: Miguel C. de Kanter, President and CEO
10 of Agro Sevilla USA, John Zizzamia, Executive Vice President
11 of Sales for Agro Sevilla USA, and Dean Austin, Chief
12 Financial Officer of Agro Sevilla USA. These witnesses have
13 been sworn in and this panel is ready for their direct
14 testimony. You have 60 minutes.

15 MR. ANDERSON: Thank you Mr. Secretary, and
16 again welcome to our panel. Thank you for being here today
17 and especially those who have traveled pretty far to be here
18 at the Washington, D.C. office with us today. So I'll turn
19 it over to the panel. Please proceed when you're ready.

20 STATEMENT OF KRISTEN SMITH

21 MS. SMITH: Good afternoon. I'm Kristen Smith
22 with Sandler, Travis and Rosenberg. We thank you for the --

23 MR. BISHOP: Pull your mic a little closer
24 please, Kristen. Thank you.

25 STATEMENT OF KRISTEN SMITH

1 MS. SMITH: We thank you for the opportunity
2 to present testimony today. This morning, Petitioners
3 testified regarding the impact that imports have had on the
4 domestic industry. They allege that Spanish imports are
5 suppressing prices and harming the domestic industry. What
6 you'll hear from the companies that are here today to
7 testify is that that is not the reality.

8 Simply put, the U.S. domestic industry is
9 unable to supply the demand of U.S. customers. Spanish ripe
10 olives are necessary to meet the demands of their customers
11 for a steady, reliable supply of olives. Retail customers
12 demand that their shelves are stocked. An empty shelf is
13 unacceptable. This is also the case for food service
14 customers that require olives as an important ingredient for
15 their pizzas, salads and sandwiches.

16 An excuse of a small crop or poor weather
17 conditions are no excuse for failure to supply a reliable
18 supply of olives. Today we have three witnesses that will
19 speak with you today, Enrique Escudero with Acorsa USA;
20 Shawn Kaddoura with Mario Camacho Foods; and Douglas Palmer
21 from Agro Sevilla. We also have industry experts that are
22 here today to answer questions that you may have. We'll now
23 turn to our first witness, Enrique.

24 STATEMENT OF ENRIQUE ESCUDERO

25 MR. ESCUDERO: Good afternoon Mr. Anderson and

1 Commission team. My name is Enrique Escudero. I'm with
2 Acorsa USA. We are an importer of olives from Spain. We
3 established the company in 2003 in the United States to
4 promote a Spanish product in the U.S. market. We are a
5 subsidiary of a Spanish parent company DCOOP. DCOOP is a
6 farmer cooperative in Spain which includes about 75,000
7 farmers. Please keep that in mind when you consider that
8 the U.S. has approximately 890 farmers growing olives.

9 This case is not about imports or about
10 protecting the U.S. industry. It's about cornering the
11 market on dry products. The first point that I would like
12 to make is that it is striking that only Spain has been the
13 target on this case. Why are the other ripe olive growing
14 countries absent from this petition, countries like
15 Portugal, Egypt, Turkey, Morocco? Is it because the
16 retailer has reached out directly to Spain for their source
17 of supply.

18 It is really a case about the major logistical
19 shift in our industry, where the major retailer realized
20 that they can achieve a significant saving by cutting out
21 the intermediaries in their supply chain. They found that
22 Petitioner were using the same raw materials, the raw
23 olives. either domestically sources are also imported by
24 Petitioner from Spain. Processing them and selling them to
25 the retailers.

1 The retailer could simply bypass this process
2 and buy them directly from Spain. These large retailers and
3 supermarkets have started buying directly from Spain, also
4 because it provides them with consistency, dependable
5 supply. The worse situation for the supermarket is to run
6 out of stock. This can cost them customers. Logistically
7 also play a part, particularly for retailers supplying east
8 coast customers. It can cost approximately \$1,500 for a
9 container coming from Spain to the east coast. By contrast,
10 a container from California can cost about \$3,000.

11 This bring up my second point, which is
12 consistency in supply. California olive crops are
13 significantly more volatile than Spanish. The crop can
14 fluctuate significantly from year to year. The farmers in
15 California don't focus just on olives. They grow multiple
16 crops. The olive trees themselves are differently grown.
17 They are taller, less maintenance and more sprawling and
18 wide than olive trees grown in Spain.

19 By contrast, the orchards in Spain are made of
20 lower and highly maintaining trees. They also produce
21 significantly larger output of olives. These provide
22 customers with consistently dependable supply of product.
23 Petitioner cannot compete on this level. In fact, they
24 cannot possibly meet the current demand for ripe olives
25 based on California crops alone, which is why they

1 themselves are importing ripe olives.

2 This bring up my third point about a relative
3 supply. In fact, if you look at olive grown in the USA, it
4 has hardly changed. In 1974 there were approximately 58,000
5 tons olive grown here. In 2016, that number was about
6 66,000 tons. This is about the same number over four
7 decades. Also, over the past ten year the average
8 production of ripe olives in the United States has averaged
9 74,000 tons. However, in the petition the Petitioner
10 indicate that in 2015-2016, they packed approximately 81,000
11 tons.

12 This means that they are not meeting demand
13 based on domestic supply alone. They are also importing.
14 In fact, they are maxing out their capacity to meet the
15 demand, which is why raw material olive ripe are not covered
16 by the scope of this case. HDSUS-071120. Petitioner needs
17 to import ripe olive because enough of them have not
18 available supply from U.S. crop.

19 How competition claim injury when they are
20 selling all the product that they produce and still need to
21 import to meet the demand? Finally, I would like to address
22 capacity in Spain. The supply of the Spanish olive variety
23 that are used in the production of ripe olives has been
24 constrained by the recent demand of the olive oil, which use
25 the same variety of olives in its production.

1 Indeed, Spain is the world's largest producer
2 of olives and the production is now at risk because of the
3 disease that have infected other trees in southern Europe.
4 A natural force can limit the availability of olives from
5 Spain in the future. This is a big concern. The disease is
6 Xylella bacterium, and it has spread from Italy to Spain and
7 has begun to infect olive trees there.

8 Last but not least, I would like to point out
9 how other countries production capacity has evolved. While
10 Spain produce on average 500,000 tons of olives, other
11 exporter countries are doubling their production. Egypt
12 went from 70,000 tons in 2000 to 500,000 tons in 2016, and
13 Turkey went from 240,000 tons to 433,000 tons. Commission
14 staff, I would like to thank you for your time and
15 attention, and I will be available for any questions.

16 MS. SMITH: Our next witness is Shawn Kaddoura
17 with Mario Camacho Foods.

18 STATEMENT OF SHAWN KADDOURA

19 MR. KADDOURA: Good afternoon everyone. I'm
20 Shawn Kaddoura, president and CEO with Mario Camacho Foods.
21 We are a U.S. company, a food company based in Plant City,
22 Florida. I would like to thank you for the opportunity to
23 share with you our experience as an importer, but also as a
24 current customer of one of the Petitioners, and previous
25 customer of the other Petitioner.

1 At Mario, we pride ourselves of our
2 relationship with suppliers and customers, both domestic and
3 international. Our dedicated team works hard to ensure
4 olives and other products we sell and distribute are
5 delivered without a fail and with the highest quality our
6 customers deserve. To meet these expectations, it is
7 imperative that we have stable supply sources and
8 consistency of product. We have had major supply issues
9 with stable domestic ripe olive supplies.

10 We purchased and sourced with the Petitioner
11 in this case, but starting in recent year around 2013-14, we
12 faced escalating supply issues detrimental to our business.
13 In 2014, one of the Petitioners came to us with hefty price
14 increases and explained the reason, that they were only able
15 to supply 38 percent of annual ripe olive consumption at
16 that time of 85,000 metric tons.

17 We also lost major retailers or retail
18 customers to both Petitioners, as they offered to sell
19 olives at a lower price and/or coupled with merchandising
20 funds for some products and items we were buying directly
21 from the Petitioner. We simply could not compete. To
22 remain viable and continue to serve our current customers
23 and obligations, we had no choice but to expand our
24 sourcing to other regions and Spain was the natural choice.

25 World's largest producer coupled with

1 efficient operations. We are not the only company to face
2 supply issues. We have gained distribution with major
3 retailer in 2016, not because of the price but due to
4 product shortages on the shelf from one of the Petitioners.
5 In another case, although we did not get the sale, we have
6 been informed by one of their major customers that they had
7 similar problems with one of the Petitioners.

8 Based upon these problems, they opened bidding
9 in 2014, and when they visited us, they told us that
10 Petitioner was not able to sufficiently keep product on the
11 shelf, and the customer was frustrated because the
12 Petitioner brands was readily available. As a company, we
13 have made a choice to strategically diversify our olive
14 supply chain to secure stable supply to our customers and
15 consumers in the U.S.

16 Consistency in product is also important.
17 Customers order olives based on size of the olive and
18 specification. For example, it could be small, medium,
19 large. Supply is based upon our customers' specification is
20 very important. If we provide the wrong size olive, they
21 view that as a quality issue, even the olive is a good
22 olive.

23 Because of their diminishing supply in
24 California, this can often be an issue. Where there is
25 short supply, supply prices drastically increase. It is

1 often difficult to predict how much of a certain size will
2 be available to meet our customer contracts. This would
3 mean that we would need to pay higher prices when sizes are
4 not available.

5 This is necessary to meet our contract terms.
6 Our customer expect us to deliver specs and quantity as
7 agreed upon, regardless of supply issue. They do not want
8 an empty shelf. It is important to note that our customer
9 pay close attention to sustainability issues. Customers
10 such as Walmart require that products meet sustainability
11 goals. In fact, we won an award from Walmart in 2016 for
12 sustainability and we are very proud of the fact that we
13 achieved a rating.

14 We can meet our sustainability goals in Spain
15 and can easily trace where the olives come from. This makes
16 Spanish olives attractive, and qualifies the olives with the
17 respect to our customer's sustainability requirements. One
18 of the Petitioners at issue is the California APA, which has
19 presented concerns to us and our customers.

20 Petitioner often increases prices based upon
21 small crop size, but not all California olives are grown in
22 California. They may be from Argentina, Spain or Mexico or
23 other regions. Spanish suppliers have made major strides in
24 the past years to improve efficiencies and provide the
25 stable supply. Thank you for your time.

1 MS. SMITH: Now we'll hear from Douglas Palmer
2 with Agro Sevilla.

3 STATEMENT OF DOUGLAS PALMER

4 MR. PALMER: Good afternoon. For the record,
5 My name is Doug Palmer. I am Executive Vice President,
6 Sales and Business Development at Agro Sevilla USA. Agro
7 Sevilla USA is the affiliated importer of Agro Sevilla
8 Aceitunas, the largest exporter of -- from Spain. Agro
9 Sevilla USA has been in operation since 1989.

10 I came to the company in 2011. I have over 30
11 years of experience in the food industry, both as a buyer
12 and a seller of processed agricultural products. This
13 includes the experience as a senior executive and our buyer
14 during my time at Ahold, Safety and A&P. As a point of
15 reference, Ahold Holdings is a Dutch company and is the
16 parent of the local Giant chain.

17 In other words, I've been on both sides of the
18 table with respect to the sale and purchase of ripe olives.
19 Today, I want to share with you some of my experiences in
20 the olive market, so the Commission can make informed
21 decisions on how markets operate and the factors that affect
22 the supply and sale of ripe olives. Let me start with a few
23 fundamentals.

24 While Petitioners want to focus their case on
25 price, the fact is product moves because of a supplier can

1 ensure quality, service and consistency of supply. At Agro
2 Sevilla, this has been our mantra and this is why we are so
3 successful in this market. Let me offer you some examples
4 of what distinguishes our Spanish product from the product
5 offered by the Petitioners in this case.

6 Our vendors view us as a top supplier based on
7 quality, innovation, service, value and our commitment to
8 the business relationship. We have received numerous
9 rewards from our vendors including Supplier of the Year.
10 Cisco, the leading food service distributor in the United
11 States, regularly awards us either a bronze or silver top
12 supplier rating. This means we met or exceeded Cisco's
13 exacting standards out of a base of over 1,300 eligible
14 suppliers.

15 I can assure you that these ratings were not
16 based on price. Papa John's, which prides itself on
17 delivering the best ingredients, has recognized us on
18 numerous occasions, including quality, top supplier and
19 relationship supply partner of the year. They also continue
20 to advertise their preference for Spanish origin olives
21 based on the quality of their product.

22 Let me tell you what it means to provide
23 quality on a consistent basis. On the institutional side,
24 we take a look at a number of factors unique to the
25 distribution channel. We always pride ourselves on

1 delivering the best product. But institutional buyers also
2 have needs unique to their operations, and this means
3 providing product on demand and in high volumes that they
4 require. Product from Spain meets that kind of demand. The
5 two U.S. processors do not and cannot.

6 The Petitioners acknowledge that historically
7 they have not had a significant presence in the
8 institutional channel. This is their own words. The
9 Petitioners perform poorly in this channel when given the
10 chance, including instances where they failed to deliver
11 product when requested, requiring offshore sources to fill
12 in the shortfall.

13 That kind of performance leads to lost
14 business and lack of confidence from the buyer. As a former
15 buyer, I can tell you that it is extremely difficult for a
16 supplier to win back confidence when lost, particularly when
17 another supplier steps in and performs where the former did
18 not. These kinds of doubts in the institutional channel
19 have also worked their way into the retail channel.

20 With all due respect to the Petitioners, as a
21 buyer if I am witnessing six consecutive years of historic
22 drought in California, chronic labor shortages, uncertainty
23 over surface water availability, the general high cost of
24 water rights in California and shifting economic incentives
25 among olive growers situated in such places as the high cost

1 San Joaquin Valley, it raises certain doubts.

2 I have to decide as a buyer whether and how
3 much supply should I allocate to the Petitioners given these
4 significant factors. I fail to see how this is the fault of
5 imports from Spain. When I read the petition, it seems the
6 Petitioners believe they are entitled to fill their plant to
7 full capacity with raw olives from California growers. But
8 it just doesn't work that way.

9 The growers of raw olives simply cannot turn
10 on a switch and produce more raw olives from year to year.
11 They're not running a piece of machinery. They have to
12 contend with Mother Nature, whether it is drought or other
13 weather that hinders yields. They also have to deal with
14 other production challenges and given their location,
15 including water availability and labor shortages, and they
16 also consider other economic opportunities that are not
17 aligned with the Petitioners, such as transitioning to olive
18 oil production, almond production or other productive uses
19 of the land.

20 That is their choice and their right. It is
21 not the choice of the Petitioners (sic), nor does it have
22 anything to do with imports from Spain. What I can also
23 tell you is that far from harming the Petitioners, the
24 Spanish olive industry actually helps them, particularly
25 given the challenges associated with their own raw material

1 supplies.

2 I could speak from my own immediate experience
3 at Agro Sevilla. Our marketing efforts elevate the profile
4 of table olives, helping to sustain and grow the market for
5 everyone including the Petitioners. Spain also supplies the
6 Petitioners raw materials so that they can meet the volume
7 requirements of their customers.

8 Finally, Spain also sells the Petitioners
9 non-subject olives, permitting them to round out their
10 product line. This allows the Petitioners to present a full
11 range of product to potential customers and therefore a more
12 attractive offer from an efficiency and convenience
13 standpoint. To close, I do not see how imports from Spain
14 injure the Petitioners in this case. They have no ability
15 to supply the entire market.

16 Only a portion of the market and only to the
17 extent that the growers can supply raw material. Offshore
18 suppliers supply the rest. You can see this in the import
19 trends. Petitioner is willing to transit imports from
20 Spain, which increased between 2014 and '15, but overall
21 imports are flat or declining. The reality is that the
22 Spanish trend only reflects a shifting business of
23 essentially one contract with one buyer between different
24 import sources.

25 In fact, that business has shifted yet again

1 back to the former import source, which is not Spain. I
2 think that says it in a nutshell. With normal harvest
3 cycles, Petitioners will not sell one more ton of ripe
4 olives in this market with or without the case. That
5 concludes my remarks, and I welcome your questions.

6 MS. SMITH: That concludes our witness
7 testimony. We're happy to answer any questions that you
8 might have.

9 MR. ANDERSON: Thank you very much, Ms. Smith,
10 and thank you to our panelists who provided their testimony.

11 I'd like to turn to staff questions now, and
12 we'll start with Mr. Harriman.

13 MR. HARRIMAN: Hi, good afternoon. And thanks
14 again for traveling and testifying before us today. And I
15 apologize for missing some of the beginning of it. I'll be
16 sure to review that.

17 Can the panel speak to their knowledge of the
18 composition of the foreign industry in terms of -- you know
19 earlier we got a good 20,000-foot view of how many growers
20 there are, how many processors there are in America and the
21 relationship there. This may be a question more for the
22 comments as well, but if anyone can speak to that now,
23 though, it'd be great too.

24 MR. KADDOURA: Just to make sure I understood
25 the question, your question is the nature or relationship

1 between an importer like ourselves and the domestic
2 producers and the suppliers?

3 MR. HARRIMAN: I'm sorry; in Spain. I'm sorry
4 if I misspoke earlier. Yes, sorry.

5 MR. ESCUDERO: This is information that we can
6 provide during comment.

7 MR. HARRIMAN: Okay.

8 MR. ESCUDERO: I'm sorry. Will you be able to
9 do the same question a different way, if I can understand.
10 I'm from Spain.

11 MR. HARRIMAN: Yes. Essentially, you know the
12 nature of the industry in Spain in terms of if it's built
13 like a processor/grower sort of dynamic. I know there's a
14 lot of cooperatives.

15 MR. ESCUDERO: Farmers could be -- I cannot tell
16 you exactly how many of them. The co-op is the largest
17 producer in Spain of table olives. We produce about 80,000
18 tons and we are 75,000 farmers which belong to our group.
19 -- a group and there is about more than a thousand
20 cooperatives in Spain and it could be a lot of producers or
21 farmers in Spain.

22 In term of how many processors on ripe olives,
23 I'll say it's at least 20 of them in the ripe olives. Some
24 of them are bigger; some of them are smaller. Does that
25 answer your question?

1 MR. HARRIMAN: That's very helpful. I
2 appreciate that. Thank you.

3 Are the cooperatives run in a broadly similar
4 way in terms of is there like a government council for the
5 cooperative that people get elected to? I'm just curious to
6 know a little bit more about the cooperatives themselves.

7 MR. ESCUDERO: I think it's the same way
8 cooperatives all around the world. There are farmers who
9 belong to the cooperative. They have a board of directors.
10 Every farmer has a vote. He has usually management. It
11 became more professionalized in the last 20 years. I mean
12 IT systems as another big company or processors, so I don't
13 see a big difference and it's not like farmers in the way.
14 It's more organized. I'll say it that way.

15 MR. HARRIMAN: Okay.

16 MR. ESUDERO: Professionalize.

17 MR. HARRIMAN: Okay, thank you. That's helpful.

18 Just to follow up and clarify something for Mr.
19 Kaddoura, just to clarify when you were discussing about
20 some of your orders, essentially, California -- I believe
21 you were saying you can get a California-style olive. It
22 may not be from California, but just to clarify that you may
23 get California-style olives from elsewhere; is that right?
24 Just to make sure that term is not coextensive with the
25 state, essentially.

1 MR. KADDOURA: That is correct. It is packed in
2 California, but not necessarily grown in California.

3 MR. HARRIMAN: Okay, thank you.

4 MR. KADDOURA: Does that answer your question?

5 MR. HARRIMAN: Yes.

6 I know there's been some discussions on the
7 state of consumer demand. This, again, may be more of a
8 question for comments afterwards, but to the extent anyone
9 can speak now on if they have any expectations or
10 predictions of how consumer demand will grow into the
11 future, whether it's for ripe olives or olive oil and things
12 like that that would be helpful to discuss as well.

13 MR. KADDOURA: Based on what we've seen of the
14 data so far, the olive consumption there is has been
15 fluctuating up and down slight, not by very much. I mean
16 some of the numbers I've seen, and we can address that more
17 in the briefing, around 3 percent, plus or minus, depending
18 on the year. However, overall, it is increasing. Okay, so
19 you might see one year minus 1 percent, 2 percent. Another
20 year another 3, 4 percent, but over the years it's been
21 trending upwards. Does that answer your question?

22 MR. HARRIMAN: It does.

23 MR. MCCULLOGH: You asked about olive oil as
24 well and luckily, since this is an AG product there is
25 extensive information collected by USDA on different uses of

1 olives. And we can comment on it more, but obviously olive
2 oil production and use in the U.S. in terms of domestic
3 consumption and use of domestic olive oils increased. It's
4 a booming market in California and the data will bear that
5 out. It's been, at least over the last 10 years, a
6 significant component of products produced from olives.

7 MR. HARRIMAN: Thank you. That's helpful. And
8 I note there's some distinguishment there, but to the extent
9 that there's any interrelationship there that would be
10 interesting to note too.

11 I will pass it off to one of my colleagues for
12 the moment, but again, thank you for being here and
13 answering our questions.

14 MR. ANDERSON: Mr. Goldfine, the mike is yours.

15 MR. GOLDFINE: Good afternoon. Thank you all
16 for coming here today.

17 Just a few questions, this is for either Mr.
18 McCullough or Ms. Smith, but for purposes -- this is on the
19 like-product issue. For purposes of this preliminary
20 investigation -- Mr. Dunn too -- would you agree with the
21 proposed like-product definition of the Petitioners for
22 purposes of the Prelim?

23 MR. MCCULLOUGH: At this point, I don't think we
24 necessarily oppose the definition. We will obviously
25 address that more in a post-conference brief.

1 MR. GOLDFINE: Okay, appreciate that.

2 And on the issue of whether the growers should
3 be included, would you, for purposes of the Prelim, would
4 you agree with the Petitioners that the growers are included
5 in the industry?

6 MR. MCCULLOUGH: Actually, Mr. Goldfine, I
7 appreciated the questions you asked this morning to the
8 Petitioners about that issue. Obviously, you have a
9 statutory provision that is discretionary. It says you may
10 include the growers as part of the industry with the
11 processors and I appreciate your questions there focusing
12 on, well, how are you supposed to define, for example, the
13 raw agricultural product? Are we talking about table olives
14 as they were defined in them or are we talking about the
15 olive industry and raw olives in general out of California.
16 I think those are all fair questions that should be
17 explored.

18 We obviously have some issues here about whether
19 there really is sufficient support. I mean we're in an
20 interesting situation, so I think tomorrow is the due date
21 for initiation in this case. We certainly raise some issues
22 about whether sufficient support for even initiation of this
23 case.

24 The petition was brought claiming that support
25 exists based on the fact that the Petitioners constitute 100

1 percent of the processing capacity. We obviously think
2 that's technically deficient. That when you invoked this
3 provision you also need to look at the growers and the
4 workers and evaluate and analyze whether and how they should
5 be measured in terms of that industry support. I think that
6 issue is still outstanding at the Department. I'd raise a
7 couple other issues too and I think it should go to your
8 analysis of whether the growers should be included and that
9 really has to do with what, at this stage, from what we can
10 tell, is a very limited number of growers' questionnaires
11 relative to the some 900 growers that are in California,
12 according to Petitioners, if there's such stance support and
13 if they are a part of this industry, an industry that's
14 been obviously preparing this petition for some time, we
15 wonder why we shouldn't expect to see more data from the
16 growers than what we're getting and what we're seeing right
17 now. And I think that's something you need to take into
18 account when you evaluate whether the growers should be part
19 of this industry and just to end it there.

20 It's an interesting provision of U.S. law, as
21 you may know. It's almost bashful because the ultimate
22 subparagraph suggests that if the USTR ever finds this
23 provision to be inconsistent with WTO disciplines it will
24 cease to be in effect. And I think the Commission,
25 obviously, is well aware that when this principle has been

1 challenged at the WTO and the idea of including the raw
2 agricultural product with the processing industry that has
3 been shot down on more than one occasion at the WTO.

4 I would expect at some point either the
5 Commission and/or the Spanish Embassy will be writing a
6 letter to USTR to point that out, but in your exercise of
7 discretion maybe you could take that into account as well.

8 MR. GOLDFINE: Okay, just to kind of close the
9 loop on it, do you have a position? Yes, you know they
10 should be included; they should not be included. Are you
11 taking a position? If you want to reserve for the
12 post-conference, that's fine too. And I would encourage you
13 if you want to address it, to address just the statutory
14 factors under 1677(4)(e). So I leave it up to you.

15 MR. MCCULLOUGH: I'll leave it with a simple now
16 and we'll take it up in post-conference brief, but honestly,
17 we don't believe the growers should be part of the industry.

18 MR. GOLDFINE: Okay. And if there are any
19 related parties issues, I would encourage you to address
20 that as well.

21 Okay, that's all I have. Thank you.

22 MR. ANDERSON: Ms. Preece?

23 MS. PREECE: Thank you very much and welcome.

24 I'm probably going to be asking fewer questions
25 this round, but if any of the questions I asked from the

1 previous round you want to answer, I'd love to hear from you
2 in the briefs.

3 So the first question I have is for Enrique
4 Escudero. I'm not sure -- you say there are ripe olive
5 imports by the U.S. producers. Is that processed ripe
6 olives or are they olives that are then processed in the
7 United States to be sold by the U.S. producers? I wasn't
8 clear on that and if you could clarify that for me, please.

9 MR. ESCUDERO: Sure. Sorry for that mistake.
10 What the processors of the Petitioners are doing is import
11 raw material. I mean olives that they bring in bulk and
12 they reprocess it in the U.S. to get ripe olives. It's not
13 already ripe olives in Spain in a can bringing here to the
14 U.S., as far as I know.

15 MS. PREECE: That's important to know. Anything
16 where people get confused is not a good thing.

17 MR. ESCUDERO: Sorry.

18 MS. PREECE: That's alright. And thank you very
19 much. You clarified that completely, so I think that's very
20 good.

21 MR. MCCULLOUGH: Ms. Preece, if I could add to
22 that, there is good public data on this issue. You can
23 trace it to a particular, I think, 6-digit or 8-digit HTS
24 item where you can track these imports of semi-processed or
25 not-ready-to-eat olives. And without a doubt, there have

1 been sizable tonnages that have come in from Spain that have
2 to be processed. In 2015 alone, that was over 14,500 tons
3 of raw olives from Spain.

4 MS. PREECE: Okay, yes. And that's very
5 helpful, but fortunately, we have the HTS, so we should be
6 able to follow that very clearly.

7 Do we know that any of those are not used to
8 make ripe olives? Are there any of them processed in other
9 ways that we know of?

10 MR. MCCULLOUGH: I don't know if I can answer
11 that with 100 percent certainty. I can reflect upon the
12 comments that were offered today by Petitioners about
13 there's really no other use for those olives, except to
14 process them. And so my expectation is that the vast
15 majority, if not all of that, is processed by the
16 processed.

17 MS. PREECE: Processed into ripe olives, that's
18 the question, is they're not processed into other specialty
19 olives.

20 MR. MCCULLOUGH: I can't speak unequivocally to
21 that, but I'm sure Petitioners could answer.

22 MS. PREECE: Yes. And what the affect is.

23 MR. ESCUDERO: Perhaps I can help you to answer
24 this question. You decide if you going to do green olives,
25 based on the olives, or ripe olives fresh. So you cannot

1 put those olives in a brown solution, bring it to the U.S.
2 and turn it green later, so there's no way.

3 MS. PREECE: Great. That helps.

4 MR. ESCUDERO: I know.

5 MS. PREECE: That's very helpful. Thank you
6 very much.

7 MR. DUNN: That question of the imports actually
8 to my mind raises further questions about a considerable
9 amount of the data that we see here. I can't obviously tell
10 you -- discuss openly what the data are, but the production
11 level data show -- I think this is consistent with what was
12 said this morning -- that production levels show a slight
13 decline or some decline, but they show you kind of level
14 production in 2014, 2015, 2016.

15 Fifteen thousand tons came in 2015. Where is
16 that number? Is that in the production number? Is that in
17 the inventory because they have large inventories,
18 inventories equal to half their production -- more than half
19 their production in some years? Where do those imports go?
20 What do they do with those? And if it's in their production
21 numbers, then their production has not, in fact, been flat
22 over the last three years. It's been up and down and to
23 some extent must have declined significantly. I don't know.
24 I don't know. I'm not saying that the numbers the
25 Commission has is wrong because I don't know where those

1 imports went.

2 MS. PREECE: Okay. And if you want to say more
3 about that in the briefs that you can't say publicly, that
4 would be helpful to us too. So thank you very much.

5 I guess I'll ask the question we had about
6 specialty olives versus ripe olives. You agree with the
7 Petitioners that ripe olives typically are less expensive
8 than specialty olives?

9 MR. ESCUDERO: I would say it's true, but it's
10 based on offer and demand. I mean there is less demand -- I
11 mean less offer on the specialty olives than the other one,
12 so people are willing to eat more green olives and it's
13 basically offer and demand. I mean the price will rise if
14 there is more demand on the ripe olives because there's a
15 steady production.

16 MS. PREECE: I mean what can happen is if the
17 price of specialty olives is higher Spanish producers could
18 shift their olives from use in ripe pitted olives to other
19 specialty olives or is that possible?

20 MR. KADDOURA: I've heard in the hearing earlier
21 to your point raw olives and I heard specialty olives, but
22 what I did not hear what is the definition of specialty
23 olives. So to answer the question, at least from my
24 perspective, we see kalamata on the shelves or stuffed
25 olives. They're called specialty olives. That they come

1 from Greece, they come from other regions. So by nature,
2 because of the contents of the product and the fruit,
3 itself, inside the jar or the container is the majority of
4 the cost. So when you look at stuff olives or a calamari,
5 by the nature because it costs more to start with and the
6 form, okay, yes, the specialty olives are more.

7 But if we talk about a specialty olive like some
8 kind of slice ripe or seasoned sliced ripes, it depends, so
9 really when we say specialty olives, are we saying other
10 olives besides ripes?

11 MS. PREECE: Yes, I think in this case we are
12 talking about ripe olives and then everything else is
13 specialty olives.

14 MR. KADDOURA: Yes, I would agree with my
15 colleague in regard to the price with -- there is with the
16 statement.

17 MR. ESCUDERO: I mean it's offer and demand. I
18 mean you can see a price one year that is "X" and the year
19 after it is doubled because the crop is really short and
20 there is people who willing to pay a little bit extra
21 because they would like those olives.

22 MS. PREECE: Okay.

23 MR. ESCUDERO: It's not because -- I mean it's
24 because they like it and they're willing to pay a little bit
25 extra because they like it. And the year after the same

1 olive it cost half because the crop is larger and they're
2 willing to -- I mean there is more offer and they're going
3 to buy the same amount of olives.

4 MS. PREECE: Okay, okay.

5 MR. KADDOURA: Also, it's important to note,
6 going back to other olives besides ripens and specialty
7 olives, a lot of this comes also from other regions, such as
8 Greece, and they are really expensive. So there's olives
9 out there on the shelf you will see on retail. It's called
10 specialty olives. They call it on the label. You know
11 such-and-such brand specialty olives, but these all from
12 Greece. So really it's not coming from Spain, but there
13 are greens that comes from Spain and other varieties, so
14 yeah, it could be more expensive.

15 MS. PREECE: Okay, yes, I would like anybody who
16 can give me any more explanation of why the price of the
17 ripe olives and the everything else olives, which we are
18 calling specialty olives, differ and why the price of ripe
19 olives tends to be lower, any more information on that or
20 even if that's a correct characterization of the industries
21 or industry, whatever, that we're talking about I would
22 appreciate it. So maybe in the briefs you can go into that.

23 And also in the briefs, I hope you will talk
24 about the cost share of olives -- ripe olives in foods that
25 they're typically eaten in. And one thing that I didn't get

1 into as much, and I would like to have both the U.S.
2 producers and you try to address to the extent you have any
3 idea. Any random idea is better than zero random idea. So
4 this is what share are eaten as snacks or appetizers served
5 alone. You know you don't have it in a dish. You have in a
6 bowl, if you understand the difference I'm talking about.

7 That is all I'm going to ask for now and thank
8 you so much for all your time.

9 MR. ANDERSON: Ms. Neumann, your turn.

10 MS. NEUMANN: They save the best for last. No,
11 I thank you for coming. Thank you for being patient with my
12 questions.

13 I have two kinds of lines of questioning. One
14 is to get a better sense of the industry structure in Spain,
15 maybe now in your post-conference brief, if you could give
16 me a sense of what share of production of table olives comes
17 from like the co-ops. Who are the largest co-ops? Within
18 those co-ops is there a certain percentage of like larger
19 farms versus small family farms, 75,000 farms implies a lot
20 of small family farms to me, but what share of production is
21 from those small family farms and what share is from larger
22 commercial sizes would be helpful.

23 MR. MCCULLOUGH: Obviously, I think we'll need a
24 little time to pull all those facts, but we're happy to do
25 that in the post-conference brief.

1 MS. NEUMANN: Okay. And is there any ownership
2 relationship between the growers and the processors in
3 Spain? In the United States, it's pretty clear that the
4 processors operate independently of the growers. Do the
5 growers own any of the processing plants in Spain?

6 MR. DE KANTAR: In the case of Agro Sevilla yes,
7 the growers own the processing plant.

8 MS. NEUMANN: Okay.

9 MR. DE KANTAR: No, it depends. Like the
10 company we purchase from is 100 percent private ownership or
11 family owned, but not the farmers. So you'll find it, I
12 believe, like you would find in the U.S. in some industries.

13 MS. NEUMANN: I'm trying to understand. In
14 direct testimony, I've heard several times today that one of
15 the reasons why these Spanish imports are coming through is
16 because U.S. purchasers want to eliminate the intermediary,
17 so who is the intermediary?

18 MR. ESCUDERO: Intermediaries are importers,
19 brokers, distributors, -- companies. I mean just to give
20 you an example, Walmart they have an office in Manchester
21 in UK who does all the research for supplier. They have
22 their own what they call sourcing team, so they import the
23 product. They do direct import. They want to go directly
24 to the source. They don't want to go with importers,
25 brokers, distributors. They go directly to the source.

1 MS. NEUMANN: Okay, but I just want to
2 understand. In the U.S., you have growers they sell to
3 processors. In Spain, you also have growers that sell to
4 processors and some share of growers and processors that are
5 together. That's correct, right?

6 MR. KADDOURA: Correct. So direct also means
7 going direct to the customer. So for example, for Spain,
8 they can send their finished good, similar to what Enrique
9 mentioned, and they can send it to a broker, to a
10 distributor, and return the distributor goes and sell
11 directly let's say to a retailer, okay.

12 So Spain sometimes would like to -- not like,
13 but direct relationship, so that's basically what we mean by
14 direct.

15 MS. NEUMANN: And in terms of U.S. sales, then
16 would retailers not buy directly from the processors or are
17 they buying directly from processors in the U.S.

18 MR. KADDOURA: The customers?

19 MS. NEUMANN: Mm-hmm.

20 MR. KADDOURA: Yes, if you were calling like the
21 importer of record or the vendor of record, it depends, so
22 if sometimes we have in -- and I believe to be 100 percent
23 sure, we'll address that in our brief, but customers would
24 go from the U.S. directly and buy from the source in Spain.

25 MS. NEUMANN: But if you have a U.S. purchasers,

1 are they buying U.S. California-style olives from the
2 processors or is there some intermediary in the United
3 States for U.S. -- that you are talking about when you're
4 talking about your experiences in the retail segment.

5 Mr. Palmer, I think I'm talking to you.

6 MR. PALMER: What I think is important is to
7 determine how we're notified by our potential customers.
8 There is a bid process. They're performed in a couple or
9 three different ways, a simple spreadsheet and ongoing
10 negotiations. There's also electronic, web-based tools
11 where they have auctions, so from that standpoint they
12 invite in California suppliers. They invite in Spanish and
13 Moroccan and Taiwanese, Turkey -- whoever they want to,
14 whoever qualifies.

15 And since we brought up Walmart's buying office
16 in the UK, that's their sole role is to eliminate as many
17 middlemen in the process. And they will actually interview
18 suppliers in the EU.

19 MS. NEUMANN: Okay. So the intermediaries are
20 within the EU supply chain; is that what you're talking
21 about?

22 MR. PALMER: Actually, most of them are in the
23 U.S.

24 MS. NEUMANN: Okay.

25 MR. DE NICHOLAS: My Company is a nomad. I mean

1 what we do is we import and we resell. We don't make
2 anything. We don't process anything. We simply purchase it
3 and resell it. There's a lot of risks with being an
4 importer. A lot of our customers prefer not to take those
5 risks, a lot of regulations, but the big boys, like
6 Walmart, if they can bypass us and buy direct from whom
7 we're buying from -- so you have to be a little careful
8 sometimes, try and not to share too much information, but
9 sooner or later they can find out who you buy from. And if
10 they have the resources to be a direct importer and are
11 willing to take the risk, then they will bypass us and cut
12 out our part of the profit and buy direct from the same
13 folks that we would buy from.

14 MS. NEUMANN: Okay.

15 And then another question. You had talked
16 about, Mr. Palmer, quality and the difference in quality
17 between the imported Spanish ripe olives and U.S. ripe
18 olives. What exactly are those quality differences in terms
19 of the olive?

20 MR. PALMER: There's a couple of ways to look at
21 quality. One is the product itself. And it's usually the
22 specifications usually determined by the customer. Meeting
23 those qualifications can be troublesome for some suppliers,
24 whether they're here in the U.S. or elsewhere. So quality
25 is always a pre-requisite for these auctions or bids I

1 earlier mentioned earlier. And if you can't meet the
2 quality levels, you don't move onto the next phase, which is
3 cost analysis.

4 MS. NEUMANN: But what -- I'm sorry. I'm
5 failing to understand the definition of what makes it a
6 difference in quality? Is it flavor? Is it size?

7 MR. PALMER: We have customers that want
8 additional washings. They want a different profile, they
9 want their own profile. In most cases, it's consistency.
10 We present a spec and it's consistency of that quality. And
11 as I also mentioned, the numerous awards we've gotten year
12 after year, some of the most stringent quality measures that
13 I can imagine. In my thirty-plus year career, this is the
14 only industry that actually used DNA testing as a benchmark
15 for their quality. This customer actually tracks their
16 quality using DNA samples of that fruit.

17 MS. NEUMANN: So the quality we're talking about
18 isn't just meeting a high volume?

19 MR. PALMER: Oh, absolutely not.

20 MS. NEUMANN: You're talking about the flavor.

21 MR. PALMER: You can talk about logistical
22 quality, but I'm talking about product quality. The cut,
23 the size, the flavor, the mouthfeel, the profile, and then
24 making sure that meets a customer's spec. We don't want to
25 arbitrarily create specs and say, here, take it or leave it.

1 We usually receive from our potential customers through the
2 bid process.

3 MS. NEUMANN: Okay. And so you're saying
4 there's a small difference in quality between Spanish and
5 U.S.-produced? High, big difference, medium difference?

6 MR. PALMER: Well, that decision's based upon
7 our retail customers. And certainly we get an opportunity
8 to describe our pluses, our minuses and so do they. But
9 it's up to the retailer to determine who fits all their
10 criteria.

11 MS. NEUMANN: But they are -- the imported
12 olives have to meet the same federal marketing, or similar
13 federal marketing order requirements, right? The different
14 grades and sizes.

15 MR. ESCUDERO: All the import olives is
16 regulated by the U.S. marketing order, that petition
17 information, so we have the same process, all the product
18 that it come through the U.S. have to be put in the
19 warehouse. USDA will come to the warehouse, they pick
20 samples, they will test it. And it could be rejected if the
21 quality does not meet the standards. So it's really black
22 olives are a kind of commodity. Spain is suffering losses
23 from product from Morocco. So it's a standard product.

24 MS. NEUMANN: Is there any difference between
25 the manufacturing process to make California-style olives in

1 Spain than it is here, to the best of your knowledge? Or is
2 the same?

3 MR. ESCUDERO: I would say it's the same.

4 MS. NEUMANN: Okay. Can you talk a little bit
5 about the cultivars grown --

6 MR. DE KAUTER: Excuse me.

7 MS. NEUMANN: Sure.

8 MR. DE KANTER: I need to interject. There is a
9 difference between the processing in California and the
10 processing in Spain. And we can definitely point that out
11 in the post. But there are differences.

12 MS. NEUMANN: Yeah, at any point if I'm asking
13 something that's easier for you to answer in the
14 post-conference brief, please do that. That'd be great.
15 Thank you. Can you talk a little bit about the differences
16 in the cultivars grown in Spain?

17 I know that there was mention made this morning
18 that some of the Spanish table olive varieties can also be
19 used for oil, whereas the domestic industry had indicated
20 that that's not possible, based on the varieties grown in
21 the U.S. Could, whoever would like to comment on that.

22 MR. MCCULLOUGH: I can take part of that
23 question and address the comments that were made about what
24 olives can be used for oil in California. I think the
25 petitioners have tried to create a very black and white

1 market where table olive production is only table olives and
2 no oil, and then other olives are exclusively used for oil.
3 What we see and what you can find on the internet is, that's
4 not necessarily the case.

5 There is a lot of dual use tree, so to speak,
6 and certainly evidence that, in particular, like the
7 Manzanilla olive, there's certainly orchards that advertise
8 that they have taken table olive varieties and they produce
9 oil from them. And I think that's an important thing to
10 consider when you look at long-term trends in the olive
11 market in California and seen where production is gone in
12 terms of the acreage that's being used. And it's a
13 dramatic increase in oil production relative to table oil
14 production.

15 MR. KADDOURA: Also it's important to note that
16 for table olive, there is no exclusive varieties for table
17 olives. So when we say the ripes, there's olives that are
18 used in the ripes, for table olives, but also used in the
19 olive oil. Such as Hojiblanca from Spain, and others from
20 California.

21 So that's really similar to what Matt mentioned
22 earlier. It depends. It all depends. And it really
23 depends of the olive oil, prices are high. The farmers can
24 get better return per kilogram whether in Spain or in
25 California to go to olive oil, or if the bowl shifts the

1 other way, that's basically how it goes.

2 MS. NEUMANN: Maybe if you don't know this off
3 the top of your head, in the post-conference brief, could
4 you describe what portion of the Spanish table olive crop is
5 the Hojiblanca, the Manzanilla, or the other varieties, and
6 within that, indicate which of those can be used for
7 crushing into oil? That'd be very helpful.

8 Someone had mentioned that the varieties grown
9 in Spain are lower than -- like the Manzanillas have the
10 larger spreading canopy, they're higher. Some of the
11 Spanish varieties are lower. I'm not sure who brought that
12 up, but was that because of harvesting in --

13 MR. ESCUDERO: Spain -- I mean there is a --
14 Spain's a lot of farmers, family farmers, small families.
15 There are acres and acres and acres of olive trees. And
16 Spain has the farmers that invest a lot of time and effort
17 to cultivate a tree. When I mean cultivating a tree is
18 trimming them, to do it round in a smaller, shorter --
19 making them available to be mechanized to harvesting.

20 If you see old plantation to the new ones,
21 nowadays older trees have just one trunk, so you can put
22 kind of an umbrella on the bottom and shade the tree, and it
23 saves a lot of costs on the harvesting. So Spain is
24 investing in new plantation, trying to make more efficient.
25 This is very important. And previously, I mean I remember

1 when my grandpa -- my grandpa was a farmer. They put tree
2 trunk like this so the people can go around and they labor
3 each other to harvesting the olives.

4 So Spain has invested a lot in harvesting. I
5 mean in trim the tree, nutritions and another thing, yeah.
6 And I think California has not invest that much. There's
7 old wild, taller trees that's it impossible to automatize.
8 Usually they have big trunks that they cannot with that kind
9 of equipment to harvest.

10 MS. NEUMANN: Do you have any sense what share
11 of Spanish production of table olives is mechanically
12 harvested? Compared to by hand?

13 MR. ESCUDERO: I don't have that number with me
14 right now. We can put it on the briefing, too.

15 MS. NEUMANN: The reason why I'm asking is
16 because I think someone had alluded to hardships faced by
17 the California industry like drought and weather, the
18 alternate nature of the fruit. But those are similarities
19 that Spain also has. So I'm just trying to get at what it
20 is that distinguishes the Spanish production of raw table
21 olives. So if you could shed any further light on that in
22 the post-conference brief, that would be helpful.

23 MR. ESCUDERO: For Spaniards, olive tree means a
24 lot. A lot of income for the countries come from olive oil,
25 olive trees and table olives. It's a huge sector. I mean

1 it's not the -- the people have invested a lot of money in
2 new machinery and new equipment and new facilities, new
3 technicians, so it spends a lot of capital on -- capitalize
4 a lot of money on those equipment, on those investments.

5 MR. KADDOURA: If I may -- also you're
6 absolutely right. You know, Mother Nature has its impact in
7 both Spain and California. But if you look -- I believe my
8 colleague Enrique mentioned, there's about 500,000 metric
9 tons of production compared to what we heard earlier in
10 California. So even if Mother Nature has its impact in
11 Spain, we did not see where it's negative, where there's
12 none available for export.

13 So that availability, the stability of supply
14 would go -- that's basically what it comes down to, yes.
15 You might have a drought, high temperature, not enough rain,
16 too much rain. But at the end of the day, because of the
17 amount of trees and the volume in Spain being the world's
18 largest producer, you still have that capacity to supply, at
19 least for us in the U.S. market, our customer demands.

20 But also that supply -- we're not limited per se
21 when we put in our purchase orders or whatever for the size,
22 because customers usually order by size, how many olives per
23 kilogram or per pound. And we don't look at it as a quality
24 because when we have issues with the size, it's not usually
25 quality. But customers look at as a quality, non-conform to

1 specification. That's available in Spain, too. I hope that
2 answers your question.

3 MS. NEUMANN: In the Spanish market, are ripe
4 olives produced primarily for the export market or what
5 share of them is consumed domestically?

6 MR. ESCUDERO: I don't have exact data but more
7 for export Russia may be the least, Italy ripe olives consumer.
8 Spain is not that much. It's more in the wings.

9 MS. NEUMANN: Okay.

10 MR. ESCUDERO: I would like to mention that the
11 -- in Spain has increased like 30% in the last two or three
12 years. Driven by the demand on the olives for olive oil.
13 So it doesn't mean that Spain is decreasing the prices.
14 It's much higher than it was two years ago, three years ago.
15 We can put it in the briefing.

16 MS. NEUMANN: Okay. That's it for now.

17 MR. ANDERSON: Thank you. I'll turn to Mr.
18 Harriman. Do you have any follow-up questions?

19 MR. HARRIMAN: Yes, thank you. I kind of want
20 to clarify, because we were talking earlier about how you
21 can have a ripe olive that is either black or green. I'm
22 just wondering, are green ripe olives a popular import
23 product, if you can speak to that generally, or personally,
24 that'd be great.

25 MR. KADDOURA: The question is, just to make

1 sure I understood you and I do apologize, if the green
2 olives are popular. If they are, how much? In the U.S.
3 market?

4 MR. HARRIMAN: Right. I especially just sort of
5 want to clarify a green ripe olive versus a green olive,
6 which I guess could be broader, could be the specialty
7 nonripe olive, and so I guess I just want to clarify if
8 green ripe olives are popular import and to the extent
9 that's differentiated from just a green olive.

10 MR. KADDOURA: I can speak from my end. I use
11 and I import and I sell more green olives than blacks or
12 ripes. But in the U.S., the sales are more on the ripers
13 than the green olives. Or is the other way around? Oh,
14 green ripe olives. I'm sorry. You're talking about green
15 ripe olives? I do apologize.

16 MS. VALKAI: Let me just pitch in here. I'm
17 Agnes Valkai with Schreiber Foods. We are importers, so we
18 import all kinds of olives, all colors, all kinds of
19 fermented, ripe. I just learned about green ripe olives
20 here. I think in the trade, we just call it sliced green
21 olives in a can. So for every hundred containers of ripe
22 olives, I probably, one container of green olives in can.
23 'Cuz what's it called, green olives are really quite
24 different and they're fermented, so that's a difference.

25 MR. HARRIMAN: So in other words, you're saying,

1 so you're understanding of a "green olive" would be not a
2 ripe olive. It would be in a different --

3 MS. VALKAI: The petitioners call green ripe
4 olives. They are the quick-processed. Like they are not
5 oxidized. They keep the green color, but they take out the
6 bitterness, so it's a quick process from fresh olive. They
7 are not fermented for three to seven months.

8 MR. HARRIMAN: Okay. Thank you. How does the
9 federal marketing order impact you guys? Is there any sort
10 of differentiating consideration that may apply to you guys
11 that may not apply to a domestic producer to the extent of
12 your knowledge?

13 MR. DeNICHOLAS: I can address that. Well we of
14 course have to have all of our black ripe olives graded.
15 And it's a pretty easy process on the East Coast and the
16 Gulf. It's a very difficult process on the West Coast and I
17 don't know if that's coincidence or what, but it takes about
18 three weeks at most on the East Coast, and it can take three
19 months on the West Coast.

20 And we've had to -- and of course the customers
21 don't wanna hear "We can't get the USDA to come to pull the
22 samples," so we've had to carry extra stock to allow for an
23 excess of three months inventory. We've even had to
24 transport product from the East Coast to the West Coast to
25 satisfy a contract at great cost because we can't get the

1 USDA to inspect and grade the olives quick enough in
2 California.

3 MR. HARRIMAN: Okay, thank you. Just two more
4 things. I invite any importers or counsel to come and also
5 on the offered HTS numbers as part of the -- offered along
6 with the scope, either now or in the comments. And also,
7 feel free to comment on the merits of using official import
8 statistics or using questionnaire data as well. Other than
9 that, thanks again for being here, for traveling here and
10 for your answers.

11 MR. ANDERSON: Thank you, Mr. Harriman. Ms.
12 Haines?

13 MS. HAINES: Hi, thank you for coming and the
14 testimony. If you have available that you could include in
15 your briefs, any industry-wide data for Spain, I think he
16 mentioned there were twenty processors and we don't have
17 nearly that many foreign producer questionnaires. So if you
18 have any industry-wide data that you could provide, that
19 would be helpful. Thank you.

20 MR. ANDERSON: I'll look at my colleagues to see
21 if any other follow-up questions. Okay. I just want to
22 follow up on two quick questions. Mr. Escudero, you
23 mentioned some growth in the olive industry in Morocco,
24 Turkey, some other countries. Just for the record, could
25 you clarify, was that for the product we're talking about

1 here? Ripe olives? Or was it for all olives?

2 MR. ESCUDERO: All olives. But it's affecting
3 this ripe olives business. I mean some of those olives have
4 been processing in tipped and exported to the U.S. And we
5 think that it should be considered. I mean it's hurting all
6 the business, not the Spanish one.

7 MR. ANDERSON: Okay. I appreciate the
8 clarification. If there's any information specific to the
9 increase in capacity or processing or acreage or whatever in
10 these other countries besides Spain, specific to the product
11 that we're talking about today. Anything you can add in the
12 post-conference brief, that'd be helpful.

13 Another quick question. The petitioners are
14 saying that demand in the U.S. has been fairly flat for this
15 product. Would you agree and also, how would you
16 characterize demand over the POI? We're looking at a little
17 over three years here. How would you characterize demand in
18 the institutional market versus the retail market? Has it
19 been the same or have you seen a difference over the Period
20 of Investigation?

21 MR. DE KANTER: I can address part of that
22 question. In our case, some of our customers are actually
23 growing pretty rapidly so therefore, their consumption is
24 overall is going to increase year to year. But we have not
25 observed any major increase or decrease on the retail side

1 of ripe olives.

2 MR. ANDERSON: Okay. So just to clarify, this
3 is very helpful, but to clarify, you're saying that some of
4 your customers, but not necessarily the total market, has
5 increased?

6 MR. DE KANTER: Right. Some important
7 customers.

8 MR. ANDERSON: Okay, and is that institutional?

9 MR. DE KANTER: Organically are just growing,
10 are adding stores, they're adding more to their menu, and so
11 therefore there is an increase from that point of view. But
12 independent of that, we don't see any significant growth.

13 MR. ANDERSON: And when you say "your"
14 customers, are you talking about retail and institutional?

15 MR. DE KANTER: I was focusing this morning on
16 the institutional food service side. Retail is what
17 maintains itself more flat.

18 MR. ANDERSON: Thank you. Thank you for the
19 clarification. Any other --

20 MR. PALMER: Excuse me.

21 MR. ANDERSON: Since we have our --

22 MR. PALMER: Excuse me.

23 MR. ANDERSON: -- distributors and our
24 purchasers here, please jump in with your comments.

25 MR. PALMER: Just to reference the last

1 question. On the retail side of things, it's more defined.
2 There's more discipline and analysis, so Nielsen actually
3 populates that data so it's very easy to see in the retail
4 sector what is static and what is going up or down. So we
5 can add and update that to the brief.

6 MR. ANDERSON: That would be very helpful.

7 MR. MCCULLOUGH: One last thing. We'll
8 supplement that as well. I think, when you look at the
9 available USDA data, you can draw some assumptions and some
10 conclusions about where the market is and I would tend to
11 agree that that data suggests a relatively stable market.

12 MR. ANDERSON: Okay, thank you very much. And
13 then to follow-up on Ms. Neumann's questions about quality,
14 consistency, just so we understand it better. When you're
15 in the retail market, are they sampling a can? And saying
16 -- are they opening up -- I feel it was you, Mr. Palmer, you
17 talked a lot about size and you talked about the consistency
18 of size -- and so is it that they're trying to get more
19 olives per can?

20 Because you're selling on a packed weight and
21 net packed weight, right? And are your customers taking
22 samples and saying, "Oh, well, these olives are too small,"
23 even though it's exactly the same size can every time that
24 they're buying. I mean, how does that work? How are they
25 measuring size as a quality purchasing factor?

1 MR. PALMER: I guess there are examples in the
2 marketplace where we have taken traditional sizes and
3 created single-serve and there are pouches, individual
4 pouches which we've created in Spain just to solve a
5 different part of the market. This is what I was
6 referencing when I'd say we -- we actually help the market.
7 Any one, petitioners or ourselves that does something to
8 promote the category, we see it as everybody wins.

9 So when you look at quality being consistent, it
10 becomes very important to our retail and institutional
11 customers. In retail, if you look at the way shopping
12 habits are, and I don't want to get sidetracked, but
13 traditionally a customer makes a decision in front of a
14 category in six to eight seconds. There's studies been done
15 over and over again.

16 When mom doesn't write it on her shopping list
17 and she goes shopping, she'll make a decision in front of
18 that category quickly, so there are multiple marketing tools
19 that we have, the industry has, to promote product on the
20 shelf, whether it's on-shelf marketing, it's in the flyers,
21 it's on their web page, it's sampling. So what we've done
22 as an industry is create different sizes, different quality
23 levels, to hit more of the market. So it's really an
24 exposure thing.

25 MR. KADDOURA: For example, the cans that you

1 have samples on, it says on it whether small, medium or
2 large. And these are standard across the industry. So
3 whether Brand-Name A or Brand-Name B or C, if they saw it on
4 and pitted, and this is just as an example, if they see on
5 'em small, and this is not, but just as an example, meaning
6 there's X amount of olives per kilogram.

7 So let's say 320 to 360. That would classify as
8 a small. And then you go to medium, large, extra-large and
9 jumbo and colossal. And this is standard in the industry.
10 So when the customers say, "I wanna small pitted," they
11 expect X amount of olives per kilogram or per pound. So
12 their quality department when they receive the product, they
13 open the cans, they count the olives and what does it weigh.

14 So there is a standard that we supply base. And
15 every customer, so if a customer said, "I want it small, but
16 I want 120 count," that's not going to happen. You're not
17 gonna put a label on small, because that would be in
18 violation.

19 So that's really where the challenge is because,
20 similar to what the petitioner mentioned earlier, if you
21 have a small crop and you're in a large size, meaning the
22 crop itself, the amount of production per pounds is small,
23 but you have large olives, what's going to happen to the
24 small olives?

25 And if you have major retailers like Walmart,

1 Kroger and others, that they pull hundreds and hundreds and
2 thousands or millions of cases, and they buy in the small,
3 you're going to run into a supply situation. I hope that
4 answers your question.

5 MR. DeNICHOLAS: What's your original question,
6 if it's a pound, if it's a kilo, what difference, what size
7 it is? Was that your question?

8 MR. ANDERSON: It was kind of my question, but
9 this has been very helpful to clarify because the comments
10 here have been -- there's been inability of the petitioners
11 in certain situations to supply the right size or the volume
12 in a particular size.

13 MR. DeNICHOLAS: I think the consumer demands a
14 different size for the application. You know, if they're
15 just gonna make it an additive to a salad, they're gonna
16 tend to want small. If they want it to be a stand-alone
17 hors d'oeuvres, I think that was referred to before, serving
18 them by themselves on a platter. They're gonna want the
19 bigger ones. So it all depends on the use of the olive.
20 You're right. It's the same amount of product, but
21 different applications of the product determine the
22 importance of the size.

23 MR. ANDERSON: So all these comments have been
24 very helpful in clarifying our understanding. I would just
25 invite you in the post-conference brief if you have any

1 specific information on either trends in demand at the
2 retail level or medium, for the different sizes, whatever
3 they are, is there a trend or has it been fairly even over
4 the Period of Investigation, the demand for particular
5 sizes, and then where you're seeing that demand. Because
6 you were commenting on the fact that you're meeting a
7 demand that the U.S. producing industry can't meet. And so
8 if you have any more particulars on that, that would be very
9 helpful.

10 And then I have one follow-up, final question.
11 Related to the interesting comment about transportation
12 costs. And I think it was Mr. Escudero. I was just
13 curious. Overall the U.S. market, what share of East Coast
14 accounts for the total U.S. ripe olive market? Roughly?
15 Or, if you don't know, comment in your post.

16 MR. ESCUDERO: I really don't know. I'm gonna
17 tell you a number which is incorrect. I'd rather prefer to
18 put it on the briefing.

19 MR. ANDERSON: So you gave some interesting
20 figures. I think you talked about \$1,500 to ship a
21 container --

22 MR. ESCUDERO: From Spain to -- from the Spain
23 to here? Approximately \$1,500.

24 MR. ANDERSON: To the East Coast?

25 MR. ESCUDERO: To the East Coast, Port New York,

1 Miami, Norfolk.

2 MR. ANDERSON: Right. But then it'd be \$3,000.

3 MR. ESCUDERO: Transport track from California
4 to New York, or from New York to California.

5 MR. ANDERSON: SO what would the cost be to ship
6 from Spain to the West Coast? Because petitioners have said
7 that the coastal markets are the biggest part of the U.S.
8 demand for ripe olives. So, I get what you're saying about
9 East Coast customers, but what about West Coast customers?
10 What would the transportation costs be from Spain -- how
11 would that be relative to the California Growers already
12 being on the West Coast. How would that cost compare to
13 this?

14 MR. ESCUDERO: I can tell you a number, how much
15 costs one container from Spain to California could cost
16 \$2,400, something like that. The question was -- that's the
17 price. I don't know which was the question, if there's
18 another question there.

19 MR. ANDERSON: No, that's helpful. Anything you
20 want to put in the post-conference brief because you're
21 making a comparison to the East Coast and I was just
22 wondering about the same situation, but West Coast, where
23 proximity is more advantageous on the West Coast with U.S.
24 producers and that scenario less advantageous for the
25 subject imports from Spain.

1 And so I'm just trying to round out that
2 discussion about logistics and price and so forth. With
3 that, I don't have any further questions. I'll just look
4 one last time. Okay, Ms. Neumann, you have a final
5 question?

6 MS. NEUMANN: Just an informational point. The
7 institutional buyers, you had talked about differences in
8 packaging. Are the institutional buyers buying in bulk,
9 like barrels? Or where is it that you see the advantage in
10 the pouches or resealable snack packs? Something other than
11 a can or a glass jar. Where is that advantage? What
12 channel?

13 MR. DEKANTER: I can contribute. On the food
14 service side, Morocco has introduced the pouch into the
15 United States market. And that has spurred an encouragement
16 throughout the food service chains to go from cans to
17 pouches.

18 On the retail side, it has no comparison with
19 anything on the retail side, because they're just two
20 different worlds. But on the food service, typically you're
21 talking about the six-number tin can, which is 33 oz. as
22 well as the pouch, which is produced in Morocco and Spain
23 and also in California.

24 MS. NEUMANN: And then is there any difference
25 between who buys, in terms of the institutional channel, who

1 buys whole olives or sliced olives? Is there a preference
2 in the institutional channel for one or the other?

3 MR. DE KANTER: The application is different.
4 For example, the pizza industry prefers to have the sliced
5 olive on the pizza, versus the restaurant industry outside
6 the pizza chains would prefer a pitted ripe olive and those
7 would be just the differences in presentation to their end
8 consumer.

9 MS. NEUMANN: And one last --

10 MR. DE KANTER: I'm sorry. And the sandwich
11 industry as well would go with the sliced.

12 MR. DeNICHOLAS: Also, the pouches have become
13 more popular because there's less injury and they're less
14 expensive to distribute, because you're not moving around as
15 much packaging material. So they're becoming preferred.

16 MS. NEUMANN: And both, as far as you know, both
17 U.S. processors and Spanish processors have the ability to
18 make the pouch form?

19 MR. DeNICHOLAS: That is correct.

20 MS. NEUMANN: Okay. Just one more quality
21 question. Is there any difference at all in the flavor of
22 the ripe olive, based on what variety of olive it's made out
23 of?

24 MR. DE KANTER: Yes, there is.

25 MS. NEUMANN: Could you talk about that a little

1 bit? In terms of what comes from Spain, what comes from
2 Morocco and what comes from the U.S.?

3 MR. KADDOURAS: Really, it's subjective in all
4 honesty. I mean it's no science behind it. But they're
5 different because of the variety itself. For example, if
6 the ripers are coming from Manzanilla or it's coming
7 Hojiblanca or Sevillano or from Morocco or Egypt. Just
8 because it's different fruit. So you have a different
9 flavor profile, number two, different texture to it.

10 I mean leave the size aside, but just from the
11 taste and the texture, yes. But in all honesty, at least
12 from my end and what we say and the data we look at, it's
13 all subjective. They taste different. We all agree on
14 that. But better for me might be worse for you. Better for
15 you might be worse for me. Sorry I can't give you a
16 straight answer on that, but I don't know if the guys have
17 anything to add to that.

18 MR. ESCUDERO: It could be like the grapes on
19 the wine. You either prefer to have one taste, another one.
20 It's really subject to what you like it or not.

21 MS. NEUMANN: I guess I was trying to get at
22 whether the California style processing method smooths out
23 the differences from the olive.

24 MR. ESCUDERO: If you pack Manzanilla variety in
25 Spain, I don't think you see a big difference.

1 MS. NEUMANN: Okay, that's it. Thanks.

2 MR. ANDERSON: All right, thank you. I want to
3 thank this panel very much for your testimony and for
4 answering our questions and for being here today. I think
5 we'll take a five-minute recess to allow parties to prepare
6 for closing comments, so in five minutes we'll start with
7 closing comments.

8 (Brief recess.)

9 MR. BISHOP: Will the room please come to order?
10 Mr. Chairman, we're ready to turn to rebuttal and closing
11 remarks. Providing rebuttal and closing remarks on behalf
12 of Petitioner will be David Levine and Raymond Paretzky of
13 McDermott Will & Emery.

14 Gentlemen, you have 10 minutes.

15 CLOSING STATEMENT OF RAYMOND PARETZKY

16 MR. PARETZKY: Raymond Paretzky, thank you, Mr.
17 Bishop. Thank you, Mr. Anderson and Commission staff.
18 Petitioner is struck by the ironies in the presentation we
19 heard this afternoon from Respondents. We heard a lot of
20 criticism about the fact that the California acreage has
21 gone down and is unable any longer to supply as many olives
22 as we can process in the U.S. processing industry.

23 But of course, the reason it's gone down is
24 because of the low priced imports coming from Spain, as we
25 documented this morning. I urge you to take note as well of

1 their inability to answer staff questions about their
2 supposed quality superiority. And in light of that and
3 their claims of short supply, we ask if there's -- we can't
4 supply the markets. And if their quality is higher, then
5 why are their prices lower? It doesn't make economic
6 sense.

7 We also were struck by the irony of their
8 touting their marketing campaign as being good for U.S.
9 processors, as well as for the Spanish. If you've seen any
10 of their ads, they're multimillion dollar campaign with Jose
11 Andres and before that Raphael Nadal, the have an olive from
12 Spain campaign, you'll see that that doesn't really do
13 anything for us. It's clear that they're targeting our
14 market for growth by them.

15 I also would like to on behalf of the domestic
16 industry unequivocally deny, reject, rebut their accusations
17 that were unable to supply the demand of our customers. In
18 fact, the domestic industry, the domestic U.S. processors,
19 have ample extra capacity, can supply the entire United
20 States demand for ripe olives. In fact, we used to do so,
21 as we mentioned in the petition, there's no customers that
22 the Spanish imports have created. All of the customers are
23 the same customers that once were served by U.S. processors.
24 And we have fully the ability to completely serve those
25 customers again.

1 And this doesn't vary by size. We can supply a
2 full supply of whatever sizes the market requires. As I've
3 mentioned, it's true our acreage has gone down, but that's
4 because of the low priced imports have prevented the U.S.
5 processors from paying the growers enough. Therefore,
6 there's pulling acres. If a lease is granted, we can expect
7 acreage to increase.

8 We also heard that we lost institutional
9 business for reasons other than price. And that is simply
10 false. Our quality has always been the best. Our supply is
11 certain. We get plenty of awards, too, from our customers.

12 Next, I'd like to discuss what a -- on the legal
13 issue of including the growers. They really after --
14 attempting to duck that question, they basically conceded
15 that under -- as the provision applies, our growers are
16 included in the domestic industry. Indeed, if there was
17 ever an industry where the provision based on its terms
18 apply to an industry, this is it. Their opposition appears
19 to be to the provision itself, which they hope that the U.S.
20 would take out of law, rather than do the application for
21 provision here.

22 I also wanted to comment on their point about
23 eliminating the intermediary, which frankly, was difficult
24 to understand. We don't have any intermediaries between us
25 and our customers. The only reason that the customers buy

1 from the Spanish, other -- instead of us is price. Indeed,
2 they reference the bid processes that were going on when we
3 see more and more reverse auctions in the industry. That's
4 clearly based on price. Nothing to do with intermediaries.

5 They also conceded that black olives are a
6 commodity product. I heard one of their witnesses say that
7 Spain is suffering from dumping of olives in Spain from
8 Morocco. All that may be, but that's no reason for them to
9 be dumping their product on us in the United States.

10 And finally, I heard them say that they had
11 plenty of supply in Spain. They had the capacity to supply
12 the U.S. markets, notwithstanding any concerns about
13 diseases or anything like that. They conceded that they're
14 fully able to take over the U.S. market if they succeed in
15 driving our growers and processors out of business. Thank
16 you.

17 CLOSING STATEMENT OF DAVID LEVINE

18 MR. LEVINE: Thank you, Mr. Anderson and
19 Commission staff. This is David Levine. I just want to add
20 a few points to what Raymond Paretzky just said to reiterate
21 the key features of our case, that either were not addressed
22 or certainly weren't directly rebutted by anything that the
23 other side had to say.

24 First of all, there's clearly a single like
25 product that's co-extensive with ripe olives that are the

1 defined subject merchandise from Spain. I didn't hear
2 anything that would counter that. And if there is an issue
3 about it, we'll address in our post conference brief as
4 well.

5 Growers, as Mr. Paretzky just said, are a part
6 of the industry. There's nothing that they've said on the
7 record here today. There's nothing that's been submitted or
8 a process going on currently at the Commerce Department that
9 would reject that position either.

10 There is clearly price underselling in the
11 market. The questionnaire responses make that abundantly
12 clear. I didn't hear anything today that would rebut that
13 clear fact either.

14 And there are clearly U.S. lost customers, lost
15 sales and significant price effects in the U.S. market that
16 are negatively affecting the U.S. producers. Nothing that
17 we heard today really directly addresses that or rebuts that
18 point either.

19 And there are features that go to the
20 Commission's consideration of whether or not there's threat
21 of current -- of future injury to the domestic industry that
22 has not really been addressed or rebutted by anything that
23 was said here today.

24 One point that relates to that issue directly is
25 the overwhelming amount of subsidies that are provided to

1 the Spanish industry that I would invite you to carefully
2 consider what we've put in the petition. And to the extent
3 that the Commission, as part of its investigation, on the
4 threat issue in particular wants to look into, this has been
5 a topic that we have literally spent months and months
6 trying to understand. It is a black box. We hope that the
7 Commerce Department is able to help us open that black box
8 and that we would invite you to do the same, because it
9 does relate to the threat issue. And with that, we'll
10 conclude our remarks.

11 MR. ANDERSON: Thank you very much.

12 MR. BISHOP: Closing rebuttal remarks on behalf
13 of Respondents will be given by Matthew P. McCullough of
14 Curtis Mallet-Prevost Colt & Mosle.

15 Mr. McCullough, you have 10 minutes.

16 CLOSING STATEMENT OF MATTHEW P. MCCULLOUGH

17 MR. MCCULLOUGH: Thank you. Matt McCullough of
18 Curtis Mallet. I have a number of issues I want to walk
19 through in these 10 minutes. So I'll try to run to them as
20 quick as I can.

21 Let me first address the domestic industry. We
22 do not believe the growers should part of the industry.
23 Let's be clear about that. And we'll do more in the post
24 conference brief. But if you're inclined to include the
25 growers in this industry, then the growers have to show up,

1 right? You need coverage from the growers. And you don't
2 have it. As far as I can see from the dumps and the
3 questionnaires you have, you have fraction of what they say
4 is staunch support. You need to see that data given their
5 share of production and what they account for. You're not
6 getting it right now. And if you don't have it, I think you
7 need to draw some inferences from that.

8 Second, let me talk a little bit about like
9 product. We don't need to contest like product for the
10 prelim. You can take the like product for what it is. And
11 we believe we win based on the record of this case. We'll
12 address it later, but for the prelim, I think we're fine.

13 Next point I think is really important. And
14 it's context. The Petitioners in this case want to focus on
15 basically the last three years. Okay. But what's going on
16 in this market is you're getting a snapshot. That last
17 three years is a snapshot of a much broader, longer term
18 trend in that industry in California. It goes back more
19 than a decade.

20 As Ms. Lutz indicated, when you make changes
21 dealing with agriculture and land, you're making long term
22 investments. And those long term investments start
23 happening more than a decade ago. That's why you saw and
24 you continue to see a very marked shift from table olive
25 production to olive oil production. You see shifts to other

1 products like almonds.

2 You had growers here today on the Petitioner's
3 panel talking about the different types of fruits and nuts
4 they grow on their land. Those decisions were made. They
5 adjust over time.

6 What you're seeing in the last three years is
7 that adjustment. And what you're seeing is shrinking grower
8 capacity to fill capacity at the processors. And that's
9 really what this case is about.

10 And I know Petitioners talked about, you know,
11 reduced capacity utilization. That has nothing to do with
12 Spanish olives. It has everything to do with their ability
13 to get supply from the growers.

14 And I want to come back to another issue, which
15 is important and related to that. And it's just about data.
16 There's a lot of numbers and a lot of qualitative statements
17 made today about how the industry is fine, they'll have more
18 than enough supply, the amount of tonnage they delivered in
19 a given year, whether it's 78,000 or 80,000, how many acres
20 are being used for table olives versus other production.

21 A lot of these numbers are not making sense.
22 When you look at the questionnaire data for the processors,
23 and you look at their production, you look at their
24 shipments, and you look at their inventories, and you hear
25 the testimony here today, you need to ask yourself why did

1 they import almost 15,000 tons of olives in 2015 if you
2 believe what they said today?

3 Luckily, this is a market like most Ag markets,
4 where this is a lot of data, and it's public, and it's
5 collected by USDA. And based on that data, you can see a
6 number of trends.

7 A lot of discussion here about how many acres
8 have been devoted to table olives in the past. And you
9 heard 50,000 and you heard 40,000. Must have happened more
10 than a decade ago, because if you look at the data over the
11 last decade, there's been no more than between 30- and
12 35,000 total acres according to the USDA. And over time,
13 that acreage has shifted from table olive production to
14 olive oil production. And the data bears that out and we'll
15 address it in the post-conference brief.

16 In terms of, again, supply by the growers, real
17 questions get raised about if that is the case and they've
18 had fine years in '14, '15, and '16, why are we importing
19 raw olives? USDA data's good also for addressing all the
20 other causes that are really the explanation for what's
21 going on here, whether it's the drought, whether it's worker
22 shortages, whether it's other incentives, such as olive oil
23 and almonds and other production. We will also address that
24 in our post conference brief.

25 Another thing, I think, that really wasn't

1 discussed by Petitioners, and usually it's a pretty canned
2 presentation from Petitioners. They love to do that trends
3 analysis. They love to talk about volume going up and all
4 the negative trends. You know, at best, they could speak
5 about capacity utilization and the inability to invest and
6 to increase capacity at the processor. They don't need to.
7 And the utilization -- the empty utilization they have now
8 is, again, has nothing to do with Spanish imports and the
9 volume of Spanish imports. It's all about supply from the
10 grower base.

11 But other things you heard today about declining
12 prices, they have to lower prices. Spanish prices, you
13 know, undersold and lowered. Look at the questionnaire
14 data. Look at the trends and see if prices were declining
15 over the period. And check the correlation between Spanish
16 volume, prices, production, and shipments. There really
17 isn't any correlation there. And that should tell you
18 something about what the problem in this industry is. And
19 we'll address that, again, in post-conference.

20 Now as far as threat, I believe the issue was
21 that we didn't offer any rebuttal on threat. I don't know
22 if we really had to, because honestly, our message here is
23 it's all about supply. It's all about the California
24 growers and their ability to supply the processors. And if
25 I'm not mistaken, consistent with what's really been going

1 on in this market, you heard the gentleman from Bell-Carter
2 indicate that 2018, they were going to have a supply
3 shortage. You know, and the testimony, again, becomes
4 inconsistent, but we have data. I encourage you to look at
5 that data. And I think what you will find is that any
6 difficulty being experienced by the processing industry here
7 is clearly the result of factors that are unrelated to
8 imports from Spain.

9 You heard in the testimony right at the
10 beginning overall imports are flat. The increase you see
11 from Spain happened in '14 and '15. And that was merely two
12 different import sources trading supply. It didn't displace
13 any domestic production at all.

14 I think it's pretty clear from this record, and
15 you can -- and the Commission conclude on this record that
16 this industry is not injured by imports from Spain. It's
17 not threatened by imports from Spain. It is operating along
18 a long term trajectory that's happened and has occurred for
19 more than a decade. And there's plenty of data to support
20 that and we intend to do so in our post-conference brief.
21 Thank you very much.

22 MR. ANDERSON: Thank you, Mr. McCullough. And
23 with that, on behalf of the Commission and the staff, I
24 would like to thank all our witnesses and our counsel for
25 being here today and helping us gain a better understanding

1 of the ripe olive industry and the conditions of competition
2 in this industry. Before concluding, I would like to
3 mention a few key dates in the investigation. The deadline
4 of submission of corrections to the transcript and for
5 submission of post-conference briefs is Monday, July 17th.
6 If the briefs contain business proprietary information, a
7 public version is due on Tuesday, July 18th.

8 The Commission has tentatively scheduled a vote
9 on these investigations for Friday, August 4th and will
10 report its determinations to the Secretary of the Department
11 of Commerce on Monday, August 7th. And finally,
12 Commissioners' opinions will be issued on Monday, August
13 14th.

14 And with that, again, I thank all those who
15 participated today. Thank you for coming and this
16 conference is adjourned.

17 (Whereupon the meeting was adjourned at 3:37
18 p.m.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Ripe Olives from Spain

INVESTIGATION NOS.: 701-TA-582 and 731-TA-1377

HEARING DATE: 7-12-17

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: 7-12-17

SIGNED: Mark A. Jagan

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