

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
SODIUM GLUCONATE, GLUCONIC ACID, AND
DERIVATIVE PRODUCTS FROM CHINA

) Investigation Nos.:
) 701-TA-590 AND 731-TA-1397
) (FINAL)

Pages: 1 - 189
Place: Washington, D.C.
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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
SODIUM GLUCONATE, GLUCONIC ACID,) 701-TA-590 AND
AND DERIVATIVE PRODUCTS FROM CHINA) 731-TA-1397 (FINAL)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Tuesday, September 18, 2018

The meeting commenced pursuant to notice at 9:40
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable David S.
Johanson, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman David S. Johanson (presiding)

5 Commissioner Rhonda K. Schmidtlein

6 Commissioner Irving A. Williamson

7 Commissioner Meredith M. Broadbent

8 Commissioner Jason E. Kearns

9

10

11

12 Staff:

13 Tyrell Burch, Program Support Specialist

14 Sharon Bellamy, Records Management Specialist

15

16 Robert Casanova, Investigator

17 Samantha DeCarlo, International Trade Analyst

18 Fernando Gracia, International Economist

19 Samuel Varela-Molina, Accountant/Auditor

20 Cortney McNamara, Attorney/Advisor

21 Craig Thomsen, Supervisory Investigator

22

23

24

25

1 APPEARANCES:

2 Opening Remarks:

3 Petitioner (David M. Spooner, Barnes & Thornburg LLP)

4 Respondent (Andrew T. Schutz, Grunfeld, Desiderio, Lebowitz,
5 Silverman & Klestadt LLP)

6

7 In Support of the Imposition of Antidumping and

8 Countervailing Duty Orders:

9 Barnes & Thornburg LLP

10 Washington, DC

11 on behalf of

12 PMP Fermentation Products, Inc. ("PMP")

13 Jim Zinkhon, President & Chief Executive Officer, PMP

14 Tonya Lodge, Manager of Corporate Planning & Sales, PMP

15 Dan Rudy, Director of Administration, PMP

16 Gary D. Russell, Vice President RussTech, Inc.

17 Bruce Malashevich, President & Chief Executive Officer,
18 Economic Consulting Services

19 Jerrie Mirga, Vice President, Economic Consulting
20 Services

21 David M. Spooner, Christine J. Sohar Henter and

22 Nicholas A. Galbraith - Of Counsel

23

24

25

1 In Opposition to the Imposition of Antidumping and
2 Countervailing Duty Orders:
3 Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP
4 Washington, DC
5 on behalf of
6 Caludor Products, Inc. ("Valudor")
7 Semyon Melamed, President, Valudor
8 Michelle Tung, Operations Manager, Valudor
9 Ned H. Marshak, Andrew T. Schutz and Dharmendra N.
10 Choudhary - Of Counsel

11

12 Rebuttal/Closing Remarks:

13 Petitioner (David M. Spooner, Barnes & Thornburg LLP)

14 Respondent (Andrew T. Schutz, Grunfeld, Desiderio, Lebowitz,
15 Silverman & Klestadt LLP)

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P R O C E E D I N G S

1
2 (9:40 a.m.)

3 MR. BURCH: Will the room please come to order.

4 CHAIRMAN JOHANSON: Good morning. On behalf of
5 the United States International Trade Commission, I welcome
6 you to this hearing on the final phase of investigation No.
7 701-TA-590 and 731-TA-1397 involving Sodium Gluconate,
8 Gluconic Acid and Derivative Products from China.

9 The purpose of these final investigations is to
10 determine whether an industry in the United States is
11 materially injured or threatened with material injury or the
12 establishment of an industry in the United States is
13 materially retarded by reason of imports of sodium
14 gluconate, gluconic acid and derivative products from China.

15 Schedule setting forth the presentation of this
16 hearing, notices of investigation and transcript order forms
17 are available at the public distribution table. All
18 prepared testimony should be given to the secretary. Please
19 do no place testimony directly on the public distribution
20 table. All witnesses must be sworn in by the Secretary
21 before presenting testimony.

22 I understand parties are aware of the time
23 allocations. Any questions regarding the time allocations
24 should be given to the Secretary. Speakers are reminded not
25 to refer in their remarks or answers to questions to

1 business proprietary information. Please speak clearly into
2 the microphones and state your name for the record and for
3 the benefit of the court reporter.

4 If you will be submitting documents that contain
5 information you wish classified as business confidential
6 your request must comply with Commission Rule 201.6. Mr.
7 Secretary, are there any preliminary matters?

8 MR. BURCH: Mr. Chairman, I would like to note
9 that all witnesses have been sworn in. There are no other
10 preliminary matters.

11 CHARIMAN JOHANSON: Very well. Let us begin with
12 opening remarks.

13 MR. BURCH: Opening remarks on behalf of
14 Petitioners will be given by David M. Spooner of Barnes and
15 Thornburg. Mr. Spooner, you have 5 minutes.

16 OPENING STATEMENT OF DAVID M. SPOONER

17 MR. SPOONER: Chairman Johanson, Commissioners.
18 Thank you for having us here today. I am David Spooner,
19 Counsel for Petitioner in this case, PMP Fermentation
20 Products, or PMP.

21 PMP is the sole remaining manufacturer of sodium
22 gluconate or GNA and closely related production in the
23 United States. PMP has been a part of Peoria, Illinois
24 since the mid-1800s. First as a brewery and in recent
25 decades as a producer of GNA products. It is an anchor of

1 the community providing good manufacturing jobs to a city
2 that very much needs them.

3 PMP CEO himself is an example. Jim Zinkhon is
4 here today as a homeboy. Jim grew up in Peoria and decided
5 to work with the hometown company after college. We have
6 other PMP officials today with similar stories.

7 PMP though may cease to exist in the face of an
8 onslaught of cheap Chinese Imports of GNA products. Imports
9 that are priced so low that they're cheaper than PMP's cost
10 of production. The evidence of PMP's material injury cannot
11 be more clear and frankly I think it is more clear now than
12 it was during the preliminary stage.

13 Throughout the POI pricing products 1 and 2
14 massively undersold U.S. Product. In fact, the public staff
15 report on page 5-11 states that prices for product imported
16 from
17 China were below those of U.S. produced product in all 28
18 instances and margins of underselling ranged from 4.9
19 percent to 38.7 percent. This margin of underselling
20 steadily increased.

21 This underselling occurred at the same time that
22 PMP faced a sizeable increase in the cost of raw materials.
23 PMP's production process does not permit PMP to cease or to
24 slow down production in the face of injurious imports, a
25 fact that makes PMP more vulnerable. During the POI PMP had

1 no choice but to reduce prices in the face of what should
2 have been favorable market conditions in a desperate attempt
3 to maintain market share.

4 Faced with this cost-price freeze PMP, despite
5 healthy and growing demand for GNA products and despite an
6 absence of domestic competition, was forced to cut prices.
7 These price cuts had a significant impact on PMP's financial
8 performance. Gross profits declined from 2015-2017 as did
9 other indicia of PMP's financial performance.

10 I point you to attachment A of our prehearing
11 brief which tracks the relationship of pricing and import
12 volume for pricing products 1 and 2 to PMP's operating
13 income. This chart is also explained on pages 2 and 3 and
14 49 and 50 of our brief. The impact of unfairly traded
15 Chinese Imports is also demonstrated by PMP's long list of
16 lost sales.

17 A list that includes end-users from throughout
18 the United States and that spans a variety of end uses. We
19 will discuss this in more detail during posthearing brief
20 but these lost sales are well-documented or
21 well-corroborated by the record.

22 AS for threat, just before the Petition was filed
23 one of PMP's key customers emailed, threatening to move
24 business to a Chinese supplier if PMP did not provide a
25 significant retroactive price reduction. This was not an

1 isolated incident. Chinese Producers continue to
2 aggressively solicit PMP's customers.

3 In fact, PMP itself regularly receives such
4 solicitations. Jim Zinkhon received on this morning just as
5 we were leaving for the hearing. Indeed, in its preliminary
6 determination the Commission found that Chinese Producers
7 have both the ability and incentive to significantly
8 increase the volume and market penetration of Subject
9 Imports in the immediate future.

10 The Commission found that the Chinese industry is
11 large, growing, has a capacity utilization rate of only 50
12 percent and is export-oriented. Indeed, excess capacity in
13 China dwarfs U.S. apparent discussion. This is all no less
14 true today. The Chinese government provides massive
15 subsidies to GNA products producers.

16 Commerce after all countervailed 55 different
17 subsidy programs, yielding a margin of CVD margin of 194
18 percent. Prices for Chinese GNA in the U.S. are higher than
19 in any third country market. The EU continues to impose
20 remedial measures on Chinese GNA which of course tends to
21 divert product to the U.S. and the Chinese continue to
22 solicit U.S. end users aggressively. PMP has only been
23 able to enjoy a measure of relief this year after the
24 filing of the Petition and the imposition of provisional
25 measures. This recent uptick in PMP's performance as a

1 consequence of remedial tariffs only demonstrates the threat
2 to PM of massively dumped and subsidized Chinese Imports.

3 Finally, I should close by making an editorial
4 comment about the questionnaire responses of the Chinese
5 Producers. These questionnaire responses were provided to
6 the Commission so late that they weren't included in the
7 Staff Report and some have been subsequently revised. The
8 information has not of course been verified.

9 Please just keep in mind and we will elaborate on
10 this in our brief, that on the Commerce side Commerce
11 repeatedly busted for lack of a better word the sole
12 participating Respondent, one of the largest Chinese
13 Producers for repeatedly providing --

14 CHAIRMAN JOHANSON: Mr. Spooner, your time has
15 expired, if you could try to wrap up, please. Thank you.

16 MR. SPOONER: Thank you for having us today and
17 we're happy to answer any questions at the appropriate time.
18 Thank you.

19 MR. BURCH: Opening remarks on behalf of
20 Respondents will be given by Andrew T. Shutz of Grunfeld,
21 Desidario, Lebowitz, Silverman and Klestadt. Mr. Shutz you
22 have five minutes.

23 OPENING STATEMENT OF ANDREW T. SCHUTZ

24 MR. SHUTZ: Good morning, I'm Andy Schutz of
25 Grunfeld Desidario and I appear here today with my colleague

1 Dharmendra Choudhary on behalf of our client Valudor
2 Products in opposition to PMP's claim that it is materially
3 injured or threatened with material injury by reason of
4 sodium gluconate imported from China.

5 We first apologize for any inconvenience
6 resulting from Valudor's decision to participate in this
7 investigation at a very late date and we trust the
8 Commission will follow its longstanding practice of reaching
9 the correct decision based on analysis of all record
10 evidence rather than penalizing the party for not meeting
11 the Commission's original deadline to respond to the staff's
12 questionnaires.

13 In this final phase, the Commission is faced with
14 a rather unique case. First, in the preliminary
15 determination the Commission reached a negative
16 determination of current material injury with respect to
17 cumulated imports from France and China for a POI ending
18 September 30, 2017. The Commission should reaffirm this
19 decision.

20 The difficult standard for a negative preliminary
21 bears repeating. It required that 1) the record as a whole
22 contains clear and convincing evidence that there is no
23 material injury and 2) no likelihood exists that contrary
24 evidence will arise in the final investigation. Thus the
25 Commission has already determined that it is unlikely that

1 any evidence would arise to establish material injury in the
2 final. The Commission's preliminary determination was
3 prophetic in this regard.

4 We believe that the record in this case indeed
5 confirms that the requisite change did not take place. The
6 record lacks substantial evidence that circumstances of the
7 finals extended periods of investigation from October 2017
8 through June 2018 require a change of the preliminary no
9 material injury finding in this final phase.

10 Further, in the preliminary decision the
11 Commission also carefully considered and expressly rejected
12 two important arguments advanced by the Petitioner. First,
13 the Commission rejected PMP's argument that the Commission's
14 analysis should focus primarily on the performance of PMP's
15 sodium gluconate operations rather than the entire range of
16 the domestic like product.

17 The Commission reasoned that the Petitioner could
18 have requested that the scope of the investigations under
19 the domestic like product be limited to sodium gluconate but
20 did not do so. Next, the Commission rejected PMP's argument
21 that because of the nature of the industry any increase in
22 sales by cumulated Subject Imports necessarily translates to
23 a decline in the Domestic Industry's production, capacity
24 utilization, sales and profitability. The Commission should
25 reaffirm these subsidiary conclusions at this time.

1 The second unique feature of this case is that it
2 essentially focuses on the actions of two companies. First,
3 there is PMP the sole member of the Domestic Industry which
4 claims, and I quote that "it will disappear altogether if it
5 fails to soon find relief, that without an affirmative
6 determination it will simply be driven out of business and
7 that the volume of sales lost to PMP is well nigh
8 catastrophic. These claims are incredible. They are belied
9 by the Commission's prior determination and the entirety of
10 the confidential record.

11 The second player is our client Valudor which is
12 by far the largest importer of sodium gluconate from China
13 and you will hear from then lateral this afternoon. Valudor
14 will show that its entry to the U.S. Market was not based on
15 price. The vast majority of its sales are to one customer
16 for one end use, agriculture on the West Coast, that the
17 Chinese Product it sells are of a quality that makes them
18 unfit for many GNA uses in the U.S. which is distinct from
19 PMP's products and that it actually tried and failed to sell
20 Chinese GNA for other uses in other markets in other regions
21 in the U.S.

22 If the Commission agrees with Valudor that its
23 increased quantity of admittedly lower-priced imports was
24 not injurious then PMP's theory of the case falls apart.

25 Finally, there is no threat of material injury in

1 the case. The Chinese did not participate in the
2 Commission's preliminary investigation or commerce's
3 investigation because their sales to the U.S. are
4 insignificant to sales in the home market and third
5 countries. The Chinese Producers filed their foreign
6 producer questionnaire responses as an accommodation of
7 Valudor and Valudor's request.

8 These responses when read in conjunction with
9 information regarding sodium hydroxide shortages in China
10 and an inferior quality of Chinese sodium gluconate should
11 be sufficient for the Commission to conclude that
12 substantial evidence supports an affirmative finding of no
13 threat. We look forward to discussing these issues in
14 greater detail this afternoon. Thank you.

15 MR. BURCH: Would the Panel in support of the
16 Imposition of Antidumping and Countervailing Duty Orders
17 come to the front and be seated? Mr. Chairman, I would note
18 this Panel has 60 minutes.

19 MR. SPOONER: Thank you, Mr. Chairman. We will
20 begin with Jim Kinkhon the CEO of PMP although if I may I
21 would like to begin with one aside editorial comment. In my
22 opening remarks I referred to an impressive long list of
23 lost sales I felt was corroborated by the record evidence.

24 I was careful not to highlight one specific lost
25 sale but our fellow counsel today referenced it in quite a

1 bit of detail in his opening statement. He referred to
2 Valudor serving a large fertilizer producer on the West
3 Coast, that that fertilizer producer was Valudor's primary
4 customer.

5 I would strongly urge the Commission to look at
6 PMP's list of lost sales and look at the questionnaire of a
7 large fertilizer producer in this case and we will have to
8 elaborate in our posthearing brief but I think the record
9 debunks the claim quite clearly that sales to a fertilizer
10 producer on the West Coast don't affect PMP. With that, I
11 should begin with Jim Zinkhon.

12 STATEMENT OF JIM ZINKHON

13 MR. ZINKHON: Good Morning, Chairman Johanson and
14 Commissioners. I'm Jim Zinkhon President of PMP
15 Fermentation Products. When I was here at the ITC
16 previously, I was the Director of Corporate Planning and
17 Sales for PMP. The prior CEO retired in April 2018 and
18 that's when I took over the position. I've been with the
19 company for nearly 24 years, starting in the production side
20 in 1995, moving into the planning and sales area in 2001.
21 As David mentioned, I grew up in Peoria. PMP is my
22 hometown. I've seen what unfairly traded imports are doing
23 to my company and I couldn't sleep at night if I wasn't
24 doing everything I could to save the company and to save the
25 jobs of the hardworking men and women that I see every day.

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I'd like to begin my testimony by talking about the importance of this case to us at PMP, the only remaining GNA products producer in the U.S. Frankly, if we lose and we do not see relief from unfairly traded Chinese Imports PMP will simply be forced out of business.

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As CEO and as someone who has been at the company for almost 24 years, I'm extremely familiar with this company, its business and its employees. I see the impact of ridiculously low-priced imports from China on our bottom line. It simply cannot continue. In fact, one of the reasons I worry so much is because we have had firsthand experience with what can happen with this type of pricing.

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We used to have another plant across the street that made a different chemical. This plant operated on a different chemical. This plant operated from 1997 until it was shuttered in 2007 after being driven into the ground by lower and lower priced Chinese Imports. Prices that were far lower than our cost of manufacturing. In the last few years we've watched with trepidation as we saw the same thing happening with the products we sell today, the GNA products but this time we decided to fight back.

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This case is not just important to me or my colleagues here with me today but to everyone at PMP, their families, and the community. The employees of PMP are very

1 aware of what happened to our other plant. In fact we just
2 had a retirement party last week for one of our production
3 operators. He had been with us for over thirty years.

4 While the focus of the party was of course his
5 retirement, virtually the only thing anyone wanted to talk
6 to me about was this case. It means so much to them and
7 their families and they know the security of their jobs and
8 the viability of the company depend on the outcome of this
9 case.

10 Now I'd like to give you a little background on
11 PMP. We date back to the mid 1800's. The building was
12 built in 1849. The facility became known as the Leisy
13 Brewery and was in business until Prohibition. The facility
14 was then purchased by Pabst Brewery after Prohibition. In
15 1985 the facility was sold to Fujisawa Pharmaceutical and
16 became known as PMP Fermentation Products. In 2003,
17 Fujisawa sold us to Kuso Chemical Company.

18 We've had a couple of owners but we've always
19 been in Peoria and we are an important part of the
20 community. PMP makes sodium gluconate, what we refer to as
21 GNA and closely related products. We pride ourselves in
22 manufacturing high quality products and we provide excellent
23 service. We believe that we can and do compete with anyone
24 in the world but we need a level playing field in order to
25 do so.

1 Next, I want to discuss the products at issue,
2 sodium gluconate and the derivative products. I'll do my
3 best to explain the close relationship among the four
4 primary GNA products as well as the products' end uses, the
5 industry and our pricing experience. The four products
6 subject to these investigations are sodium gluconate or GNA
7 (it's right here, it's a powder), gluconic acid or GA,
8 liquid gluconate or LG and gluconadeldelactone or GDL.

9 All four of these are chemically similar and are
10 considered to be a family of derivative products as shown on
11 our slide #4. In brief these products differ only in water
12 or sodium content. Importantly this means you can start
13 with any one of these four products and get to the other
14 simply by adjusting the water or the sodium content.

15 We got some samples here today that are just
16 going around to share with you so you can see, touch, smell
17 and even taste the GNA products, if you like. I wouldn't
18 recommend the taste part. Now I wanted to give you an idea
19 of the many different types of end-uses for GNA products.

20 We brought some consumer applications with us
21 today and I believe we have a slide that outlines what GNA
22 product is in which sample end-product and they're up here
23 in front. GNA products are mainly used in the following
24 sectors: Industrial cleaners and metal cleaning. We brought
25 two samples of these end-use products -- the CLR you see

1 sitting there and a Diversey Cleaning product you see right
2 next to it in the white bottle.

3 Concrete Admixture, this is one of our largest
4 segments but I didn't want to bring a piece of concrete in
5 here today. Another sector is for fertilizer. We have a
6 fertilizer sample here with our GNA from a producer in
7 Virginia; it's on the far end on the left as you are looking
8 out. We supply several other fertilizer end-users as well.

9 Healthcare, we have Sage's medical clothes which
10 include our GDL. Also, Creste Prohealth toothpaste is up
11 there and that includes our dry sodium gluconate or GNA. As
12 you can see on the ingredients list. Our dry sodium
13 gluconate is also used in IV solutions.

14 Food, our food samples include various salad
15 dressing and dips that include either GA or GDL. Other food
16 products include GNA or sodium gluconate as well.

17 Soaps and detergents. Many people know the
18 popular cleaning spray Method, which includes sodium
19 gluconate. We also have an environmentally friendly
20 detergent from 7th Generation over there that includes our
21 sodium gluconate. In addition GNA products are found in
22 many of the soaps and cleaners made by Ecolab, general
23 chelation. This includes the cleaning of stainless steel
24 tanks and lines in breweries and elsewhere where you use
25 stainless steel as well as bottle washing.

1 Road deicing. GNA products are used in road
2 de-icing, I'll explain that a little bit later. This is
3 just a small sample of what our products are used for.
4 Importantly, because the GNA products are interchangeable we
5 sell each type of GNA product into each industry through the
6 same channels of distribution.

7 Our production process for the three products we
8 make in Peoria at PMP is GNA, LG and GA, we use the same
9 machinery, the same equipment and the same people. These
10 products are all made like I said at the plant there in
11 Peoria.

12 While we would have liked to have welcomed you at
13 our plant for a tour instead we will do a virtual tour today
14 and show you a few pictures of our facility to help you
15 better understand the production process of GNA products but
16 first I want to show you a picture of the hardworking folks
17 at PMP. This is our team and the people I am here
18 representing today. Now we've broken down the PMP
19 production process into different stages for ease of
20 reference. We have pictures of these stages in our
21 presentation. Here's the PMP facility, at least the outside
22 of the plant. To start the production process you begin
23 with the raw materials. Liquid glucose and caustic soda are
24 in the storage tanks that you see on your screen.

25 Raw materials' cost account for a significant

1 portion of PMP's cost over the POI, given the intense
2 competition from low-priced Chinese imports, they did not
3 impact our GNA prices. In other words, even though our
4 costs went up we could not raise our prices.

5 Next, we show the fermentation vessel. This is
6 where all the magic happens. PMP employs a state of the art
7 continuous fermentation process that assures a very high
8 degree of product quality and purity. Our proprietary
9 fungus or bug is introduced to a medium consisting of liquid
10 corn syrup as the main raw material. This starts the
11 fermentation process, which is continuous and must not be
12 interrupted. This production process requires us to
13 maximize our capacity utilization to aggressively compete.

14 We have numerous high-tech computers in the
15 control room and a quality control app to test the
16 production process and closely monitor every step. For
17 instance, air-flow, air-pressure, agitation, pH and
18 temperature are controlled in the main fermentor to assure
19 optimum growing conditions for the fungus. The pH is
20 controlled by the addition of sodium hydroxide and this is
21 also the source of the sodium in the sodium gluconate or the
22 GNA or the liquid gluconate LG products. The fungus
23 converts the corn syrup into gluconic acid. For the
24 filtration stage, once fermentation is complete the
25 resulting liquid is filtered and can be used to manufacture

1 gluconic acid or the liquid gluconate but the vast majority
2 of this filtered liquid is used to make sodium gluconate
3 crystals.

4 After the liquid is filtered most of it passes
5 through an evaporator and into a crystallizer. With the
6 introduction of heat, vacuum and agitation a super-saturated
7 solution or slurry is achieved. The resulting slurry is
8 discharged to a centrifuge. The centrifuge removes the
9 majority of excess water from the crystals. The crystals
10 are then sent to a dryer.

11 Once the resulting GNA is dry, the product is
12 sifted and then it is packaged. For dry products, GNA and
13 GDL a variety of packages are available including paper
14 bags, fiber drums and super sacks. For the liquid products
15 GA and LG packaging styles include plastic drums or totes
16 and it may also be shipped in bulk via truck or rail.

17 Our warehouse on site looks like most warehouses.
18 It holds our finished product prior to shipment to the
19 distributors and end users. This is PMP in our production
20 process in a nutshell. As you can see, sodium gluconate is
21 the star of the show and the product which we make the most
22 of by far. However, with simple tweaks to the sodium
23 content and skipping the drying process we can produce
24 either GA or LG but those are convenience products. We
25 don't currently manufacture GDL at this facility. We could

1 easily do so.

2 Now I want to shift my hat to the sales side.
3 Tanya will speak more about this later but as CEO and as
4 part of PMP's sales team for almost 20 years, I'd like to
5 speak about PMP's customers. I've visited customers over
6 the last few years, especially the last three years and more
7 and more often I hear that Chinese suppliers are offering
8 these customers the exact same products we make at our
9 facility at far lower prices than ours.

10 Whenever a customer makes these claims we do our
11 best to keep the business by lowering our price as far as we
12 can while managing to be slightly above our costs. I know
13 this industry and I've been shocked by Chinese prices that
14 are far below the cost of our production. Of course as we
15 do this our margins have decreased dramatically.

16 In fact, one of our largest customers in the soap
17 and detergent industry currently purchasing about six
18 million pounds of GNA annually was offered a price from
19 China equivalent to 30 cents a pound FOB Peoria just a few
20 weeks before we filed this petition.

21 This product, especially sodium gluconate, is
22 what would generally be considered as a strong growth mark.
23 Historical data shows that we've seen an annual average
24 growth rate of six and a half percent in the U.S. Market
25 alone over the last ten years.

1 An excellent example is the road de-icing
2 business we've developed over the last few years. While the
3 sodium content of GNA does help melt snow the side benefit
4 is that it inhibits rust on the de-icing trucks, the cars,
5 the bridges and railroad tracks. The demand in this sector
6 alone has been growing and is inspected to increase
7 dramatically. Unfortunately, the price we are forced to
8 charge is very low as the Chinese have offered unfairly low
9 pricing to the de-icing companies.

10 In the fertilizer industry we continue to see
11 exponential growth in the use of GNA products as well. I'll
12 try to explain why GNA products are used for fertilizers. A
13 plant naturally secretes glucose, any plant secretes glucose
14 and it goes down into the soil in search of whatever
15 micronutrients that particular plant needs. The glucose is
16 then converted into a crude form of gluconic acid which in
17 turn feeds the plant.

18 By using the GNA products every one of which
19 contain gluconic acid in some form or another, there is less
20 stress on the plant and better yields when you use it in the
21 fertilizer.

22 Now I'd like to talk about how Chinese Imports
23 have impacted our bottom line and severely affected our
24 business over the past few years. Most importantly, prior
25 to filing this petition we were not able to rise prices for

1 almost four years, in fact we had to cut prices in order to
2 maintain our market share.

3 For the same reason, we've had to lower pricing
4 with certain key customers. However, even with these steps
5 we've seen a loss of business with some of our customers.
6 Since we filed the Petition and more recently since the
7 preliminary CVD and AV tariffs were imposed on the Chinese
8 Products we've seen a return of customers and an increase in
9 business. We can finally start to breathe just a little and
10 we even raised our prices at the beginning of the year to
11 begin to partially compensate for our rising costs.

12 We have experienced a slight uptick in demand as
13 several customers have returned to place new orders, however
14 if we continue to see Chinese pricing for GNA products at 30
15 cents a pound we will not be able to participate in this
16 market. The reality of it is we won't be able to compete
17 and we will be driven out of business completely.

18 As CEO as you can imagine, I'm very familiar with
19 PMP's financials. Profitability is paramount to our
20 business strategy. We simply cannot exist if we are not
21 profitable. We have seen profits erode over the Period of
22 Investigation and the erosion has accelerated rapidly in the
23 few months prior to filing this Petition.

24 My concern for PMP's future is that if these
25 unfair pricing trade practices are allowed to continue by

1 the Chinese Producers and suppliers we will continue to
2 hemorrhage cash. This threatens our very existence and will
3 result in the closing of our facility.

4 Next, I carefully read Valudor's public
5 prehearing brief. I just want to say something about market
6 realities. I don't dispute that the sodium hydroxide market
7 can be volatile but it is always a bit volatile and not just
8 for Chinese Producers. This is a global commodity chemical
9 and everyone faces the same pressures. This affects anybody
10 that makes GNA products and frankly if Chinese suppliers
11 were not intent on selling into the U.S. Market and if they
12 didn't think they would have the supply to sell into the
13 U.S. Market I don't understand why an importer of Chinese
14 Products would be here today opposing us.

15 In conclusion, we know these Chinese Imports are
16 dumped and are subsidized in a major way. Commerce
17 confirmed it, especially for one of the largest Chinese
18 Producers of GNA products in the U.S. Market for the past
19 few years. We know the Chinese are selling their GNA
20 products at lower and lower prices in the U.S. Market
21 because we receive the solicitations too. As a matter of
22 fact I just got one this morning as David mentioned and we
23 hear it from our customers.

24 Chinese Imports of our core product GNA are
25 consistently below our cost of production and we know we are

1 being injured by these unfairly traded imports. We simply
2 ask to compete on a level playing field and we need your
3 assistance to do this.

4 We respectfully request the Commission to
5 recognize that massively dumped and subsidized Chinese
6 Imports injure our company. Thank you and I would be happy
7 to answer any questions.

8 STATEMENT OF TONYA LODGE

9 MS. LODGE: Good morning Commissioners. My name
10 is Tonya Lodge and I'm the manager of Corporate Planning.
11 I've been employed by PMP for the last 13 years. Prior to
12 joining PMP, I was in the business of airlines and then a
13 shipping company. So, in other words, I went from moving
14 people to moving packages to moving chemicals.

15 I was in Customer Service the first five years
16 and then I've been in Sales for the last eight. This
17 company has always been a great place to work. PMP is the
18 type of place that treats employees fairly and promotes from
19 within. In fact, a few years ago I half jokingly told Jim I
20 wanted his job. When Jim was promoted in April, I got his
21 job.

22 I'm certainly not unique. If you walk around
23 our facility and ask employees how long they've been at PMP
24 you'll hear 15, 20, 25 years for many of them. Our
25 congressional representatives certainly heard this when they

1 toured our plant earlier this month.

2 To be honest, I am a little nervous, but I am
3 here testifying today with my colleagues in mind. I am here
4 because my experience in sales for PMP has allowed me to see
5 firsthand the way the Chinese imports have injured our
6 company and I worry about our future.

7 I've been with PMP long enough to remember years
8 ago when the Chinese imports were really not our
9 competition. While China, of course, was trying to sell in
10 the U.S. market, we heard from our customers that the
11 quality was just not there. In fact, when I first started
12 on the Sales side, a customer gave me a sample of the
13 Chinese sodium gluconate. I remember it very clear because
14 it smelled like fish. It was no surprise that nobody wanted
15 to buy it.

16 However, over time, the quality of the Chinese
17 sodium gluconate products has improved. We now see Chinese
18 directly competing for our business. This has been
19 happening more and more frequently; especially, within the
20 last three years. While we can compete with anyone when
21 we're on a level playing field, we began hearing Chinese
22 suppliers were offering lower and lower prices, prices well
23 below our cost of production, and those numbers we simply
24 cannot match.

25 I want to talk about my experience with two of

1 my largest customers. Both of these companies have come to
2 me seeking lower prices when the Chinese suppliers offer
3 them such low prices. I am responsible for one of our
4 largest customers. While I won't mention their name here,
5 they are identified in the U.S. producers' questionnaire. I
6 helped grow that account. I took it personally when they
7 came to me and demanded lower prices. This is one of many
8 examples of how our customers respond to numerous offers for
9 the low-priced sodium gluconate products.

10 We've had a long relationship with another
11 customer. I'll call this Customer 2 and would be happy to
12 identify them in our post-hearing brief. A few years ago,
13 Customer 2 was bought by a venture capitalist and since
14 they've become more focused on price. We used to talk about
15 each other's kids. We had a great business relationship
16 with their purchasing team. They previously have purchased
17 as much as five full truckloads every week early in the POI.
18 In recent years, however, we have seen this customer
19 decrease to sporadic spot purchases. We lost the sales to
20 Chinese product. I know this is true because they told me.
21 They were buying lower prices of the Chinese product.

22 I want to point out one important aspect of PMP
23 sales operations. We do not work on commission. This means
24 when I am quoting a price to our customer or a potential
25 customer I already know how low I can go. I'm not affected

1 by -- it's not affecting my own pocketbook to offer them a
2 price competitive price. But often, it's simply not
3 possible to compete with the Chinese prices when the prices
4 are below the cost of our production.

5 Luckily, the demand for GNA products is
6 increasing. Jim just talked about our four interchangeable
7 types of GNA products and showed a variety of their
8 applications. This is something our team works hard to
9 promote and grow other businesses. Unfortunately, we are
10 not getting the proper share of the growing market. Once a
11 customer buys our product, they check to make sure we are
12 price competitive. Our customer service can only take us so
13 far. With these products price is queen.

14 Thanks to Commerce's investigation we know the
15 Chinese imports are dumping and subsidized. We know we are
16 being injured by these unfairly traded imports. I've been
17 growing more and more concerned by these Chinese imports as
18 I have lost sales, sales I am responsible for, due to these
19 low-priced imports. I just don't see how we can compete if
20 this is allowed to continue. I simply ask you to level the
21 playing field. Thank you and I'm happy to answer any
22 questions.

23 STATEMENT OF GARY RUSSELL

24 MR. RUSSELL: Hello, Mr. Chairman and
25 Commissioners. My name is Gary Russell and I'm Vice

1 President of RussTech. RussTech, Inc. is a Kentucky
2 corporation supplying add mixtures, surface products, and
3 raw materials to the construction industry. Founded in
4 1967, RussTech has grown into a worldwide company and the
5 industry leader in the manufacture of high quality add
6 mixture and construction products. We primarily service the
7 concrete construction and agricultural industries as well as
8 the residential, commercial, and industrial construction
9 sectors.

10 We have two manufacturing facilities located in
11 Louisville, Kentucky and over 20 employees. Our products
12 include surface retarders, curing and sealing compounds,
13 evaporation retardants, water repellants, and other
14 products. In addition to finished products, RussTech is
15 also a key raw materials supplier, including sodium
16 glucoheptonate, calcium nitrate, calcium chloride, and
17 sodium thiocyanate. We are an end user of GNA products. We
18 purchase GNA products from PMP to produce our finished
19 products. We purchase both dry and liquid GNA products;
20 particularly, for the sodium gloconate, the dry product.

21 Chinese producers have been trying to get our
22 business for some time and they have become more and more
23 aggressive. I'd like to stick by PMP, but with these prices
24 at some point it's going to be harder not to leave. For
25 many years quality was an issue with Chinese suppliers.

1 While there's no such thing as commonly accepted grades of
2 GNA, Chinese GNA products used to be subpar. Now, however,
3 Chinese GNA products are equivalent to U.S. GNA products and
4 compete head-to-head with the United States. The only
5 difference is price.

6 The quality between U.S. and Chinese products is
7 interchangeable now. We perceive them to be substitutes.
8 It used to be different, but not any more. Now the GNA
9 market competition is focused on price. Over the past three
10 years or so, the Chinese products have been routinely priced
11 much lower than PMP GNA. We are constantly approached by
12 the Chinese producers and suppliers with low, low prices.
13 In fact, based on my conversations with others in my
14 industry, I would say that everyone in the business is
15 approached by Chinese suppliers regularly.

16 Indeed, just last week, I received this email, a
17 low priced offer from Chinese GNA producer. I'll give this
18 email to Jim and his team to provide to you all, but as you
19 all will see they were offering an outlandishly low price.
20 It's hard to keep up with all the Chinese offers. These
21 come about once or twice monthly.

22 When I heard that Jim and his company, PMP, had
23 brought this case, I offered to help this good American
24 company. It would be in my interest to buy cheaper Chinese
25 products. Chinese products are just as good as U.S.

1 products, so it's getting harder and harder to say no. But
2 I'm here today because it's the right thing to do. I've
3 done business with Jim and PMP for years and I don't want to
4 see a good American company go under because of what are
5 clearly unfairly priced imports.

6 I appreciate your consideration. I'm happy to
7 answer any questions.

8 MR. SPOONER: Thank you, Honorable
9 Commissioners. That concludes our affirmative presentation
10 and we're happy to take any questions.

11 CHAIRMAN JOHANSON: Alright, thank you for your
12 testimony this morning. We will begin questions with
13 Commissioner Kearns.

14 COMMISSIONER KEARNS: Thank you all for
15 appearing before us today. I appreciate you guys making the
16 trip and good to see you, Mr. Spooner and the rest of the
17 panel.

18 Mr. Spooner mentioned that PMP is the sole
19 remaining producer in the United States. I guess my
20 question would be for Mr. Zinkhon. In the past were there
21 more producers? Can you tell us more about when they
22 stopped producing in the United States and why?

23 MR. ZINKHON: The last producer stopped in 2007.
24 And frankly, I'm not exactly sure why. I'm not privy to
25 what went on with them at all, but I think they may have

1 already been feeling a little crunch. Thank you. And of
2 course, we'll address in more detail on our post-hearing
3 brief.

4 COMMISSIONER KEARNS: Okay, good. Thank you.

5 So, as you all have mentioned, there seems to be
6 clear underselling by the Chinese product in this market and
7 a strong, but significantly deteriorating financial
8 performance of the U.S. industry over the POI. It seems to
9 me this case turns on whether those two things are linked.
10 In other words, on whether you can demonstrate that the
11 Chinese underselling resulted in price depression or
12 suppression. What's the best evidence of that causal link?

13 MR. SPOONER: And of course, beginning with the
14 caveat that we'll address that at length in our brief, I
15 think there are two things, although I'm sorry if you asked
16 for only one.

17 COMMISSIONER KEARNS: I'll take two.

18 MR. SPOONER: The first is recounted in
19 Attachment A in our pre-hearing brief, which without going
20 into BPI, compares the trend in the underselling, increasing
21 margins of underselling with PMP's operating income. It's
22 clear that -- in fact, it's remarkable that as underselling
23 has increased PMP's operating income, and other factors,
24 such as gross profits, net income, et cetera, have declined
25 in tandem with the margins of underselling.

1 Secondly, perhaps to refer to some antidotal
2 evidence, I again point the Commission to the long list of
3 lost sales, sales which I think are largely if not
4 completely corroborated by the questionnaires of purchasers
5 and importers who've admitted that they've substituted
6 Chinese product for PMP's product and that price is an
7 extremely important if not the most important factor in
8 their purchasing decisions.

9 COMMISSIONER KEARNS: Okay, thank you. And I
10 guess that gets me to my next question. One, with respect
11 to the chart you prepared -- and I know there's this
12 question of how much we should be focused on GNA as opposed
13 to the market more generally, but if you were to substitute
14 your operating income margin that you have in that chart,
15 which is only for GNA, with all of the products that are
16 covered by the scope would it tell the same story or a
17 different story?

18 MR. SPOONER: Frankly, I want to be careful what
19 I say because I don't know the math off the top of my head,
20 but it should tell the same story. In fact, I should
21 stress, although ^^^^ as Jim has conveyed, although GNA,
22 sodium gloconate, is the core of PMP's business, frankly,
23 we're not so much in the final asking the Commission to
24 solely focus on the powder product, on GNA. In our view,
25 the Commission can reach easily the same result by looking

1 at all four products and not isolating just GNA.

2 COMMISSIONER KEARNS: And that's primarily not
3 because you're seeing a lot of competition from Chinese
4 imports with these other products, but simply because so
5 much of the overall product is GNA and so the size of the
6 impacts to the GNA market means a huge impact to the
7 industry as a whole, right?

8 MR. SPOONER: Exactly, although I should
9 probably let Jim respond.

10 MR. ZINKHON: I definitely reaffirm David's
11 answer and just add that the liquid products are a little
12 difficult for them to bring over due to the water content,
13 but our sales of liquid products have also suffered a little
14 bit because folks can just take the sodium gloconate, put
15 some water in it, and boom you've got it.

16 COMMISSIONER KEARNS: Okay. And then, finally,
17 especially more focused on the lost sales point how would
18 you respond if someone were to say, well, we're only talking
19 about a few purchasers really where there was a major
20 change. Can you put in some context what lost sales mean
21 with respect to those handful of customers? I think that's
22 a fair characterization.

23 MR. ZINKHON: Lost sales, in essence, equate to
24 lost days of production and I think we demonstrated that in
25 our U.S. producers' questionnaire. The six million pounds

1 that Tonya referred to and I referred to as well earlier
2 that we ran a significant addition to those lost days and
3 would've lead to a situation where the profitability of the
4 plant, as a whole, would most likely be negative and you
5 can't run an operation like ours at negative profit.

6 COMMISSIONER KEARNS: And that's just because of
7 the size of those purchasers. Can you put that more
8 perspective?

9 MR. ZINKHON: It's more of a cumulative size,
10 sir. I'm sorry.

11 COMMISSIONER KEARNS: Okay.

12 MR. ZINKHON: That was one of the larger ones,
13 but there were several others that made up -- it wasn't just
14 one or two. It's across the board, industry-to-industry,
15 coast-to-coast, border-to-border, everywhere.

16 MR. SPOONER: Commissioner Kearns, as you
17 probably have seen, it's a long list of lost sales, but
18 there are two in particular. There's one actual lost sale
19 that we believe has been cooperative that was a massive
20 amount of GNA and then there was the -- I'll call it
21 threatened lost sale -- the major customer, extremely
22 important customer that just before the filing of the
23 petition said give us a retroactive pricing decrease because
24 of Chinese goods or we're going to pull our business. And
25 Jim, of course, is right. Those are not, by far, the only

1 ones. There's a long list, but just those in and of
2 themselves are extremely important.

3 COMMISSIONER KEARNS: Okay. And on that second
4 one, that threaten to purchase subject imports, is that
5 reflected in our data for I guess -- is that lost revenues?
6 Is that where we'd find that or is that not there?

7 MR. ZINKHON: No, because we actually still kept
8 the business. I believe it was around November 1, 2017 they
9 approached us and we already knew we were ready to file and
10 we didn't offer them price support and then with our
11 lawsuits they figured out they'd stay with us.

12 COMMISSIONER KEARNS: But you did lower your
13 price to keep the business or not?

14 MR. ZINKHON: We had already lowered it
15 basically to our cost. I won't sell below cost.

16 COMMISSIONER KEARNS: Okay, so you had already
17 lowered it before they sort of threatened to leave.

18 MR. ZINKHON: Correct.

19 COMMISSIONER KEARNS: Then with the filing of
20 the case they decided to stay with you?

21 MR. ZINKHON: Correct. That's correct.

22 COMMISSIONER KEARNS: Okay.

23 MR. ZINKHON: But they had wanted a price of 30
24 cents a pound and this was November 1 retroactive to January
25 1, 2017.

1 COMMISSIONER KEARNS: Okay, thank you, because I
2 think in the prelim that was reflected as a possible lost
3 sale or lost revenue and now it's changing, right? Okay,
4 understood.

5 MR. ZINKHON: Correct.

6 COMMISSIONER KEARNS: Thank you. I want to talk
7 about average unit values as compared to the pricing
8 products. If you look at the U.S. and Chinese AUV, you get
9 a very different picture to the picture you get when you
10 compare U.S. and Chinese prices and the product pricing
11 comparisons. Can you explain to us why that is?

12 MR. SPOONER: Yes. And if we may, we will
13 address that further in our post-hearing brief. But if I
14 understand the question correctly, Commissioner Kearns --
15 and Jim may want to elaborate a little on this. When we
16 pulled the data mine data, the unofficial import data, we
17 have noticed some huge anomalies, some prices that almost
18 certainly cannot be GNA frankly. Just some extremely high
19 AUVs in the data mine data and Jim knows this well, but
20 we've looked at it and thought that can't be GNA. That must
21 be a bad data point.

22 MR. ZINKHON: That's absolutely correct. We get
23 our data from the Census Bureau and you'll see an anomaly,
24 as David mentioned, from time-to-time for maybe 10,000 or
25 20,000 KGs for an AUV of eight dollars or something and

1 that's simply -- it has to be a misrepresentation or
2 somebody typed the wrong number in or something like that
3 when they were receiving. If anybody was selling sodium
4 gluconate for eight dollars a pound, I'd be the first in
5 line to sell to them.

6 COMMISSIONER KEARNS: Okay, thank you. My time
7 is just about up. Thank you.

8 CHAIRMAN JOHANSON: I would like to thank you
9 again for appearing here today. My first question is
10 somewhat similar to one asked by Commissioner Kearns, but a
11 little bit different, so I'll go ahead and ask it. I was
12 wondering why did you all chose to include the three other
13 products -- glycolic acid, liquid gluconate and gloco delta
14 lactone within the scope along with sodium gluconate;
15 especially, given your focus in the preliminary phase on
16 sodium gluconate. I assume this had to do something with
17 the potential circumvention, but could you all please
18 elaborate on this point.

19 MR. ZINKHON: Thank you, Commissioner Johanson.
20 You're exactly right. Part of it is potential
21 circumvention, and that's because of the product
22 interchangeability, as we demonstrated earlier.

23 All we've got to do to this liquid -- well, the
24 liquid gluconate's a bad example. But nobody would bring
25 that in. But gluconic acid, all you've got to do is add

1 sodium hydroxide to this and you've got the liquid form of
2 the sodium gluconate, which is what the LG is.

3 It's just a blend of the gluconic acid and the
4 GNA. Conversely, and this would be a little more difficult
5 but it could still easily be done, take the sodium out of
6 here and you've got to go back to gluconic acid. The GDL,
7 this is only the dry form of gluconic acid. That's purely
8 the relationship there.

9 So in other words what I'm trying to convey, and
10 I hope I'm doing a good job of it, is that you can take the
11 dry sodium gluconate and reasonably easily get to any one of
12 these other products. On the other hand, you could take,
13 and especially the gluconic acid and the GDL, the LG is
14 already liquid sodium gluconate. If you wanted dry sodium
15 gluconate, just dry it and you've got it.

16 All you've got to do to either this dry product
17 or this liquid product, gluconic acid or GDL, add sodium to
18 it and you've got sodium gluconate.

19 MR. SPOONER: And I should add, although maybe
20 Tanya is better for this than I am, but they also have --
21 they also go into the same end uses.

22 So liquid product can be used in concrete as
23 well as powdered product, and so in the face of tariffs say
24 only powdered, only GNA, a powdered product, concrete
25 producers would just switch to the liquid product to use in

1 concrete if it wasn't covered.

2 MS. LODGE: The customers buy based on what
3 their process is. So if they needed -- if they added
4 gluconate early in the stage and it's still a dry form, they
5 buy the dry. If they need it more after they've dissolved
6 their dry products, they buy the liquid. So we sell to both
7 markets, both products to the same customers.

8 CHAIRMAN JOHANSON: Okay, thank you Ms. Lodge.
9 And just out of curiosity, why did the Petitioners focus on
10 sodium gluconate in the preliminary phase?

11 MR. SPOONER: Well to be frank, because PMP, as
12 you know Commissioner Johanson, primarily produces GNA, the
13 powdered product. We thought the case was most clear if you
14 focused solely on the powdered product showing the damage
15 that was done to their core business. But again, the
16 Commission by no means needs to do that, and regardless we
17 think the record is much more clear and strong in the final
18 phase.

19 MR. ZINKHON: I would also add, Commissioner
20 Johanson, that I can't stress enough China has brought over
21 very low-priced gluconic acid from time to time. Not often
22 I'll admit, but from time to time, very low priced. And
23 again, all you have to do is take sodium hydroxide, add it
24 to that, and you've got sodium gluconate.

25 CHAIRMAN JOHANSON: Okay, thank you Mr. ZINKHON

1 and Mr. Spooner. On page 61 to 62 of your prehearing brief,
2 you mention that the European Union as an existing order on
3 sodium gluconate.

4 On page VII-7 of the staff report, I read that
5 the scope of that order is dry sodium gluconate. Am I
6 correct to conclude that the EU order is somewhat narrower
7 than the scope proposed in the present investigation, and if
8 so, does this fact have any practical effect on our
9 investigation?

10 MR. SPOONER: We'll confirm. Frankly, without
11 the scope in front of me, I'm a little hesitant,
12 Commissioner Johanson, to confirm that the EU scope is
13 narrower. But we'll confirm in our post-hearing brief.

14 CHAIRMAN JOHANSON: Okay. I look forward to
15 seeing that.

16 MR. ZINKHON: I would like to add that PMP did
17 participate as the third party analog country for that
18 initial anti-dumping suit in 2010, and I believe they
19 reaffirmed us in 2016, they visited us again. I'd like to
20 add that in 2016, they were shocked we had not already done
21 so, filed a similar suit. The European Commission
22 represented as they came over to PMP for a couple of days to
23 do the investigation.

24 They were stunned that we had not already filed
25 a lawsuit, based on the data that we were showing them. I'd

1 also like to remind the Commission that one of the European
2 producers fully supported this action by PMP in the United
3 States, as it stood with the four scope products.

4 CHAIRMAN JOHANSON: Okay, thank you Mr. ZINKHON.
5 On page four of your prehearing brief, you describe this
6 investigation as "A textbook example of material injury
7 caused by subject imports." In my mind, textbook example
8 would mean every indicator of injury is worsening, and I'm
9 not sure that that is the case here.

10 There's not much I can say publicly about the
11 trends in the various measures, but I ask that you support
12 your statement in your post-hearing brief, or address it
13 further.

14 MR. SPOONER: We will, thank you.

15 CHAIRMAN JOHANSON: Okay. Thank you, Mr.
16 Spooner. On page 18 to 20 of your brief, you make arguments
17 about post-petition effects. Your argument offers an
18 explanation regarding subject import volume trends, trends
19 in U.S. shipments and even trends in U.S. AUVs. What you
20 don't seem to offer is an explanation for trends in
21 financial performance.

22 I point this out because the trends in financial
23 performance are not exactly what one would expect given the
24 other trends that you describe in the section on
25 post-petition effects. Either here or in your post-hearing

1 brief, could you please elaborate on any perceived
2 discrepancy in financial trends?

3 MR. SPOONER: Thank you. Obviously it's a very
4 important point, Commissioner Johanson, and we will in our
5 post-hearing brief. If I understand correctly, and please
6 of course don't hesitate to tell me if I don't, but if I
7 understand correctly of course, we strongly contend that the
8 trends in financial performance are clearly and directly
9 linked with import volume and margin of underselling,
10 etcetera. But we'll elaborate.

11 CHAIRMAN JOHANSON: Okay, thank you Mr. Spooner.
12 Table 9 of the staff report shows that the vast majority of
13 responding purchasers reported that U.S. and Chinese GNA
14 products are comparable in terms of meeting minimum industry
15 standards. Could you estimate the percentage of domestic or
16 subject products that may have imperfections, such as being
17 off color or caking, preventing it from being accepted by
18 food or personal care industries?

19 MR. ZINKHON: I really don't want to throw out
20 any numbers but ^^^^ well, I can tell you one thing. The
21 answer to your question is zero, none. The sodium gluconate
22 is dry sodium gluconate and Europe, and it's the same as
23 what we make here in Peoria. End users don't really
24 differentiate between grades, regardless of what label one
25 of the manufacturers might put on it.

1 Just as kind of a pretty good example of this,
2 you have the same dry sodium gluconate that goes into Crest
3 Pro Health toothpaste goes into that fertilizer over there.

4 MR. SPOONER: I should say -- I'm sorry. I'm at
5 the other end of the table, but Gary's a purchaser, so maybe
6 he's even in a better position to answer with respect to
7 purchaser perception. I mean I have never seen any
8 difference in any grades offered to us. The dry sodium
9 gluconate is the dry sodium gluconate. They're
10 interchangeable 100 percent. There is no difference.

11 CHAIRMAN JOHANSON: Ms. Lodge, I believe you
12 mentioned in your testimony that when Chinese product first
13 began entering the U.S. market in any significant amounts,
14 that there were quality differences. Can you describe those
15 and how that stands right now?

16 MS. LODGE: When I first came to Sales, the
17 product quality --

18 CHAIRMAN JOHANSON: And how long ago was this?

19 MS. LODGE: I've been in Sales eight years.

20 CHAIRMAN JOHANSON: Okay.

21 MS. LODGE: The quality was very different. It
22 did have a fishy smell and it did have an off color compared
23 to the PMP product. But over the last few years, you could
24 have both of them sitting there, PMP and Chinese product,
25 and you can't tell the difference. The smell is gone. The

1 quality is up to par.

2 CHAIRMAN JOHANSON: Were there any differences
3 besides smell?

4 MS. LODGE: Just the color was off before as
5 well. I don't look at it as technical as some of our
6 customers do or under the microscope you may be able to see
7 it, the color's off a little more. But to the common eye,
8 besides the smell was the big thing in the beginning.

9 CHAIRMAN JOHANSON: Okay. Could that have
10 perhaps contributed to perceptions of purchasers, which
11 still impacts their buying?

12 MS. LODGE: Yes. I'm sure nobody wanted this
13 bag of fishy smelling product in their production area.

14 CHAIRMAN JOHANSON: Okay. Well, my time is
15 expired, unless you all have anything else to add.

16 MR. SPOONER: Jim just leaned over and told me,
17 just that despite a fishy smell or off color, it performed
18 in the same way. It was just a matter of aesthetics a few
19 years ago.

20 CHAIRMAN JOHANSON: How about like toothpaste
21 though? Would the mint overpower any problems?

22 MR. ZINKHON: It probably wouldn't work so good
23 then no, and of course, you know, they didn't do it. But it
24 would now.

25 CHAIRMAN JOHANSON: Okay, all right. Thanks for

1 your responses. My time has expired. Commissioner
2 Williamson.

3 COMMISSIONER WILLIAMSON: Okay. Thank you Mr.
4 Chairman, and I also want to thank the witnesses for coming
5 today. I also want to thank you for everybody having their
6 statements and materials here. It's very helpful. I was
7 going to ask that question about ^^^^ the Chairman asked
8 about smell and color, did that affect performance, and I
9 take it in general it didn't?

10 MR. ZINKHON: Does not affect performance,
11 unless as Chairman Johanson pointed out, if you wanted your
12 toothpaste, you probably don't want the fishy smell there.
13 It would perform the same exact chemical application,
14 whatever you would want to do with it.

15 COMMISSIONER WILLIAMSON: All right. So Mr.
16 Russell, you said the -- that there are no commonly accepted
17 grades for GNA. I was just ^^^^ so there's no food grade,
18 technical grade? Y'all don't know what that -- who uses
19 those terms then in this industry?

20 MR. RUSSELL: No. There's just one grade, and
21 there's only one grade that's offered for the dry sodium
22 gluconate.

23 MR. ZINKHON: I can say this, Commissioner
24 Williamson. Oftentimes, it's not uncommon for chemical
25 producers to call something higher grade, you know, like

1 super good or food grade or whatever. Now not pharma;
2 that's a different story. Simply to get the price higher
3 into those market segments, while the true price you need to
4 remain profitable, they might call that technical grade or
5 industry grade.

6 The fact of the matter is, it doesn't matter
7 what the label is, in this case it's all dry sodium
8 gluconate. It's all exactly the stuff. It's all made to
9 the same specifications.

10 COMMISSIONER WILLIAMSON: Okay. I see, okay.
11 Now Valudor essentially argues that attenuated competition,
12 and I take it do you agree or disagree with that, and in
13 what specific sectors or in what regions might there not be
14 competition?

15 MR. SPOONER: I should PMP elaborate, of course,
16 Commissioner Williamson. But I -- I would simply beseech
17 the Commission to look, as I'm sure you will, at the
18 questionnaire responses. It's clear from the questionnaire
19 responses from importers and purchasers that Chinese GNA is
20 present in every region of the United States. It's not just
21 in one region.

22 I would also steer the Commission to looking at
23 -- I have to be a little careful here, but at PMP's list of
24 lost sales. The single biggest lost sale of PMP's is
25 relevant to this question.

1 COMMISSIONER WILLIAMSON: Okay.

2 MR. SPOONER: And we'll of course elaborate.

3 COMMISSIONER WILLIAMSON: Yeah.

4 MR. ZINKHON: I would add, without getting into
5 BPI territory, that I think the data proves that the Chinese
6 product is in every sector, and it's coast to coast and
7 border to border here in the U.S.

8 COMMISSIONER WILLIAMSON: But are there certain
9 sectors where the competition is more intense? Are there
10 certain regions where it's more intense?

11 MR. ZINKHON: No sir. That did used to be the
12 case four or five years ago, they kind of stayed on the west
13 coast. But they are now, during this POI, they were coast
14 to coast, border to border. Sector didn't matter. They
15 were selling to everybody.

16 COMMISSIONER WILLIAMSON: Okay. So why doesn't
17 the domestic industry produce GDL? Why doesn't the domestic
18 -- I'm sorry, excuse me. Why doesn't the domestic industry
19 produce GDL?

20 MR. ZINKHON: The GDL market in the U.S. is very
21 small. So we buy it from an Italian manufacturer. If the
22 market ever grew, we'd be interested of course. But there's
23 no point in making the capital expenditure to put in what we
24 showed earlier. You know, you'd need the centrifuge and the
25 crystallizer and all that sort of thing, the evaporator, the

1 dryer, the packager. It's a pretty good-sized capital
2 expense, and the market just doesn't bear that out right
3 now.

4 COMMISSIONER WILLIAMSON: Okay. I think you
5 said earlier, what is GDL primarily used for?

6 MR. ZINKHON: I'm sorry?

7 COMMISSIONER WILLIAMSON: What is the primary
8 use for GDL?

9 MR. ZINKHON: I wouldn't say there is a primary
10 use. It's like the other three products. You could use GDL
11 in anything up there, anything you might use any of these
12 other products for you use GDL. Now I would point out that
13 GDL and gluconic acid do control the pH a little better than
14 the sodium gluconate and the liquid gluconate. These might
15 not affect your pH. These would.

16 But maybe that's what you want or don't want,
17 and that's simply because there's sodium hydroxide in these
18 two, and it's not in here.

19 COMMISSIONER WILLIAMSON: Okay. Ms. Lodge.

20 MS. LODGE: I can tell you the adult bath wipes,
21 the GDL is in that product because that's one of my
22 customers.

23 COMMISSIONER WILLIAMSON: Okay, okay, I see. Is
24 it more expensive given the extra what you have to do to
25 produce it generally?

1 MR. ZINKHON: Without data right in front of me,
2 I wouldn't say so, no.

3 COMMISSIONER WILLIAMSON: Uh-huh.

4 MR. ZINKHON: Considering that's the dry form of
5 this, I think you'd find the price to be roughly comparable
6 on an as-dry basis.

7 COMMISSIONER WILLIAMSON: Okay. Is there any
8 segmentation in the U.S. market either based on geography,
9 you know, based on geography?

10 MR. ZINKHON: No. We sell to fertilizer
11 companies from coast to coast, concrete admixture companies
12 from coast to coast, soap and detergent makers all over the
13 place, food and beverage all over. Pretty much wherever
14 they're making whatever they might use sodium gluconate in,
15 that's where we're selling to.

16 And except for the road deicing, obviously
17 they're probably not using it in Florida or Mississippi, or
18 maybe even southern Texas, you know. That's a little more
19 regional. That's about the only application I can think of
20 where geography plays any role.

21 MR. SPOONER: Commissioner Williamson, you're
22 honing in on a very important point, if I may, particularly
23 with respect to threat of course, and again I would urge the
24 Commission, as I'm sure you have, to just look at the fact
25 that Chinese GNA is present in every end use. It is present

1 in every geographic market, and that PMP has lost sales even
2 in the fertilizer industry to the west of their plant, to
3 Chinese GNA.

4 COMMISSIONER WILLIAMSON: Good. I glad you
5 mentioned that question for that, because I was wondering,
6 you know. We didn't find material present injury in the
7 prelim. How does the record now indicate material injury,
8 as opposed to the preliminary record? What's different?

9 MR. SPOONER: The -- probably convey the primary
10 point. That's not the only point. The record now in the
11 final is far more clear than in the prelim, that there's a
12 direct correlation between under-selling and volume of the
13 pricing products with PMP's financial performance such as
14 operating income, gross profits and net income.

15 And to sort of put it in a rhetorical way, PMP
16 is the sole remaining U.S. manufacturer. They're not facing
17 domestic competition, and demand is rising by 6.5 percent.
18 Why else would PMP have to cut prices fairly significantly
19 from 2015 through 2017, other than the fact that Chinese GNA
20 is coming in at less than their cost of production.

21 I frankly have noodled over it as much as I can,
22 and I think it's the only reasonable explanation for PMP's
23 need to cut prices.

24 COMMISSIONER WILLIAMSON: Okay. What has
25 happened to -- is there a substitute for sodium hydroxide in

1 GNA production?

2 MR. ZINKHON: Not that I'm aware of, sir.

3 COMMISSIONER WILLIAMSON: Okay, and what's
4 happening with other raw materials -- excuse me. What's
5 happening with other raw material prices? Has the price of
6 liquid glucose risen, and is there a substitute for that?

7 MR. ZINKHON: There can be a substitute for
8 glucose. However, we found liquid corn syrup to be the very
9 best way to make it. But when ethanol was a big buzz word,
10 you know, ten, starting about 10-12 years ago, whatever it
11 was, our raw material cost for corn sugar rose dramatically,
12 and then it has come back down prior to the POI. You could
13 take any starch, but cost effectively, the liquid corn syrup
14 is the best way to go.

15 COMMISSIONER WILLIAMSON: Okay, but it is
16 relatively easy to switch to a different starch, quite
17 simple?

18 MR. ZINKHON: Simple, yeah, and believe me we
19 have looked at that many, many times with the corn situation
20 a few years--ten years or so ago. Tapioca would be a
21 wonderful substitute, if anybody would grow it here in the
22 quantity that we can use it.

23 COMMISSIONER WILLIAMSON: Okay, thank you for
24 those answers.

25 CHAIRMAN JOHANSON: Commissioner Broadbent?

1 COMMISSIONER BROADBENT: Thank you. I want to
2 welcome the witnesses and thank Mr. Spooner for leading a
3 very economical presentation that was succinct and got to
4 the point. We really appreciate that.

5 You had a good charge here I thought--it's
6 confidential, but it shows the underselling margins over the
7 period, and it's a pretty striking demonstration of the
8 pricing data in our figures. And I think it's Figure 5-1
9 and 5-2. But the question I guess I had was:

10 Given how substitutable this product is, how can
11 the level of underselling just sort of continue to persist
12 at about the same rate? Doesn't it suggest attenuated
13 competition, particularly because the industry didn't lose,
14 and it even gained market share?

15 And I'm looking at the two underselling charts in
16 our staff report, and you've got kind of a pretty constant
17 level of underselling and no change in market share--maybe
18 the domestic industry gained some market share. So why is
19 that not attenuated competition?

20 MR. ZINKHON: First I would like to point out
21 that--and I'm not sure exactly which chart you're talking
22 about--but I don't think that we increased our market share
23 by anywhere near 6-1/2 percent a year, which is the annual
24 growth rate for this product in the U.S.

25 MR. SPOONER: And we'll have to--I do have the

1 chart in front of me, but it's difficult to quickly absorb.
2 We'll have to address it more fully in our posthearing
3 brief, Commissioner Broadbent, but assuming I understand
4 correctly, again I would highlight that PMP's production
5 process doesn't permit PMP to cease production, or to slow
6 down production. They have to maintain a relatively
7 constant level of production at the plant.

8 So again, they--we don't, frankly, see declining
9 volumes--I'm sorry, declining U.S. shipments, et cetera,
10 declining employment. But PMP did have to make substantial
11 price cuts throughout the POI in response to increasing
12 margins of underselling. And so in our view that
13 demonstrates that there's not attenuated competition.

14 COMMISSIONER BROADBENT: Okay--

15 MR. ZINKHON: If I might--oh, I'm sorry--if I
16 might just add, I think you have other data supporting lost
17 days of production, and the reason we had to take as much of
18 the market as we could is because we were getting
19 dangerously close to a level where cost efficiency was--
20 would have been damaged significantly if we continued to
21 lose the volume. We basically were buying volume at the
22 expense of profit.

23 MR. SPOONER: And I should say, I--and I don't
24 want to take up too much of your question time, Commissioner
25 Broadbent, but something Gary may be able to speak to, now

1 that I've been steeped in the industry, I keep on hearing
2 anecdotally that customers are hammered regularly with
3 offers to sell from Chinese producers. It's clearly not the
4 case that Chinese producers are soliciting different
5 customers, different end users in perhaps certain regions
6 of the country.

7 I think Gary could probably attest to the fact
8 that he and his colleagues in the industry are regularly
9 solicited by the Chinese.

10 COMMISSIONER BROADBENT: Okay. Now you did
11 mention that it's critical for your facility to operate at
12 full capacity utilization. And you don't have the luxury of
13 really foregoing a sale, and you must react on price in
14 order to maintain full production. Given this imperative,
15 has PMP operated at full capacity over this period?

16 MR. ZINKHON: No, ma'am. And that's a little--
17 it's a little difficult to see that, okay, why aren't they
18 running at full capacity? A plant like ours can only run
19 320 days of full production. You've got to have 45 days in
20 there for maintenance. We have to reseed the fermenter
21 every now and then, put the bug in, put the glucose in, that
22 kind of thing. And that's the maximum.

23 The safest level to run would be at 300 days.
24 And even that's pushing you basically to your limits. So
25 although the data would show that our capacity is X, and our

1 usage is Y, our usage is quite a bit below where we'd like
2 it. But it's barely enough to be cost effective. I hope
3 that answered the question. I can address it more in the--

4 COMMISSIONER BROADBENT: Okay. Ms. Lodge, on
5 page 2-1 of the staff report it states that PMP manufactures
6 all GNA products to Food Chemical Codex Standards, while
7 Chinese manufacturer technical grade product which is using
8 a different production process is of lower quality and not
9 exported to the U.S. market.

10 Would this technical grade product be in scope in
11 the merchandise? Would this technical trade product be in
12 scope merchandise? To what extent are there Chinese imports
13 of food chemical grade GNA products?

14 MS. LODGE: We can address that in the
15 posthearing brief. But for PMP, our products, whether they
16 go in concrete or toothpaste, it's the same product.

17 COMMISSIONER BROADBENT: So it's manufactured to
18 the FCC standard?

19 MR. ZINKHON: Let me jump in here and add, the
20 only way that they could call anything a true technical
21 grade is to make it by a process of catalytic conversion,
22 which is a very--not terribly environmentally friendly
23 process. It does produce a very bad smell and a very oily,
24 filmy, on-top-of-the-crystals kind of a film.

25 You can use it, but nobody in the United States

1 buys the product that's manufactured by catalytic
2 conversion.

3 MR. SPOONER: And, Jim, sorry, you had told me
4 that no one in China manufactures using that method anymore.

5 And I can't stress enough, Commissioner
6 Broadbent, that--and customers such as Gary, they strongly
7 contest the notion that there would be a technical grade and
8 a food grade. As Jim conveyed, they make everything to the
9 same standard. They sell the same stuff to concrete
10 producers as they sell to--

11 COMMISSIONER BROADBENT: But is that made to the
12 FCC standard, the Food Chemical--

13 MR. ZINKHON: Actually, I believe it would be,
14 because for dry sodium gluconate there's really one
15 specification that you're going to make it to as a
16 fermenter. And I believe that all of the Chinese imports
17 using the fermentation process that come into the United
18 States would meet the exact same specifications that our
19 products do.

20 COMMISSIONER BROADBENT: It looks like Ms. Lodge
21 is answering something? No? Okay.

22 This would be for Ms. Lodge. Given how
23 substitutable this product is, why do you think that all of
24 the responding purchasers who submitted questionnaires, that
25 none of them stated that they always purchased the lowest

1 priced product in the market? And that's on page 2-12 of
2 the prehearing brief.

3 Do you want me to say that again?

4 MS. LODGE: Yes, sorry.

5 COMMISSIONER BROADBENT: Given how substitutable
6 this product is--you're arguing that--why do you think that
7 all of the purchasers that responded to our questionnaires,
8 none of them said that they always purchased the lowest
9 priced product in the market?

10 MS. LODGE: I think some of it does depend on
11 dependability. We're local. So they may say price doesn't
12 matter, but price matters. And when that price can't
13 deliver, then they call PMP and pick up that emergency load,
14 or that one-time shipment to get them through till the next
15 material delivers.

16 MR. SPOONER: And I should stress--I'm sorry, I'm
17 sure you know this, Commissioner Broadbent, but although of
18 course that's true, if I recall the staff report correctly,
19 price nevertheless was the most commonly cited factor for
20 purchasing decisions.

21 COMMISSIONER BROADBENT: Mr. Zinkhon, one more
22 kind of back on the question we were just talking about.
23 What extra requirements and costs are necessary to produce
24 food-grade GNA products, rather than the technical grade GNA
25 product?

1 I know you say you use it in both cement and
2 food, but if you can use it in food I'm guessing there is a
3 higher standard.

4 MR. ZINKHON: The way that this product is
5 manufactured using the fermentation process, you're going to
6 meet the specs for the food grade material no matter what
7 label you want to put on it. And as I mentioned earlier,
8 that's a fairly common tactic in the chemical industry, to
9 call something technical grade, and that's maybe the price
10 you want to set your lowest price you want to sell anything
11 at, but you're still very profitable. And then they simply
12 slap a food grade label on it and get more money for it.

13 COMMISSIONER BROADBENT: But what about--I don't
14 know what food products this is used in. I guess you
15 mentioned toothpaste, but aren't these consumers asking for
16 particular specifications?

17 MR. ZINKHON: It just meets the industry spec,
18 food grade spec, which all of it does. And everything
19 coming into the U.S. meets that specification.

20 COMMISSIONER BROADBENT: Okay. And then do you
21 have particular customers that don't care whether it's food
22 grade?

23 MR. ZINKHON: The concrete industry, you know,
24 doesn't care of course, but they still demand a certain
25 quality, as do all the customers. But only those using it

1 in food would care about food grade. That's why we don't
2 really--food is not a heavy use for this product.

3 COMMISSIONER BROADBENT: Okay, and then do you
4 have a non-GMO version of this product?

5 MR. ZINKHON: We state that we have a--we have a
6 non-GMO statement, and it's below detectable levels, so
7 basically we consider it to be non-GMO.

8 COMMISSIONER BROADBENT: Right. Okay, thank you.
9 My time has expired.

10 CHAIRMAN JOHANSON: Commissioner Schmidtlein?

11 COMMISSIONER SCHMIDTLEIN: Okay, thank you very
12 much. I'd like to thank all the witnesses for being here,
13 as well.

14 It always makes me a little uneasy when you have
15 a product that's used in salad dressing and to de-ice the
16 roads. Can you talk a little bit about what's driving
17 demand for this product, since we've seen a strong market
18 over the last few years? Is it just the robust economy? Or
19 is it because this is an environmentally friendly type
20 product, since it's biodegradable and so forth?

21 MR. ZINKHON: That's exactly it, Ms. Schmidtlein,
22 at least I feel it is. That's what we hear from the
23 customers. More and more of our end-user customers,
24 especially, tell us that their customers are demanding
25 greener products from them. So they're looking for greener

1 solutions like ours to use in their end products.

2 These products are 100 percent biodegradable, 100
3 percent bio-renewable. Eat 'em, drink 'em, throw 'em down
4 the drain, and no harm to anything.

5 COMMISSIONER SCHMIDTLEIN: Interesting. So what
6 was being used for these purposes before this product caught
7 on?

8 MR. ZINKHON: This product has been around for
9 quite some time. So I mean the common use is like concrete
10 and fertilizer, frankly two of our biggest uses, they've
11 been doing it for quite a while.

12 COMMISSIONER SCHMIDTLEIN: Um-hmm.

13 MR. ZINKHON: But it's also a chelating agent.
14 And there's a lot of things that chelate different things,
15 different chemicals, different particles, whatever, but one
16 of the best chelaters is something called EDTA, and that's
17 an extremely environmentally unfriendly. And so folks are
18 looking for more what they call "organic" chelation
19 solutions, and we fall right into that. Now not "organic"
20 in the sense that you're calling it organic like you see in
21 the supermarket, but just not a chemical that's made like
22 EDTA is made.

23 COMMISSIONER SCHMIDTLEIN: What is EDTA made
24 from?

25 MR. ZINKHON: I'm not exactly sure of the

1 chemical name for that, but it's in a lot of things, or it
2 used to be in a lot more things, actually.

3 COMMISSIONER SCHMIDTLEIN: Hopefully not salad
4 dressing, huh?

5 (Laughter.)

6 MR. ZINKHON: It probably has gluconic acid or
7 GDL in it now. That's really actually been a growth market
8 for us. These folks, they don't really use that much, so
9 they're not nearly enough to sustain the business, but that
10 is one area where they've replaced it.

11 COMMISSIONER SCHMIDTLEIN: Okay. Okay, can one
12 of you, either you or Ms. Lodge, can you talk a little bit
13 about pricing in this market, and price transparency? So
14 I'm interested to know whether customers are aware of what
15 raw material costs are for an industry like yours. Is there
16 transparency around that? So for instance when raw material
17 costs are going up, they're not surprised to see you coming
18 back and wanting to renegotiate the contracts?

19 MR. ZINKHON: A lot of our customers also use
20 corn syrup--not all of them, by any means. A lot of them,
21 especially anybody that's buying a decent amount, is going
22 to know, okay, what's the key raw material for this product
23 I'm buying? Oh, corn sugar? Well maybe I'll learn a
24 little bit about the market.

25 It's not public information, but it's not

1 terribly difficult to find out, either. They do publish
2 price lists and such. And liquid corn syrup does vary. And
3 when the price goes up, the cost to us goes up. You know,
4 we try to raise our prices, our customers know. So
5 basically the answer to your question I guess shortly is,
6 yes, they're pretty aware of the raw material costs, and
7 they know why we're there.

8 COMMISSIONER SCHMIDTLEIN: Okay--

9 MR. ZINKHON: To raise the price. And on the
10 same side, and historically we've done this prior to the
11 POI, when we received a bit of a reduction in our raw
12 material prices, we would pass that along as well.

13 COMMISSIONER SCHMIDTLEIN: Okay.

14 Ms. Lodge, you testified that your customers are,
15 how did you put it, they check around to make sure that the
16 price is competitive. And so can you elaborate on that? Do
17 you mean they're literally calling other suppliers and, you
18 know, seeing what kinds of offers they can get? Or how
19 exactly are they checking around to see if the price is
20 competitive?

21 MS. LODGE: We sell sodium gluconate. Some of
22 our competition have a full page of different chemicals they
23 sell. So when they submit their pricing letters to our
24 customers, they can see on the pricing letter what that
25 customer would sell sodium gluconate for.

1 COMMISSIONER SCHMIDTLEIN: So it's a set price
2 list?

3 MS. LODGE: Um-hmm.

4 COMMISSIONER SCHMIDTLEIN: I see. Okay. And are
5 those price lists discounted then? Or is that the final?

6 MS. LODGE: I think that's their list price, and
7 then they negotiate off of that. Because we look at the
8 import status and see that the list price isn't always what
9 the price is being imported--the product is being imported
10 for.

11 COMMISSIONER SCHMIDTLEIN: Um-hmm, okay. And you
12 both I think talked about in your testimony that buyers have
13 been telling you that the Chinese are offering lower prices.
14 Do you have--and I know, Mr. Russell, that you held up an
15 email that you just received, I think, from an offer from
16 another Chinese supplier.

17 MR. RUSSELL: Yes.

18 COMMISSIONER SCHMIDTLEIN: Do you all--I'm not
19 sure how you conduct your business, if it's all over the
20 phone, or if it's via email, or via text, but do you have
21 any contemporaneous documentation where you have buyers
22 telling you that they've got an offer from a Chinese
23 supplier or an importer that would give it to them at a much
24 lower price? Can you put any of that on the record?

25 MR. ZINKHON: I believe obviously we can address

1 that in the post-hearing brief, but I think we already
2 provided some of that in the prelim. And we'll certainly
3 provide more.

4 COMMISSIONER SCHMIDTLEIN: Like the actual
5 communications that you have, not just the
6 lost-sales/lost-revenue allegations.

7 MR. ZINKHON: I believe we submitted that, and
8 we'll make sure we get it into the post-hearing. Because,
9 yes, we do have that, especially for that large customer
10 Tonya and I both talked about earlier that just about left.

11 COMMISSIONER SCHMIDTLEIN: Okay.

12 MS. LODGE: Commissioner Schmidtlein, if I may
13 interrupt, I'm sorry, but we have been collecting that type
14 of data since the prelim. We do anticipate also submitting
15 several additional emails that we've been able to collect,
16 as well, from our customers. So we'll have that in the
17 post-hearing.

18 COMMISSIONER SCHMIDTLEIN: Okay, that would be
19 helpful. You also talked about not being able to raise
20 prices over the POI. And that is a question I have for the
21 Respondents in terms of your point, Mr. Spooner, of in a
22 strong market with no domestic competition and raw material
23 costs going up, why would an industry not be able to raise
24 their price, what's the answer for that.

25 But my question for you, Mr. Zinkhon and Ms.

1 Lodge is, again, did you try to raise prices? Do you have
2 any contemporaneous documents showing that you announced a
3 price increase, or you, you know, provided that price
4 increase to a customer and they rejected it because they had
5 an alternative offer from a Chinese supplier?

6 MR. ZINKHON: As counsel stated, we are
7 collecting that, if we haven't provided it.

8 COMMISSIONER SCHMIDTLEIN: Okay.

9 MR. ZINKHON: But I can't remember in the last
10 few years of even attempting to raise anybody's price. And,
11 frankly, they were telling us before we came in for
12 negotiation, or over the phone, or email, or what have you,
13 that they fully expected a lower price based on the numbers
14 they were seeing from China.

15 COMMISSIONER SCHMIDTLEIN: Okay. Well anything
16 you can put on the record will be helpful in that regard.

17 Mr. Russell, with regard to the email that you
18 just held up, and you said at the end of your testimony you
19 say it's hard to keep up with all the Chinese offers. These
20 come in about once or twice monthly. How long has that been
21 going on?

22 MR. RUSSELL: For at least the last few years.

23 COMMISSIONER SCHMIDTLEIN: At least the last few
24 years?

25 MR. RUSSELL: And we're a large bearer of raw

1 materials and so sodium gluconate is one of the materials
2 I'm contacted on. A lot of the Chinese vendors, they'll
3 send you a list that has thirty things on it, but very
4 commonly sodium gluconate is one of them.

5 COMMISSIONER SCHMIDTLEIN: Okay. Again, anything
6 you could put on the record that is contemporaneous with
7 those would be helpful.

8 MR. RUSSELL: Sure.

9 COMMISSIONER SCHMIDTLEIN: Okay. And then my
10 last questions go to -- in your testimony, you said that you
11 have begun to see some relief and some prices, you were able
12 to raise in the beginning of this year, so 2018. So that
13 was a result of the case being filed?

14 MR. ZINKHON: That's correct, ma'am.

15 COMMISSIONER SCHMIDTLEIN: Okay. And maybe you
16 can address this in your post-hearing. I guess you've done
17 that to a certain extent, but if you could talk about how
18 that has shown up or not shown up in your financial results,
19 that would be helpful.

20 MR. ZINKHON: We will have to definitely address
21 that in post-hearing brief.

22 COMMISSIONER SCHMIDTLEIN: Yes. Okay, great.
23 All right. Thank you very much.

24 CHAIRMAN JOHANSON: Commissioner Kearns.

25 COMMISSIONER KEARNS: Thank you. I wanted to

1 turn back to an issue that Commissioner Broadbent raised,
2 relating to the product pricing data. And I know that there
3 are some proprietary information here, but I think we can
4 address some of this, given that we're only talking about
5 trends. So, I think as Commissioner Broadbent suggested, it
6 seems like at least a good working hypothesis that if you
7 consistently see a margin of underselling over a long period
8 of time, and no change in that margin.

9 I know change in market share, it seems to
10 suggest that there are some attenuated competition. So I
11 wanted to look more at this to make sure we understand
12 what's going on. It does look to me, though, like, if you
13 look at the pricing data, and again, just talking about
14 trends, we seem to see that China may be gaining market
15 share with respect to these particular products.

16 Is that consistent with what you all are -- I
17 mean I know Mr. Zinkhon, you can't see these data, but
18 obviously, in terms of your sales and everything, you would
19 expect to see that you're losing sales and you're losing
20 market share for those products?

21 MR. ZINKHON: We're definitely losing sales for
22 those products. I think the overall U.S. market which
23 probably held our own roughly, but only by buying volume and
24 sacrificing profit to do so.

25 COMMISSIONER KEARNS: Okay.

1 MR. SPOONER: And I think, Commissioner Kearns,
2 you raise an important point, and again, we have to just
3 talk about trends. We'll address it more in the
4 post-hearing. But you're right. If you look, for instance,
5 at Attachment A, which we provided, generally import volume
6 and frankly, import share of what's basically apparent
7 consumption, goes up as underselling goes up.

8 COMMISSIONER KEARNS: Okay. Thanks. And that's
9 very different, I think, than some of the things we're
10 seeing the aggregate data. And I don't know if that's
11 because we have a problem with our aggregate data or if you
12 all are actually doing well outside of these core products
13 of yours. Can you speak to that at all?

14 MR. ZINKHON: This is the only thing we sell
15 basically. So this is our business right here. So if I
16 understand the question correctly, there's nothing else that
17 really affects our business except these products.

18 COMMISSIONER KEARNS: Okay. It also looks to me,
19 looking at the pricing data, like the margins of
20 underselling seem to be growing, and that wouldn't be hard
21 to explain that in terms of competition, attenuated
22 competition. It looks like the U.S. prices seem to be
23 falling as well. And I guess, Mr. Zinkhon, this might go to
24 my question, which is, you know, we don't see in these
25 data, of course, cost of goods sold for these particular

1 products. But what can you tell me -- what would I expect
2 to see if I could see it on the costs associated with the
3 production of these products?

4 MR. ZINKHON: You'd see the price trend coming
5 down, if I'm understanding correctly, you would see the cost
6 of goods sold trend kind of going up.

7 COMMISSIONER KEARNS: Okay. Consistent with,
8 well, you don't have the --

9 MR. ZINKHON: And I didn't see -- not kind of
10 going up, going up.

11 COMMISSIONER KEARNS: Okay. Thank you. End
12 uses. I know you all have already discussed this quite a
13 bit, so I don't want to belabor the point, but in your
14 post-hearing brief, could you please respond to the
15 respondents' arguments on Pages 35 through 36, 55 through
16 57, 65 and 69, in which it alleges that competition between
17 the domestic like product and subject imports is attenuated
18 based on end uses.

19 MR. ZINKHON: We'd certainly be glad to address
20 that in the post-hearing brief, Commissioner Kearns, and I
21 just want to remind you, I can't drive this point home
22 enough here today, that the same exact product that goes in
23 that toothpaste is going into that fertilizer right there
24 and is also going into fertilizer across the country,
25 including on the West Coast.

1 COMMISSIONER KEARNS: Right, right. Okay. And
2 speaking of the West Coast, as I understood Valudor's
3 argument, they seem to be suggesting that their customers in
4 the West are simply needing more product than they did in
5 the past, and in the East that's not the case. Is there
6 anything that you know about the market to make you think
7 that, you know, the demand for GNA or GNA products
8 generally, is increasing much higher in the West Coast
9 versus the East Coast?

10 MR. ZINKHON: No, and I would have to provide
11 some data in the post-hearing brief perhaps to support this.
12 But that doesn't sound correct to me. We certainly don't
13 see it. You know, obviously the green aspect of this really
14 drives the demand for the product, as does the growth of
15 business folks using the product.

16 The facility on the West Coast actually also has
17 one in Arkansas and I believe both facilities, up until very
18 recently, were using roughly equivalent amounts of sodium
19 gluconate for the fertilizer process. We know facilities
20 all over the place are using our products interchangeably
21 with Chinese.

22 COMMISSIONER KEARNS: Okay.

23 MR. SPOONER: And I probably should be a little
24 careful what I say. I don't want to slough into
25 questionnaire BPI material, but in our post-hearing brief,

1 we'll discuss some questionnaire information that is quite
2 helpful, in our view, with respect to the degree to which
3 customers on the West Coast, how they make their purchasing
4 decisions.

5 COMMISSIONER KEARNS: Okay, thank you. I want to
6 turn to something you mentioned earlier about lost
7 production days, and whether or not you can attribute those
8 to -- I think you attributed, in your brief, you attributed
9 lost production days to subject imports. Do those figures,
10 in terms of lost production days, I think you mentioned
11 sixty-five days were lost, or no, maybe that's not quite
12 right. Never mind. I take that back.

13 MR. ZINKHON: You're in the ballpark.

14 COMMISSIONER KEARNS: Okay. How do we look at
15 that in terms of declines in capacity utilization? In other
16 words, you know, can we readily equate lost production days
17 to a drop in capacity utilization? And if not, why not?

18 MR. ZINKHON: I believe you could. Except that,
19 over the POI, if I'm not mistaken, again, I need to consult
20 this and address it further in the post-hearing brief, we're
21 roughly flat, maybe a little bit of an uptick which one would
22 expect with a strong demand for this product. We just
23 simply didn't get a lot of the share.

24 You're in the ballpark with your sixty-plus
25 figure of lost production days. Those are tough to have and

1 throw forty more on top of there potentially and another
2 fifty would've resulted from the loss of that forty. You're
3 running at half the year, which is well under half capacity
4 and you're done.

5 COMMISSIONER KEARNS: Okay. I wanted to turn to
6 the stability of the Chinese exports. In our staff report,
7 Table 7-1, we see that China is a very large exporter to the
8 world of GNA products. That's putting it mildly of course.
9 We also see that the average unit values of Chinese exports
10 to the U.S. is much higher than the Chinese exports to other
11 countries.

12 Nonetheless, Chinese exports to the U.S. were
13 relatively stable over 2015 to 2017. Why haven't Chinese
14 exports to the U.S. increased when the U.S. average unit
15 value is so much higher than the rest of the world's? Y'all
16 have any thoughts on that?

17 MR. ZINKHON: I can't speak to how they price
18 their products. They're so far below our cost, it's
19 unbelievable and they are leaving a lot of money on the
20 table. We cannot sell below cost. You can't run a business
21 that way. I can't even touch these prices they're coming in
22 at. And as far as the other countries, a lot of that goes
23 into concrete and a lot of it would be made by catalytic
24 conversions, so the AUV would be definitely less.
25 Everything coming into the U.S., to our knowledge, is made

1 through fermentation.

2 COMMISSIONER KEARNS: Okay.

3 MR. SPOONER: So it's worth pointing out, and we
4 do address this in a footnote, if I recall correctly, in our
5 prehearing brief, there's actually even a little dip--I mean
6 we have to admit it--in 2016, in the volume of Chinese
7 imports. And we're confident that that's because a major
8 consumer of Chinese imports in the Midwest was -- and I need
9 to be careful -- was either hit by a tornado or hit by a
10 strong storm that caused them to shut down for a time. And
11 now they're back up.

12 COMMISSIONER KEARNS: So that accounts for the
13 decline in 2016, you'd say?

14 MR. SPOONER: To -- I wanna be careful and not
15 say it accounts completely for the decline, but at least a
16 substantial portion of the decline.

17 COMMISSIONER KEARNS: Okay. I'm out of time.
18 Thank you.

19 CHAIRMAN JOHANSON: I'm gonna ask a question
20 about food chemical Codex standards. Can GNA products that
21 meet food chemical Codex standards be used as substitutes
22 for a technical-grade product? Or vice versa?

23 MR. ZINKHON: Absolutely. And again, the only
24 way you get technical sodium gluconate is to make it by
25 catalytic conversion. Otherwise, it's gonna meet the food

1 chemical Codex standards.

2 CHAIRMAN JOHANSON: Okay. Thanks for your
3 response. And along the same lines, and I think I know what
4 the answer will be, but I'm gonna ask it anyway. Is there a
5 premium paid by the food industry for subject product that
6 meets food chemical Codex standards? In other words, are
7 products that do not meet the standards because of
8 imperfections, are they generally sold at a lower price?

9 MR. ZINKHON: Well, I would certainly like to say
10 yes, we charge more to the food industry. That's not
11 correct. The pressure we've seen from the Chinese that's
12 forced us to lower prices in every sector across the board.
13 I hope that answers --

14 CHAIRMAN JOHANSON: Yes, it does. At the bottom
15 of Page 21 of the staff report, there is a short discussion
16 of food chemical Codex and technical grades. I would like
17 the witnesses to clarify for me what grade they believe the
18 Chinese industry exports to the United States. And if you
19 believe there's more than one grade exported, please give us
20 your best guess about the relevant shares of these
21 respective grades.

22 MR. ZINKHON: The only evidence I can offer is
23 anecdotal at the moment, just from what customers tell us,
24 but we know that the sodium gluconate being exported into
25 the U.S. by China, does meet all of the standards that our

1 material does, and therefore, is considered to be food-grade
2 material.

3 CHAIRMAN JOHANSON: All right, thanks, Mr.
4 Zinkhon. Mr. Russell, you're in importer. Do you have
5 anything to add to that issue?

6 MR. RUSSELL: I mean I'm a purchaser.

7 CHAIRMAN JOHANSON: Okay, right.

8 MR. RUSSELL: And what happens is, is that when
9 we look at the sodium gluconate anymore, you actually
10 physically get the sample out and you compare it to what
11 you're using and again, there is no difference in the
12 Chinese material coming into the United States.

13 CHAIRMAN JOHANSON: Okay, thanks, Mr. Russell.

14 MR. ZINKHON: If I could add as a last point,
15 sir, there's no industry standard for grades technical food,
16 whatever. We don't even call ours food-grade. We call it
17 dry sodium gluconate, period.

18 CHAIRMAN JOHANSON: Okay. But that does raise a
19 question why the food chemical Codex has standards.

20 MR. ZINKHON: That's simply the standard that it
21 meets.

22 CHAIRMAN JOHANSON: Okay.

23 MR. ZINKHON: When you make this stuff via
24 fermentation, it's gonna come out a certain way, and just
25 basically, it's happenstance that it all meets the FCC.

1 CHAIRMAN JOHANSON: I assume if it's made out of
2 corn syrup, it would --

3 MR. ZINKHON: Exactly.

4 CHAIRMAN JOHANSON: -- be an edible product.

5 MR. ZINKHON: Or another starch. Or might be
6 tapioca, could be any wheat starch. Could be wheat itself.
7 They can all be used.

8 CHAIRMAN JOHANSON: Okay, thanks. How
9 transparent are prices in this market? Given that there is
10 only one U.S. producer and a limited number of importers and
11 purchasers, do purchasers have a good sense of the market
12 price? And is there a published index for prices?

13 MR. ZINKHON: There is no published index for
14 price. However purchasers, especially the larger purchasers
15 that, you know, obviously are driving the bulk of your
16 sales, they're very familiar with the prices that are out
17 there from the various producers of this product.

18 There's two -- and it's fairly easy for them to
19 do. There's two manufacturers in Europe. There's us and
20 then there's China. So they don't have to look very far to
21 get price data. It's not like there's 30 or 40 companies
22 they have to find the price from. There's basically four
23 sources.

24 CHAIRMAN JOHANSON: Thank you, Mr. Zinkhon. Is
25 a continuous production process that the global -- okay. Is

1 there a continuous production process used throughout the
2 globe? Is there a standard?

3 MR. ZINKHON: I've not been in everybody's
4 plant, but we do know from again anecdotal evidence and some
5 other things we can address in the post-hearing brief, that
6 the folks bringing it over here that make it in China are
7 using a process that's basically the same as ours, virtually
8 the same as what we showed you in the slide show you'd see
9 over there, and you'll see it in France and you'll see it in
10 Italy as well.

11 CHAIRMAN JOHANSON: So apparently the continuous
12 process you think is mostly likely used everywhere?

13 MR. ZINKHON: I believe so, yes. I'm not
14 definite about that, but I don't see how you can make it any
15 other way.

16 CHAIRMAN JOHANSON: If an order were imposed, do
17 you expect that any new U.S. producers might enter the
18 market, and are there any U.S. producers that make similar
19 products that could easily convert to production of sodium
20 gluconate?

21 MR. ZINKHON: To the last point, I'm not sure.
22 Somebody already using corn syrup might be able to
23 manufacture it, sure. To your first question, would anybody
24 else possibly manufacture this? That's always a good
25 possibility, and I can't see into the future and determine

1 if that's going to happen or not. But as this market
2 increases, it's certainly a possibility.

3 CHAIRMAN JOHANSON: Related to that question,
4 are there any products that serve as substitutes for sodium
5 gluconate? It seems that given the wide variety of uses of
6 this product, there might be many different substitutes,
7 depending upon the end user.

8 MR. ZINKHON: Actually not really. That's one
9 of the kind of nice things about sodium gluconate is sure,
10 it's a kelint and you can substitute a lot of kelints but --
11 for each other. But the cost effectiveness of use the
12 gluconate when you want to whatever it is that you want to
13 do as an end user, it's going to deliver the best bang for
14 the buck in doing certain things.

15 So it's the most cost effective way. So other
16 plant we closed, one of the other reasons we didn't fight it
17 because there's like five other products that are
18 interchangeable, that you could sell. So it was, you know,
19 okay we can knock one product off and they've got five
20 others to sell. If you need sodium gluconate in your
21 application, if that's what you want to use and it works
22 best for you, there's no substitute.

23 MR. RUSSELL: And I can confirm, because looking
24 at different admixture formulations, when you are able to
25 use sodium gluconate it's the best for its performance for

1 the cost.

2 CHAIRMAN JOHANSON: Okay, thanks. But actually
3 I was thinking about deicing. Traditionally in the United
4 States, I believe salt has been used or salt-type products.

5 MR. ZINKHON: Calcium chloride brine solution I
6 believe.

7 MR. RUSSELL: Yeah. We distribute calcium
8 chloride, and both sodium chloride and calcium chloride are
9 used as deicing salts. The reason they've started to
10 implement sodium gluconate is both of them have -- chloride
11 ions are corrosive.

12 So when you add the sodium gluconate, which is
13 environmentally friendly to the salt, it keeps it from
14 attacking steel, both in the trucks that put the salt on the
15 road, and both on bridges, on vehicles. Anywhere you get
16 corrosion of metal, the gluconate helps inhibit that.

17 CHAIRMAN JOHANSON: Okay, that makes sense. Are
18 there also environmental reasons for preferring this over
19 the salt?

20 MR. ZINKHON: Well absolutely.

21 CHAIRMAN JOHANSON: I think of when I see after
22 it snows and I see all those salts out there, I wonder well,
23 that's probably going to the local creek and in the Potomac
24 River.

25 MR. ZINKHON: Yeah absolutely, there's an

1 environmental aspect, and that's how this all started was in
2 the Pacific Northwest 15 or 20 years ago, when they wanted
3 to replace some of the less environmentally friendly
4 products with something that was. So they found sodium
5 gluconate and started using it. Then they realized the rust
6 inhibition and frankly the first few years, we didn't sell
7 much.

8 But when they realized the rust inhibition
9 properties and especially to the trucks that were spreading
10 the brine solution, you know, all these little cities,
11 counties, townships, states, whatever, everybody wants to
12 stretch their dollar as far as they can. So if they can
13 inhibit the rust on that truck and get it to last a few more
14 years, they're going to use this stuff.

15 CHAIRMAN JOHANSON: Okay, thank you Mr. Zinkhon
16 and Mr. Russell. My time is expired. Commissioner
17 Williamson.

18 COMMISSIONER WILLIAMSON: Thank you. Just
19 quickly, is the deicing solution used on airplanes, is that
20 different, just out of curiosity?

21 MR. RUSSELL: Yes, yes. That's much different,
22 because you can't have chlorides. They would eat the
23 aluminum on the plane, which would be bad.

24 MR. ZINKHON: You can't have a gluconate either,
25 because it also eats the aluminum on the plane.

1 COMMISSIONER WILLIAMSON: Okay, thanks.

2 MR. ZINKHON: A guy actually tested it. He was
3 all excited and then oops, can't do it.

4 MR. RUSSELL: In those cases, it's more like
5 glycols is what they use for airplanes.

6 COMMISSIONER WILLIAMSON: Okay, good, thank you.
7 I was just wondering. You were talking about the catalytic
8 conversion process being different, and I guess when we were
9 talking about the technical grade and that page II-1, are
10 the companies in China that make the -- use the different
11 catalytic conversion process, use that process, are they
12 different from the companies that are exporting to the U.S.?

13 MR. ZINKHON: Yeah, and let me be clear. I'm
14 not certain which ones are and which ones aren't, but we
15 know everybody bringing it into the U.S. is doing it through
16 fermentation. I suspect you see the low AUV in some areas
17 around the world because it's going into concrete, and I
18 suspect it's being made by catalytic conversion. I don't
19 have solid proof of that.

20 COMMISSIONER WILLIAMSON: Okay.

21 MR. ZINKHON: But that would account for the low
22 price.

23 COMMISSIONER WILLIAMSON: Do you think that's a
24 significant part of the Chinese production or the capacity
25 in China?

1 MR. ZINKHON: It would have to be. I'm sorry.
2 Maybe I didn't understand the question.

3 COMMISSIONER WILLIAMSON: Yeah. No, that's --
4 yeah, that was the question. If you look at the Chinese
5 capacity for this product, is the product made by the
6 catalytic conversion process a significant part of that
7 capacity? You may not know, but I was just wondering.

8 MR. ZINKHON: If there even is. I doubt it's
9 significant, because it's just -- they can only sell it to
10 one industry.

11 COMMISSIONER WILLIAMSON: Okay.

12 MR. ZINKHON: And I don't even know. I'm just
13 guessing as to provide an answer earlier about an AUV being
14 so low.

15 COMMISSIONER WILLIAMSON: Okay. I was just --
16 good, okay. Thank you. You've already sort of partially
17 answered it, but I was wondering anything other than that
18 tornado you mentioned explains the changes we see in subject
19 import volume and market share of the POI?

20 MR. SPOONER: I'm sorry, Commissioner
21 Williamson. Could you repeat it one more time?

22 COMMISSIONER WILLIAMSON: You've already just
23 sort of discussed one reason why there was market share
24 change, and I think it had to do with a tornado. But I was
25 wondering if there are any other factors that explain the

1 changes in subject import volume and market share over the
2 POI?

3 MR. SPOONER: One thing, and I'm sorry I don't
4 mean to cut Jim off, but again I'd stress that PMP cut
5 prices throughout 2015 through 2017, in an attempt to
6 maintain market share. So that would also be part of an
7 explanation.

8 COMMISSIONER WILLIAMSON: That effort was
9 successful in some instances?

10 MR. SPOONER: Yes. As you know well, those
11 price cuts affected gross profits, etcetera. But it was
12 successful to stave off the loss of certain customers, yes.

13 COMMISSIONER WILLIAMSON: Okay. Post-hearing,
14 maybe you could elaborate on that a little bit, showing the
15 linkages and all. Thank you. Also post-hearing, and I
16 don't think you've been asked this already, at pages 39 and
17 40 of its prehearing brief, Valudor discusses specific lost
18 sales. I know you've already talked somewhat about that,
19 but I just want to make sure you're going to address those
20 arguments post-hearing.

21 MR. SPOONER: Yes, Mr. Commissioner.

22 COMMISSIONER WILLIAMSON: And also post-hearing,
23 I guess on pages 47 and 49, they make specific suggestions
24 about the way the Commission should view the domestic
25 industry's financial data, and I ask you to address those

1 post-hearing too.

2 MR. SPOONER: Without a doubt, yes sir.

3 COMMISSIONER WILLIAMSON: Okay. I know you've
4 taken care of most of the brief that we've asked you to
5 address post-hearing. Let's see. I think -- I think that's
6 all the questions I have, so thank you very much for your
7 answers.

8 CHAIRMAN JOHANSON: Commissioner Broadbent.

9 COMMISSIONER BROADBENT: Thanks. Yeah, I just
10 have one random, remaining question here. Just to confirm
11 that this technical grade made by the catalytic conversion
12 process is in scope, it just isn't sold here very often?

13 MR. ZINKHON: That's correct, not to our
14 knowledge.

15 COMMISSIONER BROADBENT: Okay, great. That's
16 all the questions I had, and I appreciate all the testimony
17 today. Thank you.

18 CHAIRMAN JOHANSON: Commissioner Schmidtlein.

19 COMMISSIONER SCHMIDTLEIN: I just had one or two
20 additional questions, maybe for the post-hearing. Well, one
21 question maybe you can answer now. So in the Respondents'
22 brief, they include a table that was in the preliminary
23 staff report. It was Table IV-4 and it had to do with the
24 breakdown of the end uses, and the percentage or the amount
25 that was going into each end use from PMP and China and

1 non-subject.

2 You see there that, you know, they're
3 concentrated in different end uses. So this table doesn't
4 appear in the final staff report, in the prehearing staff
5 report, but I wonder if you have any idea, again for the
6 post-hearing, whether or not this is roughly what was
7 happening in 2017 as well? If you could talk to PMP and --

8 MR. SPOONER: Madam Commissioner, I want to be a
9 little careful, because I don't have the -- I'm flipping to
10 the table, and I don't want to reveal BPI. But we will, of
11 course, address it in our post-hearing brief and as you
12 know, we point out that PMP sells into the same end use.
13 Even if there is a primary end use in which Chinese imports
14 to into, PMP sells into that end use as well, and Chinese
15 imports are in all the other end uses too.

16 MR. ZINKHON: I would like to add to that if I
17 may, that a lot of the folks that are handling the Chinese
18 material might only have one or two customer's specific
19 industry, but that we know for a fact it's being sold into
20 each and every industry using this material, all around the
21 country, east coast, west coast, Minnesota, Florida, it
22 doesn't matter.

23 COMMISSIONER SCHMIDTLEIN: Do you find that the
24 price in one end use category affects prices in other end
25 use categories? So you know, your customers in the

1 construction end use category, if they're being offered?

2 MR. ZINKHON: We don't price by sector; we price
3 by volume. That's what determines the price. This is
4 basically a commodity chemical. It's a niche commodity
5 chemical. So anybody buying a few pallets is going to pay a
6 little higher price than a guy buying two truckloads a day.

7 COMMISSIONER SCHMIDTLEIN: Right. But I guess
8 my question really goes back to, and I don't know -- I don't
9 recall what the answer was to Chairman Johanson, but it
10 really has to do with price transparency, right. So if
11 they're offering low prices in the Ag industry, does that
12 somehow transmit to the construction industry?

13 MR. ZINKHON: That both of those industries,
14 concrete admixtures, construction and Ag, are two of the
15 very largest end uses in the United States for this product.
16 So they're going to naturally show up that way, but it's a
17 little bit misleading. You know, they've got some of the
18 higher volumes, so they're going to have some of the lower
19 prices.

20 COMMISSIONER SCHMIDTLEIN: Right. But what I'm
21 saying is if the ag buyer is being offered a low price from
22 a Chinese importer, does that in any way -- is there some
23 way for the construction buyer to know that, or is it really
24 that the prices --

25 MR. ZINKHON: Sure, because the fellas that are

1 selling into the ag market, the companies are that are
2 selling them in the United States, they blast these robo
3 emails out all the time. As Gary and I both mentioned, we
4 get them once, twice a month and offering -- they don't care
5 what you're using it for. They just want to sell it cheap.

6 COMMISSIONER SCHMIDTLEIN: Okay.

7 MR. ZINKHON: They just want to give you a good
8 price, and I've purchased both for the construction and the
9 ag business, so they're interchangeable. There's no
10 difference.

11 COMMISSIONER SCHMIDTLEIN: Yeah, okay, okay.
12 Thank you very much.

13 CHAIRMAN JOHANSON: Commissioner Kearns.

14 COMMISSIONER KEARNS: Thank you. Just two quick
15 questions. One I assume can only be addressed in a
16 post-hearing brief, but at page 45 of its prehearing brief,
17 Valudor argues that there is no correlation between changes
18 to the levels of Chinese imports, domestic shipments and
19 domestic profitability between 2015 and 2016. Can you
20 respond to that argument in your post-hearing brief?

21 MR. SPOONER: Yes, Mr. Commissioner.

22 COMMISSIONER KEARNS: Thank you. And lastly,
23 we've talked a lot about the importance of the products and
24 we've described in the pricing data, and I know that that's,
25 you know, your bread and butter. But you know, the pricing

1 products do not represent all of the U.S. producer's
2 shipments, but they do represent nearly all the Chinese
3 imports.

4 Do you see competition from Chinese products in
5 the market segments outside of those two pricing products?

6 MR. ZINKHON: It's not really market segment at
7 all. It's just simply how you want it in a package.

8 COMMISSIONER KEARNS: Okay so --

9 MR. ZINKHON: Some customer might want a 500 kg
10 bag, and if I recall, that wasn't in Product 2's scope.

11 COMMISSIONER KEARNS: Okay. So it's still GNA;
12 it's just that it's ^^^^

13 MR. ZINKHON: Simply a different package.

14 COMMISSIONER KEARNS: A different page, okay.
15 That's all I have. Thank you.

16 CHAIRMAN JOHANSON: Okay. Reading page I-9 of
17 the staff report, I see that MFN duties on these products
18 are not zero but rather range between 3.7 and 6 percent. I
19 also see that at least some of these products will be
20 subject to additional duties related to the Section 301
21 investigation on China. My understanding is that those
22 additional duty rates will initially be 10 percent, and will
23 then increase to 25 percent possibly by the beginning of the
24 next year.

25 What is your assessment of the eventual effect

1 of those remedies on imports from China?

2 MR. ZINKHON: So if I understand correctly,
3 potentially they'd be looking at around a 32 percent tariff,
4 without any action in this case. Is that correct to sum up
5 your question?

6 CHAIRMAN JOHANSON: Something along those lines.

7 MR. ZINKHON: Yeah, okay. Well, that would be,
8 you know, we welcome any action. That would not be nearly
9 enough. That means their price line goes up a little bit at
10 the end of the day, and it's still far below our cost.

11 MR. SPOONER: I would just quickly interject,
12 Mr. Commissioner, so I learned at midnight last night when I
13 was preparing in the office that I would only stress, as you
14 know very well, that these 301 tariffs could go away next
15 week, or could change levels next week or next month.

16 Part of the difficulty for everyone in the U.S.
17 with respect to these 301 tariffs is we don't know how long
18 they'll be in effect, what the levels will be, and so it's
19 very difficult to judge what their impact would be on the
20 market.

21 CHAIRMAN JOHANSON: So how should we take that
22 into account?

23 MR. ZINKHON: I can't stress -- I'm sorry,
24 David.

25 MR. SPOONER: Oh no, go ahead.

1 MR. ZINKHON: I can't stress enough that whether
2 they're in place or not, if the aggregate level is only
3 32-35 percent, whatever it is, 40-50 percent even, that's
4 not enough of a tariff to keep the Chinese out in this
5 market, and it does not allow us to run at a profitable
6 level.

7 MR. SPOONER: That's exactly right. Commerce,
8 of course, calculated combined prelim AV-CVD margins with
9 400 some percent, and so I think that says a lot, and the
10 Commission should disregard the 301 tariffs, any potential
11 impact of the 301 tariffs because again, they could be gone
12 next week for all we know.

13 CHAIRMAN JOHANSON: Okay, thanks Mr. Spooner,
14 Mr. Zinkhon. That concludes Commissioner's questions. Do
15 staff have any questions for this panel?

16 MR. THOMSEN: Craig Thomsen, Office of
17 Investigations. Staff have no questions for this panel.

18 CHAIRMAN JOHANSON: Do Respondents have any
19 questions for this panel?

20 MR. SHUTZ: No, we don't have any questions for
21 this panel.

22 CHAIRMAN JOHANSON: Okay. Then we will now
23 break for lunch. Let's come back here at 12:45, and I would
24 like to remind parties not to leave confidential business
25 information in this room, as it is not secure. We'll see

1 you back here at 12:45.

2 (Whereupon, a luncheon recess was taken.)

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

2 CHAIRMAN JOHANSON: Mr. Secretary, are there any
3 preliminary matters?

4 MR. BURCH: Mr. Chairman, I would like to note
5 that the panel in opposition to the imposition of
6 anti-dumping and countervailing duty orders have been
7 seated. All witnesses have been sworn in and this panel
8 have 60 minutes for the direct testimony.

9 CHAIRMAN JOHANSON: Alright, thank you. You all
10 may begin whenever you'd like.

11 MR. SCHUTZ: Thank you. Good afternoon. I'm
12 Andy Schutz from Grunfeld Desidero and we're representing
13 the Valudor Products here in opposition to this case and
14 we'd like to start here with Mr. Melamed, who's going to
15 testify as to his experience with this product.

16 STATEMENT OF MR. SEMYON MELAMED

17 MR. MELAMED: Good afternoon. My name is Semyon
18 Melamed. I'm the President of Valudor Products of San
19 Diego, California, a company I founded in 2004. I appear
20 here today with Michelle Tung, our Operations Manager.

21 Based on imports statistic information we found
22 on usatrade.census.gov and our company records, Valudor is,
23 by far, the largest importer of GNA from China. During the
24 period of time examined by the Commission our imports have
25 increased and our prices have declined. I'm fairly certain

1 that this case is primarily about Valudor and my business
2 decisions over the past several years.

3 I assume that we are responsible for the trends
4 which PMP claims require relief through additional duty
5 assessments on Chinese GNA. I disagree. Let me explain.
6 Valudor's business model is to import chemical products into
7 the United States which we either ship directly to our
8 customers from China, Russia, Taiwan, Cambodia, India, or
9 other origins or ship to third party warehouses for storage
10 and shipment through just-in-time delivery. Hundreds of
11 American workers serve as Valudor shipments in supply chain
12 jobs.

13 We pride ourselves in our ability to service our
14 customers in this manner and to the relationship we have
15 developed over the years. We import approximately 70
16 specialty chemical products. Sodium gluconate was our
17 seventh largest product by volume in 2017. For each of our
18 top 12 products, except GNA, we have 10 to 20 customers with
19 none of our customers accounting for more than 15 percent of
20 our total costs and total sales of that product.

21 We do business this way because we don't want to
22 be dependent on one customer for each product to keep us in
23 business. If we were to lose a customer like that, it would
24 take us many years to sell the leftover inventory. In 2013,
25 one of our longstanding customers to whom we have been

1 supplying several products for just-in-time delivery from
2 our three West Coast warehouses since 2007 asked us if we
3 could also supply them with sodium gloconate.

4 We had never sold this product before. I
5 remember our meeting well. This customer's general manager
6 asked me if Valudor would consider supplying sodium
7 gloconate for them. I promised to look into it and then
8 asked how do you spell this chemical? It is
9 g-o-a-c-o-n-a-t-e? I had never heard of this product
10 before. He said please try to find it. We really need your
11 support and it is spelled g-l-u-c-o-n-a-t-e.

12 I started selling chemicals 23 years ago and I
13 can count on the fingers of one hand the number of times a
14 customer asked me to supply product Valudor never handled
15 before. Each time this has happened it was because the
16 customer was deeply dissatisfied with their current vendor
17 and desperately needed a change and every time the need was
18 not about price.

19 Several years later I asked my customer why they
20 wanted to buy from Valudor and why they asked Valudor to get
21 into sodium gloconate business when I didn't even know how
22 to spell it. Their purchasing manager replied that PMP,
23 their current sodium gloconate supplier at that time, was
24 not responsive to their needs. Every time the customer
25 asked PMP to make changes to facilitate the customer's

1 operations PMP would say no. When the customer asked PMP to
2 change its packaging to match their production website, PMP
3 said no.

4 Valudor accommodated this request promptly.
5 When the customer told PMP their consumption of sodium
6 gloconate increased and they were running out of storage
7 space and asked PMP to provide just-in-time deliveries PMP
8 said no. PMP supplied this California customer from an
9 Illinois warehouse by rail with a seven to ten days transit
10 time and an uncertain delivery date. By the time their
11 shipments arrived, the customer had to stop production
12 because they ran out of sodium gloconate raw material.

13 Unlike PMP to meet customers' needs, Valudor
14 rented space in Oakland, California warehouse and made
15 arrangements with local California truckers to deliver to
16 our customers with 24 to 48-hour notice and at customer's
17 specified time of the day. If PMP had been responsible to
18 its customer's needs, we would not be here in this room
19 today. This customer would never have brought Valudor into
20 the sodium gloconate business. And in the absence of sodium
21 gloconate being sold to this one customer, Chinese GNA
22 imports would be small and declining and now PMP is trying
23 to bully the sodium gloconate customer into accepting their
24 poor service.

25 I'm here today and I'm doing all I can to

1 protect them because I firmly believe that this is not
2 right. This customer uses sodium gloconate in its
3 agricultural business. Sodium gloconate in powder form is
4 used to make fertilizers under proprietary production
5 technology no other fertilizer manufacturers utilize. This
6 sodium gloconate was supplied was technical grade material.
7 We found vendors for GNA products in China and begun
8 shipping sodium gloconate to the United States in 2013 to be
9 shipped just-in-time from our West Coast warehouses to this
10 customer.

11 In the past, three years our sales of this
12 customer have increased and prices have declined. Why? The
13 increase of our sales was because of the growth in demand on
14 the West Coast for our customer's product. This was not
15 because of any innovation on our part. As our customer's
16 businesses thrived, so did its need for sodium gloconate.
17 Similarly, we did not reduce our prices to maintain this
18 business. Our sales prices declined because the cost of
19 corn in China declined and so did our purchase price.

20 The two main inputs in sodium gloconate are corn
21 and sodium hydroxide; when the price of corn declines the
22 price of sodium gloconate declines. Between 2015 and 2017,
23 the price of corn declined, which lead to declines in our
24 purchase price from our vendors in China, which we passed
25 onto our customer. In 2018, the corn price increased, so we

1 increased the prices. We explained these fluctuations to
2 our customer. As our sales to this customer through our
3 West Coast warehouses increased, we attempted to diversify
4 our customer base and sell sodium gluconate using the same
5 business model as our sales of other products, selling each
6 product to multiple customers; thereby, avoiding being
7 dependent on one company.

8 Valudor's marketing strategy is to avoid high
9 customer concentration of sales of any particular product.
10 Normally, for our main product customer concentration is
11 around 1 to 12 percent. Sodium gluconate is the only
12 product in the top 12 products we sell with a top customer
13 concentration above 12 percent. In fact, it is 70 to 80
14 percent. We tried very hard to dilute such high customer
15 concentration. We approached a large number of sodium
16 gluconate customers in the U.S., but failed with most of
17 them because of Chinese products quality problems.

18 Most of the prospective customers refused to buy
19 GNA from us due to quality issues and our inability to
20 warehouse Chinese sodium gluconate outside of low humidity
21 California locations due to severe caking problems the
22 product can experience when stored. Even though there is no
23 longer a fishy smell and Chinese gluconate is white, it is
24 still inferior in quality to the sodium gluconate
25 produced by PMP in the United States.

1 Even though it is made by a continuous
2 fermentation process, Chinese sodium gluconate is a
3 low-quality, technical grade product. All of PMP sodium
4 gluconate is produced to higher food grade standards. It's
5 easy to fail food grade standards. For example, if you use
6 technical grade sodium hydroxide in the production you're
7 going to end up with technical grade sodium gluconate with
8 higher impurities.

9 For the agricultural market food grade
10 certification is not required, but PMP's sodium gluconate is
11 sold in many different market segments in the United States.
12 It's used for construction, metal cleaning, food, de-icing,
13 metal cleaning and industrial and institutional purposes.
14 For the food industry, Chinese technical grade sodium
15 gluconate is clearly not acceptable since it does not meet
16 the food/chemical for food quality standards. It is my
17 understanding that Chinese vendors have only a minimal
18 capacity to produce food grade products and it requires
19 additional production step.

20 A number of food processing and manufacturing
21 companies told Valudor they will never consider Chinese
22 sodium gluconate regardless of its price due to concerns
23 about proper food grade safety monitoring procedures in
24 China and recent bad publicity of Chinese food grade
25 ingredients.

1 We tried to sell our Chinese sodium gloconate to
2 U.S. concrete manufacturers. We contacted all major U.S.
3 concrete manufacturers since we knew that this market is the
4 largest volume application of sodium gloconate. They told
5 Valudor that they only use liquid sodium gloconate and would
6 not consider dry sodium gloconate, even if we gave it away.

7 We tried to follow Petitioners' advice to just
8 put sodium gloconate in the water. We tried to find toll
9 manufacturers to liquefy Chinese sodium gloconate powder,
10 but the finished liquid gloconate was not price competitive.
11 Several customers in metal cleaning industry and a number of
12 distributors told Valudor they had problems with caking of
13 Chinese sodium gloconate and would not use it again.

14 We were also unable to sell sodium gloconate
15 outside of the West Coast and customers would not accept the
16 8 to 12 weeks lead time on direct shipments. In 2016, we
17 actually shipped around 750,000 pounds, 18 truckloads of
18 Chinese sodium gloconate to Memphis for sale to our major
19 customer. We stored the sodium gloconate in Memphis
20 warehouse, but it caked so hard that each one-ton bag of
21 Chinese sodium gloconate turned into one ton solid rock.
22 Our customer returned 100,000 pounds already delivered to
23 them and told us they would not accept the remaining 650,000
24 pounds of cake product which remained in the warehouse.

25 We were unable to find anyone to break up the

1 caked product locally. The only company agreeing to break
2 up the caked GNA was located in Illinois and delivery to
3 them resulted in \$1800 per truck load roundtrip fee, in
4 addition to cost of de-lumping new bags. The processor in
5 Illinois had to run forklifts into sodium gloconate super
6 sacks to break them up into pieces and then further process
7 the large chunks in their milling equipment. Needless to
8 say, we lost a lot of money having to pay processing fee and
9 roundtrip freight from Arkansas to Illinois and we learned
10 our lesson.

11 After this disaster, Valudor stopped storing
12 sodium gloconate in all locations in the United States,
13 except for our low-humidity Oakland, California warehouse.
14 We also suspended offering sodium gloconate from local stock
15 to all customers, except for California where the low
16 humidity delays caking of Chinese sodium gloconate. Our
17 inability to supply local stock for just-in-time delivery
18 and long lead time severely limit our sales, but we cannot
19 see how we can prevent caking while storing Chinese sodium
20 gloconate in states, other than California, and can no
21 longer afford huge losses due to product caking. Thus, this
22 is true that our sales during Commission's period of
23 investigation increased and our prices declined, but these
24 sales were basically to one customer in one market and one
25 geographic area.

1 We failed in our attempt to increase our
2 customer base to sell sodium gluconate to multiple markets
3 and to sell sodium gluconate for just-in-time delivery
4 outside of California. We do not believe that other
5 importers succeeded in penetrating these other markets and
6 we do not believe that our limited success in selling sodium
7 gluconate to one customer for one purpose for a West Coast
8 delivery could possibly have resulted in material injury to
9 PMP.

10 We also do not believe we pose a threat to PMP
11 in the future. First, by the middle of 2017, which is five
12 months before PMP petition, we suspended our marketing and
13 new prospect search for sodium gluconate due to our
14 inability to stock it in most of the continental United
15 States. Selling sodium gluconate to multiple customers in
16 multiple markets throughout the United States did not work
17 in the past and will not work in the future.

18 Second, Chinese sodium gluconate manufacturers
19 are not very interested in selling GNA products in the U.S.
20 market. They're reluctant to implement product quality
21 improvements necessary for future success in the United
22 States. The Chinese GNA market is booming as are Chinese
23 sales to third countries.

24 Finally, my vendors just advised that their
25 ability to increase production and sales of GNA products in

1 the future will be constrained because of new, aggressive
2 Chinese environmental regulations restricting the
3 availability of sodium hydroxide. The price of sodium
4 hydroxide, one of the main raw materials for production for
5 sodium gluconate sharply increased. As a result, our
6 purchase price for sodium gluconate has almost doubled in
7 the past nine months.

8 The Chinese Government environmental crackdown
9 is a part of strategic, long-term Chinese industrial policy,
10 approved at the top level of Chinese Government and included
11 in long-term economic policy approved by recent Chinese
12 ruling party Congress. I expect that this policy will
13 continue for the foreseeable future. And it is important to
14 remember that implementation of this policy and its impact
15 on the supply and prices of sodium gluconate shipped from
16 China to the United States have nothing to do with this
17 trade action.

18 The price increases begun three months before
19 PMP petition was filed. In fact, a recent clause from our
20 Chinese vendors for our prospective customers in Canada have
21 been 45 percent higher than previous pricing. This is the
22 same with Chinese domestic prices and the price increases
23 have nothing to do with this case. Chinese gluconate
24 manufacturers have also experienced supply shortages of
25 sodium hydroxide, causing several Chinese manufacturers to

1 scale down or stop production of sodium gloconate.

2 For example, in October 2017, two months before
3 the petition, one of our vendors tried to increase the price
4 of sodium gloconate by 30 percent on a signed contract with
5 Valudor for 2.2 million pounds of sodium gloconate. The
6 vendor subsequently refused to supply goods under our
7 contract. It explained that the increase was due to
8 shortage and high prices of one of the main raw materials,
9 sodium hydroxide.

10 We had to scramble to find an alternative
11 supplier and we paid 25 percent higher price than on our old
12 contract and the shipment was delayed until December 2017 to
13 allow the alternative supplier to manufacture the goods. I
14 do not know when the shortage will end, but given the need
15 for Chinese vendors to supply GNA to their Chinese customers
16 and to their much more important customers than me, who are
17 located in third countries, I do not perceive Valudor
18 importing increasing quantities of sodium gloconate into
19 the United States any time in the foreseeable future.

20 In summary, based on our experience, I do not
21 see how we or anybody else can increase imports of Chinese
22 sodium gloconate to the United States in the future for the
23 following reasons. The product cannot be stored in central
24 and eastern U.S. because it turns into a rock. Most of the
25 U.S. customers will not accept 8 to 12 weeks lead times for

1 direct shipments. Chinese sodium gluconate has a higher
2 moisture and impurity levels than PMP products, which are
3 made to highest food and farmer grade specifications.

4 Chinese manufacturers aren't willing to improve
5 product quality, lower moisture and impurities and have
6 little interest in the U.S. market. The majority of their
7 sodium gluconate sales are for domestic and non-U.S. imports
8 where their product quality is acceptable. None of the
9 Chinese gluconate manufacturers attended the U.S. trade
10 shows. None ever visited our U.S. office, despite Valudor
11 being their top U.S. customer.

12 I know that there are companies sending regular
13 -- emails to a variety of prospective customers in the U.S.
14 These emails are not coming from manufacturers. They're
15 coming from distributors. These distributors are sending,
16 as Petitioners said, emails on 30 different products.
17 Obviously, they don't make 30 products. They just re-sell
18 them. They're totally unfamiliar with the U.S. market
19 that's why they're sending emails to U.S. manufacturers.
20 They don't know who is doing what and they're still doing
21 it, even though they would not be able to physically import
22 the product into the U.S. because of the deposits that U.S.
23 Customs and border protection are charging due to this
24 action. But they are still quoting low prices just because
25 they're completely unaware of the market situation and

1 ultimately unable to supply the product.

2 I'm also very familiar with the matter brought
3 up by Petitioners on large Mid-West detergent manufacturer
4 being offered sodium gluconate at 30 cents a pound right
5 before the petition was filed. In fact, I got a call from
6 one distributor who sporadically purchased our sodium
7 gluconate asking me to match this 30 cents a pound price.
8 And I told him I cannot do it. I'm not in the business to
9 lose money and it's below my cost. I guess what happened
10 they probably got this quote from one of these emails.
11 They quoted to this large detergent manufacturer, then they
12 could not supply and then they started looking. Obviously,
13 we're the largest importers, so they turned to us. We
14 couldn't help them because it was below our cost, so this is
15 why there was no sales.

16 Chinese production capacity is limited by
17 shortages of high prices of sodium hydroxide, the second
18 most important raw material for sodium gluconate production.
19 These shortages are a result of recent tough environmental
20 enforcement campaign and are expected to continue for
21 foreseeable future, as they're included in strategic,
22 long-term Chinese industrial policy approved in last year's
23 ruling party congress.

24 Our customer uses large quantities of sodium
25 gluconate in a proprietary process unique in fertilizer

1 industry. Other fertilizer manufacturers do not use this
2 process and unlikely to have much demand for sodium
3 gloconate in the future. There was an excellent question
4 about using EDTA products in manufacturing a fertilizer that
5 asked of the Petitioners. I will answer it. The
6 mainstream use of -- nutrients in fertilizer industry -- by
7 ethylenediaminetetraacetic acid, also known as EDTA. Most
8 of the fertilizer manufacturers are using it. Our
9 California client is the only one who is using sodium
10 gloconate micronutrients and not using EDTA. Nobody else is
11 doing it and there are no plans for anybody else to change.
12 The EDTA remains the mainstream way of -- micronutrients,
13 delivering them to the plant.

14 I thank the Commission for its attention and I'm
15 available, along with my colleague, Michelle Tung, to answer
16 any questions.

17 STATEMENT OF MR. DHARMENDRA CHOUNDHARY

18 MR. CHOUNDHARY: Good afternoon, Commissioners
19 and staff. I am Dharmendra Choundhary from Grunfeld
20 Desidero, appearing on behalf of Valudor Products, an
21 importer of subject merchandise.

22 The Commission has already concluded that PMP
23 was not experiencing any material injury as of September 30,
24 2017. It should now consider whether there has been any
25 changes through June 30, 2018 to warrant the opposite

1 result. I will first underscore the fact that GNA products
2 stands for a class of products that include more than one
3 type and grades. On one hand, we have sodium gluconate and
4 gluco delta lactone, GDL, both of which are in dry form.
5 On the other, we have gluconic acid and liquid gluconate,
6 both being in liquid form.

7 Of the four types, sodium gluconate is the
8 principal GNA product produced and sold by PMP and it's
9 ordered by Chinese exports; however, sodium gluconate is
10 simply a generic name that encompasses several different and
11 desperate grades with varied applications in a range of
12 industries, encompassing construction, industrial, food,
13 agricultural, personal care, household, pharma, pulp and
14 paper, electroplating, textiles, plastics, and whatever
15 else you have. This is an important fact which has to be
16 kept in view when we will be discussing several pricing and
17 market share issues.

18 This case boils down essentially to a comparison
19 of data from one domestic producer, PMP, and one importer,
20 Valudor Products, which accounts for the majority of imports
21 from China.

22 Let's begin with volume effects. With 2015
23 volume as the baseline, Chinese import volumes during the
24 three and a half year POI did not go up. Overall, it went
25 slightly down. More importantly, when we compare data used

1 in preliminary determination when subject imports comprised
2 of French, plus Chinese imports and final determination
3 where we have only Chinese imports and we come to the data
4 across a range of volume parameters like subject GNA market
5 shares, entries in subject imports, domestic product market
6 share, subject imports as percentage of domestic production,
7 and annual growth rate for GNA market in U.S.

8 It turns out if we make this comparison that the
9 volume impact of subject imports was not injurious during
10 the POI. Even so, in face of this clear-cut data, PMP
11 cherry picks data around 2016 to 2017 only and again, from
12 interim 2017 to interim 2018 to argue that Chinese imports
13 rose during these periods, but what they are not telling you
14 is that the slightly increased annual or half-yearly Chinese
15 imports still remained below the level of 2015 data.

16 Further, realizing that its own production and
17 shipments during this time period, either on absolute or
18 relative terms, fails to support alleged adverse Chinese
19 volume effects and any injuries there from. PMP conflicts
20 the volume issue with price effect and allegedly lost sales
21 effect, which we will be discussing shortly.

22 In sum, PMP fails to impeach the current
23 evidence that there is no adverse volume effect during the
24 POI; especially, when the data is juxtaposed against the
25 data used in the preliminary determination.

1 Now let's move onto price effects. It's
2 important to realize that in U.S. GNA market several grades
3 and qualities of sodium gloconate, the main GNA product, are
4 sold. Equally important, price is not the main factor
5 considered by purchasers in their purchasing decisions.
6 Sixty-five percent of purchasers reported that they never or
7 only sometimes purchase lowest-priced product. Four other
8 factors are considered more important than price. These
9 factors are availability, reliability of supply, product
10 consistency, and quality meets industry standard -- whether
11 quality meets industry standards. Price is tied with
12 delivery times at the fifth spot.

13 Moreover, in comparing U.S. domestic sales and
14 Chinese imports, either in terms of their average sales
15 prices or specific prices for the two pricing products, we
16 need to focus on the market experiences of Valudor, who is,
17 by far, the largest importer of GNA from China. The vast,
18 vast majority of Valudor's imports during the POI consisted
19 of technical grade sodium gloconate which was sold for
20 agricultural use to one particular customer based in
21 California. There

22 Valudor's sales are focused on one product,
23 technical grade sodium glutonate in powder form. One
24 sector: Agricultural use and and one market, California. On
25 the other hand, PMP sells exclusively four grade GNA

1 products in powdered as well as liquid form to all other
2 centers -- industrial, construction, food, household, et
3 cetera, and to all of the geographic markets in USA. As
4 such, PMP and Valudor operate in distant market segments.
5 Accordingly, the vast majority of Chinese imports do not
6 directly compete with PMP sales. Competition between the
7 two classes of products is attenuated. Therefore, Chinese
8 GNA imports do not adversely affect the prices or volume of
9 PMP sales.

10 If we compare Chinese average import prices with
11 PMP's average sale prices or compare the two with respect to
12 the price of two pricing products, Chinese GNA undersold
13 PMP. However, underselling is only the beginning of price
14 effect analysis. The more important questions are the
15 following: whether there was a direct competition between
16 PMP and Chinese imports. The answer is no because PMP sells
17 four grade GNA products throughout the United States, while
18 Valudor, which is a proxy for Chinese importers, sold
19 technical grade sodium gluconate for agricultural use on the
20 West Coast.

21 It is important to reiterate that the scope of
22 pricing products 1 and 2 encompasses several myriad grades
23 that cannot be compared on an apple-to-apple basis in terms
24 of quality, use, or price. Thus mere underselling a broad
25 basket GNA pricing product by Chinese imports has little

1 significance, if any.

2 The second issue is whether undersold Chinese
3 pricing Products 1 and 2 adversely affected PMP's U.S. sale
4 prices. And third is whether undersold Chinese pricing
5 Products 1 and 2 adversely affected PMP's volume of U.S.
6 shipments. If the Commission analyzes the price and volume
7 data of PMP's shipments for the two pricing products, it
8 will note that Chinese imports had no price depressing
9 effects on PMP's shipments.

10 PMP also focuses its' arguments on PMP's alleged
11 lost sale volumes and lost revenue. We have already
12 rebutted the lost sales and lost revenue arguments in our
13 pre-hearing brief at pages 39, 40 with reference to the top
14 three purchasers. Each of these purchasers provided the
15 nine commercial reasons for their Chinese GNA purchases,
16 such that those shifts were not injurious to PMP.

17 In sum, PMP's price depression arguments are
18 unpersuasive. Likewise, Chinese imports also had no price
19 suppression effect on PMP's sales. Analysis of this issue
20 in terms of the Commission's well-established criteria of
21 analyzing domestic producers' cost of goods sold relative to
22 net sales value shows an absence of price suppression in
23 this final case. The price in terms of Chinese sales was
24 directly influenced by the prices of key imports -- corn and
25 corn starch -- that fell during the POI in China. We'll

1 elaborate this point in our post-conference brief.

2 Prices of corn and corn starch similarly
3 declined in the U.S. market too. We will further explain
4 the importance of these raw material prices in our
5 post-conference brief. In analyzing PMP's claims of
6 allegedly suppressed sale prices during the POI the
7 Commission should take into account this very important
8 consideration.

9 Now let us consider the impact on PMP. This
10 analysis, in terms of PMP's output, sales, inventories,
11 capacity utilization, market share, employment, wages,
12 productivity, gross operating and net profits, et cetera, is
13 an eye-opener. These data do not showcase an industry that
14 is currently injured or distressed or facing an imminent
15 injury. In particular, PMP focuses on certain financial
16 indicators to argue that its financial performance was
17 adversely affected in the interim 2018. However, as PMP
18 itself admits we have demonstrated on pages 45 to 49 of our
19 pre-hearing brief that PMP was not injured by low-priced
20 Chinese imports during this period.

21 Finally, PMP is not the least threatened by
22 Chinese imports. POI data for production sales, market
23 share, employment, profits unambiguously prove that PMP is
24 currently not vulnerable. Market competition between PMP's
25 GNA products and subject imports has all along been and will

1 continue to remain attenuated in a segregated market.
2 Moreover, it is undisputed that the U.S. GNA market has been
3 expanding at a rate of -- as Petitioners mentioned -- at 6.5
4 percent over the last 10 years and continues to gain
5 widespread uses in myriad of sectors where PMP alone stands
6 to benefit, given that Valudor's data confirms that the
7 majority of Chinese imports are mostly limited to one grade,
8 technical grade; one use, agricultural use; and one market,
9 California.

10 Further, Chinese imports have all along remained
11 at a non-injurious level in the U.S. market. The focus of
12 Chinese producers is on their own home market and third
13 country markets. In 2017, nearly 7.7 percent of total
14 Chinese exports were destined to the U.S. market and is
15 further contracted to 7.4 percent only in 2017.

16 On the other hand, Chinese exports to other
17 markets, like India, Turkey, and Japan expanded during this
18 same period. Recently, Chinese Government's strict
19 enforcement of environmental regulations have affected its
20 chemical industries, resulting in a short supply in
21 increased prices of critical raw materials, including sodium
22 hydroxide, which is a key raw material. As such, not only
23 the Chinese production of GNA is likely to go down, but
24 also its' prices is going to spike in near future. All of
25 these factors support the fact that PMP is not threatened by

1 Chinese imports.

2 PMP has not presented any evidence today showing
3 that this trend is going to reverse in the near future;
4 therefore, Chinese imports do not threatened the domestic
5 industry with material injury. Thank you.

6 STATEMENT OF ANDREW T. SCHUTZ

7 MR. SCHUTZ: Good afternoon again. This is Andy
8 Schutz. Before we conclude our presentation, I just want to
9 address briefly a couple of legal issues, three legal issues
10 which were raised by the parties in their prehearing briefs.

11 First is: What is the significance of the
12 Commission's Preliminary Determination that PMP was not
13 materially injured by cumulated GNA imports from France and
14 China?

15 We know that the Preliminary POI has been
16 extended for an additional nine months, from October 2017 to
17 June 2018, and we know that the record for this Final
18 Investigation is not identical to the Preliminary record.
19 But the conditions of competition which led the Commission
20 to conclude that cumulated imports were not injurious have
21 not materially changed during this extended period. And, if
22 anything, there is more information on the record supporting
23 a finding of No Current Injury than there was in the prelim.

24 In other words, while this Preliminary Decision
25 does not mandate that the Commission will similarly reach a

1 negative determination in this Final Phase investigation,
2 the Commission should be careful not to reach diametrically
3 different results based on very similar facts.

4 Therefore, in our view the overlapping
5 Preliminary POI period, 2015 to 2017, should be viewed as
6 the baseline to which the financial and industry
7 circumstances of the post-prelim POI period should be
8 compared in this final phase.

9 The circumstances present between 2015 to 2017.
10 which have not changed, were such that the Commission found
11 under the very high "clear and convincing evidence" standard
12 that there was no reasonable suspicion of material injury.

13 Thus, to the extent that the circumstances in
14 this post-prelim period are the same or similar to that of
15 2015 to 2017, the law of the case is already established
16 that this is insufficient for an actual Material Injury
17 finding in this Final Phase.

18 Second, PMP argues in its brief that the
19 Commission should reject all Chinese producer questionnaire
20 responses because they were not timely filed and should
21 apply adverse facts available to Fuyang in particular
22 because of the possibility that Fuyang provided inaccurate
23 information to the Department of Commerce.

24 We disagree. First, the Commission's
25 long-standing policy is to reach the legally and factually

1 correct result based on all evidence placed on the record in
2 a sufficiently timely manner for analysis, rather than to
3 penalize parties who have not met the Commission's initial
4 deadlines.

5 Achieving a correct and complete picture of the
6 industry is paramount. This policy makes sense, and to our
7 knowledge has been applied in every case. Unlike the
8 Department of Commerce which determines the margin of
9 dumping and subsidization of individual companies, the
10 Commission is charged with issuing decisions which have an
11 industry-wide impact.

12 The Commission has properly recognized that it
13 would be unfair to penalize fully cooperative parties who
14 have submitted timely responses to Commissioners because
15 other parties, for a wide variety of reasons, have not. In
16 this case, Chinese exporters initially decided that the U.S.
17 market was not important enough to expend the time and
18 effort necessary to respond to the Commission.

19 Upon request of our client Valudor, they agreed
20 to respond. Their data has been submitted in more than
21 enough time to be considered by the parties for their
22 post-hearing briefs, and to be incorporated into a staff's
23 final report.

24 The Commission should accept this data. The
25 Commission should also reject PMP's argument that Fuyang's

1 information should be disregarded because of the company's
2 actions before Commerce.

3 The administrative records before Commerce and
4 the Commission are not the same. The Commission must base
5 its decisions on the record in this proceeding, not
6 Commerce's. And PMP has pointed to nothing on the record of
7 this case that impeaches the reliability of Fuyang's
8 information submitted before the Commission.

9 The Commission is required to accept the dumping
10 margins and subsidy rates provided by Commerce. But at the
11 same time, it does not examine the reasons for Commerce's
12 decisions.

13 A decision by the Commission to apply AFA to
14 Fuyang in this proceeding because of what Fuyang may or may
15 not have submitted to Commerce is particularly
16 inappropriate, since such decision would adversely impact
17 totally innocent parties who do not have access to the
18 underlying Commerce record, much of which is proprietary in
19 any event.

20 If the Commission were to look at Fuyang's action
21 before Commerce, we just note that Fuyang received AFA at
22 Commerce for issues related to cross-ownership and
23 affiliation standards, and whether or not certain of the
24 company's current or past affiliates needed to report
25 subsidies.

1 While it is not necessary to go into those
2 details, it is important to recognize that these issues are
3 extraordinarily complex, and even companies with the best
4 intentions inadvertently run afoul of affiliation issues
5 before Commerce. And I can tell you from personal
6 experience in dozens of Commerce CVD cases, even Commerce's
7 own staff is inconsistent in their interpretation of when a
8 company is or is not cross-owned and has to report its
9 subsidiaries.

10 Thus, the fact that a company did or did not, or
11 should or should not have reported certain affiliates before
12 Commerce is not indicative of deceptive intent or
13 unreliability.

14 The third and last issue for the Commission to
15 consider is whether to focus its analysis on one segment of
16 the domestic industry as proposed by PMP, or to examine the
17 impact of imports on the industry as a whole.

18 Here the Commission should again reaffirm its
19 Preliminary Decision to reject PMP's argument that the
20 Commission's analysis should focus primarily on the
21 performance of PMP's sodium gluconate operations, rather
22 than the entire range of the domestic like product.

23 One portion of the Commission's Preliminary
24 Decision is worth repeating:

25 "The scope of these investigations includes not

1 only sodium gluconate, but also gluconic acid, liquid
2 gluconate, GDL, and subject blends, in accordance with the
3 scope requested by PMP in the Petitions. ... The Commission
4 has defined the domestic like product to include all GNA
5 products corresponding to the scope, in accordance with the
6 domestic like product requested by PMP. ... Petitioner
7 could have requested that the scope of the investigations
8 and the domestic like product be limited to sodium
9 gluconate, but did not do so."

10 In other words, Petitioner must lay in the bed it
11 made and the Commission should continue to reject
12 Petitioner's attempts to demonstrate injury by focusing only
13 on one product that PMP makes rather than all domestic like
14 products the company produces.

15 Thank you. And this concludes our direct
16 presentation and we're available to answer any questions
17 from the Commission at this time.

18 CHAIRMAN JOHANSON: I would like to thank this
19 panel for appearing here today. We appreciate it. And the
20 Commissioner questions will begin with me.

21 This question is probably best answered by Mr.
22 Melamed, but any of you can of course jump in. Table 2-9 of
23 the staff report shows that the vast majority of responding
24 purchasers reported that U.S. and Chinese GNA products are
25 comparable in terms of meeting minimum industry standards.

1 Could you estimate the percentage of domestic or
2 subject product that may have imperfections, such as being
3 off-color or caking, which prevents it from being accepted
4 by the food or personal care industries?

5 MR. MELAMED: Well, Chinese manufacturers are not
6 completely aware of conditions of product approvals and
7 sales in North America, and we are. And I can tell you that
8 nobody in the food industry would consider Chinese sodium
9 gluconate just because of general concerns about the lax
10 control standards in China, recent bad publicity in various
11 publications about problems with adulterated food products
12 coming from China. And, frankly, we would be very reluctant
13 to even offer their products to the food industry because of
14 the liability concerns.

15 In terms of caking, we tried product from several
16 different manufacturers. In the case of Memphis warehouse
17 disaster, there were products from two different
18 manufacturers. They caked the same. And they caked really
19 hard to the point the customer, they told me, look, we know
20 it's really bad situation for you but we cannot use it.
21 It's solid rock. We don't have any equipment to break it
22 up. We had to haul it all the way to Illinois. The
23 company there kept around forklifts into these rocks of
24 sodium gluconate to break them up, and they had special
25 mills to series of different milling equipment to grind them

1 back to the powder, and then we shipped it back.

2 So there are several differences in quality that
3 Chinese manufacturers are not necessarily aware of that
4 really prevent us from selling it here. The caking being
5 the most serious because it really makes it impossible. I'm
6 not going to take a chance of losing all this money again
7 and storing it in eastern or central U.S.

8 And then there are all these food-grade quality
9 concerns. They are really using a technical grade sodium
10 hydroxide in their production. Their facilities are not
11 meeting U.S. food production standards. But there are other
12 impurities. And in the post-hearing brief we're going to
13 provide--we obtained product specification from PMP's
14 website. We also have technical data chips of Chinese
15 products, their differences. The moisture is higher in
16 Chinese products, and the impurities are higher, and it
17 makes a big difference when people are trying to approve
18 their products.

19 Their production methods, their production
20 technologies, are based on PMP's product because this is
21 what they are using now. And when they are trying to
22 substitute it with Chinese because of the impurities Chinese
23 doesn't perform this way, and this is why we failed in so
24 many cases to sell our product to any more customers. And
25 we are facing the situation when we have this one customer

1 that is 70 to 80 percent of our sales that's unique in our
2 portfolio, we really tried to avoid it, but there is no way
3 for us to do it.

4 CHAIRMAN JOHANSON: Mr. Melamed, you've spoken
5 extensively on quality problems with Chinese product as
6 opposed to U.S. produced product. Do you know if there are
7 any industry publications, or any documentation which might
8 discuss the quality of Chinese GNA vis-a-vis U.S.-produced
9 GNA?

10 MR. MELAMED: I'm just a salesman. I don't spend
11 too much time on trying to find publications. I'll
12 certainly try to look for them, and if I find anything I
13 will submit them in the post-hearing brief.

14 But I can speak to my personal experience. And
15 the money to break this caked material came from my own
16 pocket, as the owner of the company. And I have all the
17 invoices I submitted to my attorneys for transportation and
18 processing and new super sets and they are over \$100,000.
19 And we will definitely submit that to the post-hearing
20 brief.

21 I mean I know that I called all these customers
22 and they told me they wouldn't use it for various reasons.
23 The food people wouldn't use it because of general concerns
24 about Chinese food standards. The metal cleaning people
25 wouldn't use it because it cakes, because it did not work

1 well. They could not explain really why, but when they
2 substituted PMP's material with this product, it did not
3 work well in their formulas. It created problems.

4 There were things falling out. The color was
5 changing. Even though initially sodium gluconate from China
6 looked exactly the same, once it went into solution and
7 reacted with some other ingredients in their formulations,
8 things went wrong.

9 And this is my experience. And this is why we
10 took a decision, even though before the Petition we had
11 really good position on sodium gluconate. We could get it
12 at really good price. And before the problems with
13 environmental enforcement, we had a limited supply of it in
14 '15 and '16, and we really tried. We could not really sell
15 it.

16 CHAIRMAN JOHANSON: If you would try to find some
17 type of written description of quality problems with Chinese
18 GNA, Chinese-produced GNA, and not just industry
19 publications but any, for example, emails you might have
20 received, any other documentation you might have received
21 regarding quality problems encountered by customers?

22 MR. MELAMED: Oh, absolutely. I do have an email
23 from our biggest customer from the plant manager in there,
24 you know, Arkansas facility. He was saying, well, we got
25 100,000 pounds of rock-solid sodium gluconate. When are you

1 going to pick it up?

2 And we did provide it to our attorneys. We will
3 definitely attach it to the post-hearing brief.

4 MR. SCHUTZ: Yes, this is Andy Schutz. We will
5 provide all that for you.

6 CHAIRMAN JOHANSON: Okay, yeah, anything you
7 could provide would be helpful. Because right now I
8 understand your experiences, but it would benefit us if we
9 had something written by folks other than you, or anything
10 you'd written prior to the investigation would be helpful as
11 well.

12 MR. MELAMED: Yeah, yeah, those emails to pick up
13 the rock-hard material are dated 2016, a couple of years
14 before that.

15 CHAIRMAN JOHANSON: Okay, that would be helpful.

16 Can GNA products that meet food chemical CODEX
17 standards be used as a substitute for technical grade
18 product?

19 MR. MELAMED: Yes, but not vice versa.

20 CHAIRMAN JOHANSON: Okay. So if it doesn't meet
21 the FCC standards, you cannot use it? If it does not meet
22 FCC standards, you cannot use it for food production?

23 MR. MELAMED: Yes.

24 CHAIRMAN JOHANSON: Is that an industry-accepted
25 response? Or is that just what--or is there any type of

1 regulation to that effect, do you know?

2 MR. MELAMED: Well, it needs to meet--to sell to
3 food industry, it needs to meet a variety of regulations.
4 We need to certify that it meets the FCC-4 requirements.
5 There are certain Food and Drug Administration filing
6 requirements when the shipments come into U.S. There are
7 certain requirements for third-party inspections of the
8 facilities in China, which I'm sure we would fail, given--

9 CHAIRMAN JOHANSON: That would be the FDA,
10 possibly, or--

11 MR. MELAMED: Well, there is new regulation that
12 requires third-party inspection of the food facility
13 overseas. I cannot imagine these facilities passing it.
14 And just general concerns by the food manufacturers about
15 recent bad publicity prevents it being used in food
16 applications.

17 But you can take food grade and sell it to
18 nonfood applications. That is possible.

19 CHAIRMAN JOHANSON: Right, right.

20 MR. MELAMED: This is what PMP is doing all
21 along. What they probably don't even realize, but they
22 established a very high bar standard incorporated in their
23 customers' technologies that prevent lower grade sodium
24 gluconate from substituting their product because they have
25 been enjoying this high quality, low impurity product for

1 all this time. They're not filtering it as much. They are
2 not so many segmentation that doesn't do certain bad things
3 that it does with Chinese sodium gluconate. And when they
4 apply Chinese sodium gluconate in the same process, it
5 doesn't necessarily perform this way. And they have to go
6 through additional steps, or don't get as clear result as
7 they would like.

8 CHAIRMAN JOHANSON: Could you perhaps submit
9 information to the Commission in your posthearing brief
10 discussing different regulations that you must meet in order
11 to bring in food-grade?

12 MR. MELAMED: Oh, absolutely, yeah. There is
13 very clear regulations.

14 CHAIRMAN JOHANSON: In addition, anything that
15 you might have regarding required inspections of facilities
16 in China.

17 MR. MELAMED: Yeah, yeah. We need to submit the
18 prior notice of export to the Food and Drug Administration.
19 There is a recent regulation that we have to subject the
20 plant to the third-party inspection. We'll provide all this
21 information.

22 CHAIRMAN JOHANSON: Okay, that would be helpful.
23 If you contend that the product being sent from China is
24 used for non-food purposes, it would help us to delineate
25 exactly what that means.

1 MR. MELAMED: Yeah, I mean we never even dreamed
2 about using it for food, seriously. We were just hoping to
3 sell it in less demanding applications like, for example,
4 construction. But we couldn't do it because we didn't have
5 liquid form. We tried to sell it to metal cleaning, but
6 apparently it reacted with some other ingredients in this
7 metal cleaner and then it caked and just was really hard.

8 I normally am usually very successful in selling
9 this product to somebody else who's buying it. We can sell
10 to 20, 30 different customers and just really have very
11 diversified customer base. It didn't happen with sodium
12 gluconate, unfortunately.

13 CHAIRMAN JOHANSON: Alright, thank you, Mr.
14 Melamed. My time has expired.

15 Commissioner Williamson?

16 COMMISSIONER WILLIAMSON: Thank you, Mr.
17 Chairman.

18 I want to thank the witnesses for coming today.

19 MR. MELAMED: Thank you.

20 COMMISSIONER WILLIAMSON: So my first question
21 is: Are you aware--you mentioned the Arkansas sale--but are
22 you aware of other sales of subject imports of sodium
23 gluconate from China being sold outside the West Coast of
24 the United States?

25 MR. MELAMED: Well we sell a lot to this

1 customer, and I know we're not the only company who is
2 selling to this customer, they buy from others as well--

3 COMMISSIONER WILLIAMSON: From other Chinese
4 companies?

5 MR. MELAMED: Other U.S. importers.

6 COMMISSIONER WILLIAMSON: Okay, who are buying
7 from China--

8 MR. MELAMED: No, no, our customer in California
9 is buying majority of their sodium gluconate from us, but
10 they are also buying from another--at least one more U.S.
11 importer who buys it from China.

12 COMMISSIONER WILLIAMSON: What about customers
13 outside of the West Coast who are buying the imports,
14 subject imports from China?

15 MR. MELAMED: Well we have one in Georgia. You
16 know, it's a smaller customer. They're in metal cleaning
17 business. They are very few that agreed to having like 8 to
18 12-week lead times. Most of the people when we mention
19 that, they just say no.

20 This particular customer agreed to it, so we've
21 been supplying them very small quantities based on long lead
22 times. I'm sure we're losing on a lot of their business,
23 and basically between them and our big California customer,
24 it's the only stable business of sodium gluconate we ever
25 have.

1 COMMISSIONER WILLIAMSON: Okay.

2 MR. SCHUTZ: This is Andy Schutz.

3 COMMISSIONER WILLIAMSON: Yes.

4 MR. SCHUTZ: I just want to jump in here. I
5 think that is part of the point that Mr. Melamed just said,
6 is that there are--this is sold around the country in
7 different places, but the point is that it's in very small
8 quantities from China.

9 Mr. Melamed is the main guy, and the vast
10 majority of the Chinese imports, as he mentioned, are him.
11 So I think that's telling as to what exactly the structure
12 of this industry is in terms of imports.

13 COMMISSIONER WILLIAMSON: Okay.

14 MR. MELAMED: We tried to get more customers like
15 the one in Georgia, and get bigger customers in this
16 industry. We tried very hard, but it just didn't work.
17 They didn't like the fact we couldn't store it. They didn't
18 like the impurities. They didn't like the fact we don't
19 have a liquid. There were many problems. It's the only
20 product in the main product category that we have 70 percent
21 concentration among customers.

22 COMMISSIONER WILLIAMSON: Okay. Now is it only
23 the sodium gluconate from China that can only be stored in
24 low-humidity areas? Or is this a general problem?

25 MR. MELAMED: This is our biggest problem,

1 because in California we did not see product caking. And in
2 Memphis, we had like 750,000 pounds of product turning into
3 a rock. So we had severe problems with caking in other
4 parts of the country.

5 It was definitely due to high humidity. And in
6 California it doesn't cake because humidity is low.

7 MR. SCHUTZ: This is Andy Schutz. My
8 understanding--correct me if I'm wrong--is that it is unique
9 to Chinese product, because Chinese product has a higher
10 moisture level--

11 MR. MELAMED: Yes, if--

12 MR. SCHUTZ; --than product in the U.S.

13 MR. MELAMED: Yeah, if you look at the product
14 specifications that we're going to submit as a part of
15 posthearing brief, there is a difference in moisture.
16 Sometimes it's called loss of drying, but we and Chinese and
17 PMP's product, it's quite significant. I think in Chinese
18 product it's double.

19 There is lower moisture in Chinese food-grade
20 product than in Chinese technical grade product, but it is
21 still higher than in PMP's food-grade product. And we will
22 submit documentation to that.

23 COMMISSIONER WILLIAMSON: Why is this moisture
24 level higher? What is it about the processing that produces
25 that difference?

1 MR. MELAMED: I think they are just not drying it
2 enough. And we tried to induce them to do that, and they
3 said, look, we can sell it to other countries, nobody's
4 complaining. We can sell it to China. This is the main
5 problem that we have. They are not that interested to
6 improve their quality to meet U.S. market standards.

7 They're saying we have enough sales everywhere
8 else, we don't need this. Just buy it the way it is, or,
9 you know, we'll sell it elsewhere. And now that they have
10 restrictions on capacity because of the sodium hydroxide
11 environmental enforcement, the discussions became even more
12 difficult.,

13 COMMISSIONER WILLIAMSON: Well they're selling it
14 all over the world, and there are an awful lot of
15 high-humidity places around the world, too.

16 MR. MELAMED: Absolutely. Including China. And
17 they're probably--I have to guess, they're dealing with a
18 hard product. Most of it is going into liquid. So they
19 just either grind it, or they just liquify it.

20 The problem is, there is PMP here in the U.S.
21 with high-quality material. They don't need to worry about
22 it. Like the surveys indicate, price is not the main issue
23 in purchasing sodium gluconate. There are other factors.
24 The convenience and the amount of time it takes to process
25 the raw material is very important. So they just buy PMP's

1 product that is free-flowing instead of having to deal with
2 the rocks.

3 And in other parts of the country where there is
4 no PMP material, and this is the only supply, they have to
5 deal with that and the Chinese capitalize on it.

6 COMMISSIONER WILLIAMSON: Okay. I think
7 Commissioner Johanson had asked you about documentation of
8 customers rejecting sodium gluconate. And I know you
9 mentioned something about 2016. I was wondering also
10 whether or not you have more recent examples that you could
11 provide post-hearing.

12 MR. MELAMED: Well, this was really the watershed
13 event for us when we had to regrind 750,000 pounds of
14 product. After that, we stopped storing it on the--anywhere
15 besides Oakland. And we pretty much, within seven or eight
16 months, we stopped even offering it there. So there was
17 nothing more recent. We just were reduced to pretty much
18 supplying this one customer in California who got it from
19 the warehouse where it never caked, and the Georgia customer
20 that got product from overseas and used it as soon as it
21 came in, and sporadic purchases from, you know, a couple of
22 distributors.

23 We found another customer in Kentucky. We sold
24 them one container. And they paid for it and disappeared.
25 Up to this day, I don't know what happened. Probably it was

1 some kind of problem. They never returned my calls. They
2 never returned my emails. They just completely disappeared,
3 and I don't know what the problem was but obviously it
4 wasn't anything good.

5 COMMISSIONER WILLIAMSON: Would you agree with
6 Petitioners that the quality of the Chinese product is
7 improving?

8 MR. MELAMED: Well, I started selling Chinese
9 sodium gluconate in 2013. By that time, it did not have a
10 fishy smell and it was white. So if we can assume that that
11 was a fishy smell before, obviously it has improved.

12 Since I started selling it, the quality has been
13 exactly the same for the last five years. And the caking
14 problems have not been resolved, and the other problems have
15 not been resolved. But there is no fishy smell anymore.

16 COMMISSIONER WILLIAMSON: Mr. Schutz, the
17 Commission did not find reasonable indications of material
18 injury in its preliminary determination, but it did find a
19 reasonable indication of threat of material injury. Do you
20 argue that the Commission needs to find a requisite change
21 to find a threat of material injury now?

22 MR. MELAMED: Well, I really don't --

23 MR. SCHUTZ: Can you repeat the question?

24 COMMISSIONER WILLIAMSON: Okay, the Commission,
25 you know we did not find present material injury in the

1 prelim, but we found a threat and do you argue that the
2 Commission needs to find a requisite change to find a threat
3 of material injury now. That's something you seem to imply
4 on page 5 of your pre-hearing brief.

5 MR. SCHUTZ: I think that in order for you to
6 find a material injury now there has to have been some sort
7 of change since the prelim. I think for the threat I think
8 that there is more evidence on the record for you to
9 reevaluate your threat determination that was made in the
10 prelim.

11 COMMISSIONER WILLIAMSON: In particular?

12 MR. SCHUTZ: In particular? Well, I think that
13 there is more evidence regarding what was going on in the
14 Chinese industry at the time and I think that it has become
15 a little bit more clear that Chinese industry doesn't really
16 care about the U.S. market that much. You're not really
17 seeing -- even though demand has increased here and even
18 though capacity has been the same in China that they're not
19 really shifting anything here. And then now you have this
20 quality issue and you have specific instances where China is
21 just refusing to sell here.

22 MR. MELAMED: Basically, as you know, we did not
23 participate in the preliminary process. We're the largest,
24 by far, importer of Chinese sodium gluconate, so certainly
25 we brought in our own experience, which hasn't been very

1 positive, unfortunately, in terms of selling it and the
2 problems that we have experienced also there definitely has
3 been additional enforcement of Chinese tough environmental
4 policy --

5 COMMISSIONER WILLIAMSON: I'm sorry. I'm just
6 cutting you off because my time has expired.

7 MR. MELAMED: Sure.

8 COMMISSIONER WILLIAMSON: But I just wanted to
9 ask one last question. Given the capacity in China, do they
10 have to care all that much to still not be a threat?

11 MR. SCHUTZ: Well, I think that you have to look
12 at it as this capacity existed it has existed for some time
13 that you have to look at what their actions have been and I
14 think that their actions have shown that they -- you know if
15 they weren't increasing before why would they increase now?
16 And now you have -- particularly, when you have a booming
17 market in China and you have a booming third country market
18 and you have these strict regulations in China regarding the
19 raw materials. I mean so maybe if you looked at capacity in
20 isolation, but not when you combine it with everything else.

21 COMMISSIONER WILLIAMSON: Okay, thank you.
22 Thank you for those answers.

23 CHAIRMAN JOHANSON: Commissioner Schmidtlein.

24 COMMISSIONER SCHMIDTLEIN: Okay, thank you.
25 Well, one thing we have that we didn't have in the prelim

1 is, of course, the last quarter data in 2017. And Mr.
2 Schutz, when you look at the majority's opinion there, while
3 they didn't find price depression, the majority didn't
4 really analyze 2017 for that purpose if you look at their
5 decision.

6 MR. SCHUTZ: Okay.

7 COMMISSIONER SCHMIDTLEIN: So, is that going to
8 preclude a majority of the Commissioners from looking at
9 2017 for purposes of the final?

10 MR. SCHUTZ: Well, I think that you can -- if
11 the majority did not look at all of 2017, there obviously
12 was a component of it that was not --

13 COMMISSIONER SCHMIDTLEIN: Well, they didn't use
14 any of it in terms of their analysis for purposes of price
15 depression, if you look at page 40 of the decision. I mean
16 I'm guessing you're aware of that, right?

17 MR. SCHUTZ: That's right.

18 COMMISSIONER SCHMIDTLEIN: What the basis of the
19 decision was.

20 MR. SCHUTZ: Yes. I think that's something that
21 we're going to have to address in our post-hearing.

22 COMMISSIONER SCHMIDTLEIN: Okay. So, along
23 those lines, can you discuss -- and I'm not sure who would
24 be the best person to do this. In 2017, when you had such a
25 strong increase in demand, overall, and as they've said

1 there's not other domestic competition, raw material prices
2 went up and that's in the staff report. Why weren't they
3 able to raise prices in 2017? I mean the amount of increase
4 in apparent consumption I believe is bracketed. Yeah, it's
5 bracketed, but it's a robust increase from '16 to '17, so
6 then raw material prices are going up, so why -- in a normal
7 industry, why wouldn't they be able to raise prices?

8 MR. MELAMED: Well, I can only speak to Valudor
9 Products what happened in 2017. 2017 for us was just like a
10 normal year, just like '15 and '16. Our sales were
11 constrained to this one large customer. We pretty much
12 withdrew from their Arkansas business because of the caking
13 issues, just supplying them in California. We had the large
14 blanket purchaser there that we negotiated at the end of
15 '16. It is our not our company policy to change or to
16 renegotiate signed contracts. You know they have
17 maintained high prices for other -- we sell them like eight
18 or nine products. Sometimes prices go down and they honor
19 the old price. And sometimes prices go up and we honor the
20 old price. So, what happened in '17 we just got this large
21 purchase order we were supplying on just-in-time delivery
22 basis as they were requesting it.

23 As I mentioned --

24 COMMISSIONER SCHMIDTLEIN: Maybe Mr. Schutz --
25 do you have a theory as to why the domestic industry wasn't

1 able to raise prices in 2017, even though demand was going
2 up and raw material costs were going up?

3 MR. MELAMED: I have absolutely no idea because
4 our sales, like I said, were constrained to two customers.

5 COMMISSIONER SCHMIDTLEIN: I understood that.
6 Yes.

7 MR. CHOONDHARY: I wanted to add something to
8 it.

9 COMMISSIONER SCHMIDTLEIN: Okay.

10 MR. CHOONDHARY: In China -- and we're going to
11 develop it in our post-conference brief also. The key of
12 raw material as we know are corn and corn starch. And the
13 prices of corn, although it fell consistently through POI
14 and through 2017, it stopped at some point in 2017, close to
15 middle of 2017, from which point it started rising. So, you
16 are correct also that that was the end of the three-year
17 period.

18 COMMISSIONER SCHMIDTLEIN: Well, no, in the
19 staff report it has liquid corn sugar going up every single
20 year -- '15 to '16 to '17. Are you talking about just in
21 China?

22 MR. CHOONDHARY: Yeah, I'm talking of the China
23 situation. In China, the prices was falling through the POI
24 and same as this situation in U.S. also again. This is
25 going to come up in a big way in post-conference brief. The

1 situation in U.S. is no difference, but talking about China
2 --

3 COMMISSIONER SCHMIDTLEIN: But demand is going
4 up in the U.S. in 2017. The demand jumps in 2017 for GNA
5 products.

6 MR. CHOONDHARY: Yes, yes.

7 COMMISSIONER SCHMIDTLEIN: Okay, so --

8 MR. CHOONDHARY: But the prices of key raw
9 materials also as in China they kept coming down. I mean
10 this point has not been brought to your attention, but we
11 are going to highlight this issue -- price of corn and corn
12 starch -- feedstock materials for --

13 COMMISSIONER SCHMIDTLEIN: Came down in 2017.

14 MR. CHOONDHARY: From 2015 onwards through 2017,
15 they came down in U.S. They came down in China. But in
16 China, a curious thing happened. Let's say around July or
17 August the prices started going up and they continued to go
18 up. They went up until March of 2018, then they slightly
19 dropped, but the gradient has been upwards. Why they were
20 not able to raise the prices too quickly is because you have
21 outstanding contracts and those contracts there is a time
22 lag between the time when the price -- starts rising and --

23 COMMISSIONER SCHMIDTLEIN: So, you're saying the
24 U.S. company was not able to raise its prices because of its
25 contracts?

1 MR. CHOONDHARY: No, no, I'm still talking about
2 China.

3 COMMISSIONER SCHMIDTLEIN: But I'm talking about
4 the U.S. because what we're trying to decide here is whether
5 or not the U.S. has been injured -- the U.S. industry,
6 right? So, in the U.S. you got demand going up.

7 MR. CHOONDHARY: Yes.

8 COMMISSIONER SCHMIDTLEIN: You've got raw
9 materials going up in the U.S., according to the staff
10 report, if you look at V-1, Footnote 6. They went up every
11 year, so why was the U.S. in a strong demand market not able
12 to increase its prices?

13 MR. CHOONDHARY: So, it is not exactly accurate
14 simply because all the facts were not presented before the
15 Commission. We are going to address it in post-conference
16 brief. The price in U.S. the price key raw material - corn
17 and corn starch -- it did not go up. It went down
18 consistently.

19 COMMISSIONER SCHMIDTLEIN: Okay, well, we're
20 citing here USDA sources.

21 MR. CHOONDHARY: That price is not of corn and
22 corn starch. That price is of glucose syrup.

23 COMMISSIONER SCHMIDTLEIN: Okay.

24 MR. CHOONDHARY: That is not the price of corn
25 and corn starch.

1 COMMISSIONER SCHMIDTLEIN: Okay, alright.

2 MR. CHOUNDHARY: So, you know if you go to the
3 actual raw material prices from which you start producing
4 these products those prices consistently went down through
5 the POI and therefore there was a reason to reduce the price
6 in U.S. market.

7 COMMISSIONER SCHMIDTLEIN: So, even though a
8 demand was going up, they wouldn't be able to raise their
9 price if the raw material costs are going down?

10 MR. MELAMED: Let me say something. I'm a
11 businessman and sometimes in the business world there is a
12 tug of war. You get all these emails from all these
13 distributors in China that are going to your customers every
14 day. They are quoting 30 cents a pound. They're coming
15 back and beating you up on it. Sometimes you think they can
16 do it. In fact, they can't and you make a wrong decision
17 not to raise the price. And they are the only company.
18 It's not like there were several companies who independently
19 make pricing decisions. It's just probably one guy just
20 said, look, there's all these emails. Let's just keep price
21 the same to keep the market. I've done it myself. I've
22 made those mistakes. Who knows?

23 COMMISSIONER SCHMIDTLEIN: Okay. Do you all
24 have any idea why demand was going up in 2017?

25 MR. MELAMED: I don't know. Again, by that time

1 we pretty much withdrew from marketing the product anywhere
2 because of the caking issues. We just maintained these two
3 customers. We certainly were not participating in any other
4 marketing efforts and we didn't even notice that demand went
5 up. Our customer demand remained steady from before.

6 COMMISSIONER SCHMIDTLEIN: Okay.

7 MR. CHOONDHARY: If I may add, and this is in
8 the staff report also somewhere, that this is one of the
9 projects where you know because of environmental
10 friendliness and biodegradability, et cetera, it has gained
11 not only increasing use within the sector it is already
12 present, but it is expanding its use in other sectors --
13 new sectors. And these two factors are cumulative and these
14 are accounting for this robust growth of 6 1/2 percent,
15 which has been going on for last 10 years and it is
16 continuing to go up. There is no sign that it is going to
17 go down any time soon in U.S. market, so it is finding new
18 applications also.

19 COMMISSIONER SCHMIDTLEIN: Okay.

20 MR. CHOONDHARY: And increasing volume in the
21 existing application and new applications, both of these
22 things.

23 COMMISSIONER SCHMIDTLEIN: Okay. Alright,
24 before my time runs out, one other question I had here was
25 what is your position on the affect of the petition? Are

1 there post-petition affects here that are affecting the
2 volume of subject imports?

3 MR. SCULTZ: I think that you're certainly
4 seeing, to a certain extent, certainly when the duties went
5 in place, obviously, shipments were stopping. And before
6 that shipments were going up, but as Mr. Melamed had
7 discussed before, the prices had been going up and we have
8 some instances even before the petition was filed. So, I
9 think the facts are not as strong as the Petitioners have
10 said.

11 COMMISSIONER SCHMIDTLEIN: Okay. But you would
12 say that there are some affects.

13 MR. SCHUTZ: I would say there are some affects,
14 yes.

15 COMMISSIONER SCHMIDTLEIN: Okay.

16 MR. MELAMED: From what I understand, our
17 biggest customer have placed large orders with non-subject
18 importers and did not go to domestic industry for much of
19 their product for reasons I outlined for the service
20 reasons.

21 COMMISSIONER SCHMIDTLEIN: This is the customer
22 on the West Coast.

23 MR. MELAMED: Yeah, this is what they told me,
24 at least.

25 COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank

1 you very much.

2 CHAIRMAN JOHANSON: Commissioner Kearns.

3 COMMISSIONER KEARNS: Thank you and thank you to
4 all the witnesses for appearing here today. Mr. Melamed,
5 your testimony was very informative and I appreciate you
6 putting all the effort you did into that.

7 I guess I'm going to start where Commissioner
8 Schmidtlein -- on one of the questions she focused on here.
9 So, Mr. Choundhary, are you saying -- I mean everything in
10 our record suggests that costs are going up and that what we
11 mean by the costs in terms of the raw material is liquid
12 corn sugar. Now you're saying corn prices went up during
13 the POI, although I don't believe they put corn in the
14 hopper. I think they put liquid corn sugar, but can you --
15 I mean this is a pretty big statement to say that the costs
16 were actually declining over the POI. Can you help us
17 understand more what you're referring to here?

18 MR. CHOUNDHARY: Sure. So, in support of the
19 fact that prices of raw material went up through the POI,
20 Petitioners have placed on the record the price of glucose
21 syrup. What we are saying is that if you see the
22 manufacturing, ultimately, the product that is used, your
23 corn syrup or glucose syrup, it is produced from where it is
24 produced. It is not produced from wheat, barley, or any
25 other source of starch. It is produced from corn and there

1 is no dispute about that -- corn or corn starch. These are
2 the two feedstock materials for producing glucose syrup or
3 corn syrup and from there you produce GNA.

4 What has been placed on the record is price of
5 an intermediate input glucose syrup, which can be produced
6 from so many sources. But on the other hand, if you see the
7 price of the actual raw material from where all of this will
8 produce corn and corn starch and it is not on the record,
9 right now the price of corn and corn starch, but it's going
10 to be dealt with in our post-conference brief. The prices
11 came consistently down in U.S. and in China.

12 COMMISSIONER KEARNS: But are you suggesting
13 that PMP purchases corn to make its product?

14 MR. CHOUNDHARY: No, no, no.

15 COMMISSIONER KEARNS: Then why do I care -- in
16 terms of the U.S. costs of goods sold, why do I care what
17 happening in corn prices if corn is used to make corn syrup
18 or liquid corn sugar. And while I would tend to think that
19 if corn prices go up corn sugar prices would go up and vice
20 versus. Why don't I just be focused on liquid corn sugar?
21 It looks to us like the prices have gone up pretty
22 dramatically and that that's what they use as their
23 feedstock, right?

24 MR. CHOUNDHARY: So, in support of this fact,
25 they have produced public domain information about glucose.

1 That the price of glucose syrup went down. Now glucose
2 syrup who knows what is -- glucose syrup is a more generic
3 activity.

4 COMMISSIONER KEARNS: Okay.

5 MR. CHOONDHARY: And what I'm is saying is that
6 if you actually see from where this whole intermediate
7 import corn syrup is produced it will be produced from corn
8 and corn starch. And the trend is unmistakable. It is
9 coming down in U.S. market also. U.S. all their data
10 supports that, so it's unclear as to how from where this
11 case is coming up that our cost of raw material went up.
12 And in support of that, the alleged raw material which is
13 being cited is glucose syrup, which is not the same corn
14 starch.

15 COMMISSIONER KEARNS: Are you asserting that you
16 believe PMP's feedstock isn't liquid corn sugar. It's
17 something else, corn starch or something.

18 MR. CHOONDHARY: No, I'm not saying that. What
19 I am saying is that in support of the fact that the price of
20 raw material went up they have cited public domain price of
21 glucose syrup. That is the raw material that they're
22 citing, glucose syrup.

23 MR. MELAMED: Glucose syrup can be produced from
24 other inputs than corn. It can be made from sugar cane,
25 from sugar beets. It's not necessarily made from corn.

1 COMMISSIONER KEARNS: Okay.

2 MR. MELAMED: And again, it's a business
3 decision they made to use certain input, which might not be
4 ideal or most economically feasible for production and
5 because they made wrong business decision now they're
6 saying, oh, it was going up and then alternative products
7 they could have used and people around the world are using
8 were going down, but they were not taking advantage of that.

9 COMMISSIONER KEARNS: Okay, I'm going to have to
10 come back to that later. I'm not sure if I fully
11 understand, but I appreciate that.

12 I wanted to turn to this geographic issue that
13 West Coast and to the issue of caking. And I know you
14 covered some of this ground with Commissioner Williamson.
15 Did you mention with him that caking is the biggest quality
16 problem that you see with the Chinese product?

17 MR. MELAMED: Yes, by far. It really prevents
18 us from storing it and it prevents us for providing
19 just-in-time deliveries to our customers. This is pretty
20 much what doomed our entire marketing program.

21 COMMISSIONER KEARNS: Okay. And you mentioned
22 that you rented a warehouse in Oakland to serve your
23 customer.

24 MR. MELAMED: In California.

25 COMMISSIONER KEARNS: Okay, right. So, I take

1 it that that's essentially where your customer is, in the
2 Oakland area?

3 MR. MELAMED: The customer is in central valley.
4 It's about three hours away, but Oakland is very convenient
5 because this is where overseas shipments arrive and it
6 optimizes the cost of transportation.

7 COMMISSIONER KEARNS: Okay. Because I was
8 curious about this a minute ago, so I went on the Internet
9 and looked at relative humidity in San Francisco and others,
10 because I think of San Francisco and Oakland as a fairly
11 humid area and it looks like it's not so different from
12 other environments around the country. I mean their morning
13 relative humidity in June is 84. That's the same as
14 Baltimore, Columbus, Ohio, Buffalo is actually a little bit
15 lower in humidity, so is Pittsburgh. And as Commissioner
16 Williamson mentioned, China sells a lot around the world and
17 there's a lot of humid places around the world.

18 MR. MELAMED: Absolutely.

19 COMMISSIONER KEARNS: So, how does that make
20 sense?

21 MR. MELAMED: Well, like I said, we never had
22 any problems in Oakland. Probably just because the humidity
23 is not high enough or not consistent enough to make product
24 hard, we definitely had problems with product turning hard
25 for whatever reason in other parts of the country. And we

1 stored product for the same period of time in Memphis and in
2 Oakland and in Oakland it kept free-flowing and in Memphis
3 where -- I mean it's more humid. You can come out and see
4 the product cake. There is something called dew point.
5 Maybe this is the culprit. I'm not a meteorologist. I
6 think it's much higher in Memphis and when you come out you
7 feel like you're floating in the soup and in Oakland you
8 feel nice breeze. Maybe it has something to do with that.
9 I don't know. But the result is that I spent like \$100,000
10 of my own money and spent a month trying to find a solution
11 to 750,000 pounds of product turning into a rock and this
12 was the end of our marketing.

13 COMMISSIONER KEARNS: Okay, thank you. Now you
14 mentioned that you have a customer in Georgia.

15 MR. MELAMED: We have a customer in Georgia.
16 Obviously, it's about as -- has about as high dew point as
17 in Memphis and for this reason I told them we're not going
18 to store it for you. We're going to deliver directly from
19 China. It's going to come to the port. You need to
20 understand it might cake. They told me, oh, we're going to
21 use it right away, so we ship it to them and they use it
22 right away. We don't store it, so it worked.

23 COMMISSIONER KEARNS: Okay, thank you. And Mr.
24 Schutz, I don't believe any other purchasers or importers
25 have mentioned this caking issue or maybe it could be

1 described as something else, but I didn't recall seeing
2 anything like that from the other purchasers or importers.
3 Do you think that the other questionnaire responses
4 corroborate this idea that there's a problem with the
5 moisture context in Chinese product?

6 MR. SCHUTZ: I don't recall specifically.
7 That's something we're happy to go back through each of
8 those and check to see if that's something that was raised.

9 COMMISSIONER KEARNS: Okay, thank you.

10 MR. MELAMED: Can I add to that? It is quite
11 possible that -- and again, I am not familiar with their
12 business -- that they might be selling in the same condition
13 as I'm selling to Georgia customer, just selling direct from
14 China. We can definitely provide the written -- the
15 notarized statement from the company that de-lumped our
16 product and their invoices for doing that. They've seen the
17 entire shipment. They ran forklifts into it. We will be
18 happy to share this information to the Commission.

19 COMMISSIONER KEARNS: Okay, thank you. So, our
20 Table II, Roman Numeral II-2 shows that Chinese imports are
21 sold in many U.S. regions. What areas does Valudor serve
22 and can you document that your customer had a huge increase
23 in demand on the West Coast? I think that what you're
24 saying is that your customer on the West Coast that customer
25 itself had an increase in demand in that region that's why

1 it was purchasing more; is that right?

2 MR. MELAMED: This is my understanding. They're
3 purchases increased primarily in '14 and '15 and then they
4 stayed flat. Afterwards, like I said, they're operating in
5 a market where most of the chelation process is done using
6 EDTAS and not sodium gluconate, so the industry itself is
7 not growing much, but they apparently managed to capture
8 some market share from the EDTA route competitors and this
9 allowed them to increase their consumption and, of course,
10 we were there to support them.

11 And this is one of the grievances that they had
12 with PMP because they said, look, we're using more material.
13 Our storage space is limited. We need you to store at piers
14 to deliver next day when we need it because sometimes --
15 Michelle can attest to that -- they would call us and say
16 that they need product tomorrow at 1:00 o'clock and it's
17 impossible to ship it from Illinois for it tomorrow, 1:00
18 o'clock delivery and we can do it by deploying local
19 truckers from a warehouse that is three hours away from
20 them.

21 COMMISSIONER KEARNS: Okay, my time is up.

22 CHAIRMAN JOHANSON: This is a question I asked
23 the panel this morning, but I'm going to ask you as well.
24 How transparent are prices in this market?

25 MR. MELAMED: Not very transparent. There are

1 no industry publications or any reporting services updating
2 customers on the prices. This is not a major commodity like
3 urea or ammonia where there are marketing publications, so
4 it's a small specialty type of product.

5 CHAIRMAN JOHANSON: How do purchasers get a good
6 sense of the market price?

7 MR. MELAMED: I don't think they really are that
8 focused on it to begin with. They're more focused on the
9 quality and on the service. We got the business with our
10 customer on the service and we didn't get business on the
11 quality and the price has never been a big factor in either
12 of these decisions.

13 CHAIRMAN JOHANSON: Okay, so you're saying it's
14 the quality which leads to pricing.

15 MR. MELAMED: Well, the reason I got into this
16 business, the reason I'm in this room right now, the reason
17 we have this case is because PMP did not provide good
18 service to this one customer in California, happened to be
19 pretty big and they were not happy with that, so they pretty
20 much brought us into this business. And the reason I didn't
21 get bigger in this business because of the quality problems
22 that precluded me to selling to other customers who are
23 using sodium gluconate.

24 CHAIRMAN JOHANSON: Okay, thanks Mr. Melamed.

25 Do you know how the EU anti-dumping order on

1 sodium gluconate has impacted the market in China or the
2 world market?

3 MR. MELAMED: They probably don't even care about
4 that. The sodium gluconate industry is geared towards
5 supplying China's construction boom, because a lot of it is
6 used in concrete applications. This is their main focus.
7 They're selling a lot to other Asian countries. These guys
8 never visit with me in the U.S. They never went to any
9 trade shows. They're not that focused on U.S. market and I
10 assume they have the same attitude towards European market.
11 Their main focus is Chinese and Asian customers.

12 CHAIRMAN JOHANSON: Okay. But would it have
13 impacted prices in China?

14 MR. MELAMED: Again, I am not familiar with the
15 amounts of product they sold to Europe prior to the order,
16 but I would imagine it was relatively small compared to
17 overall Chinese production and demands. If that is the
18 case, it wouldn't matter to them that much.

19 CHAIRMAN JOHANSON: Okay, thanks, Mr. Melamed.

20 MR. MELAMED: And we can look more into it in the
21 post-hearing brief.

22 CHAIRMAN JOHANSON: Yeah, if you wouldn't mind.
23 I mean this is something which has been raised. And
24 something I'd like to look a bit more into, especially since
25 this is a commodity product.

1 MR. SCHUTZ: No problem.

2 CHAIRMAN JOHANSON: Okay, thank you. On Page 63
3 of your brief, you discuss shortages of sodium hydroxide in
4 China? Referring to Figures 1-2 and 1-4 of our staff
5 report. Is sodium hydroxide necessary to produce gluconic
6 acid? If not, would the shortage of sodium hydroxide really
7 act as a deterrent to production of in-scope products in
8 China?

9 MR. MELAMED: I don't believe it's -- I'm not a
10 chemical technologist, but I don't believe it's necessary to
11 produce gluconic acid. I think it's used to make sodium
12 gluconate from gluconic acid. It provides the source of
13 sodium ion and also it helps monitor the pH of the reaction.
14 So I think its role is primarily in production of sodium
15 gluconate.

16 MR. SCHUTZ: Yeah, this is Andy Schutz. And
17 that's something we can certainly go into technical details
18 more. But I think that, I believe that there have been
19 discussions about how specific Chinese companies have said
20 that that's exactly why this shortage has been the reason
21 why prices have increased.

22 CHAIRMAN JOHANSON: Okay, thanks, Mr. Schutz. I
23 noted this morning that at least some of the products at
24 issue today will be subject to additional duties related to
25 the Section 301 investigation on China. My understanding is

1 that the initial duty rates will be 10% and then could
2 increase to 25% by the end of the year. What is your
3 assessment of the eventual impact of these tariffs on
4 imports from China?

5 MR. MELAMED: It's hard to say. If we can listen
6 to petitioners, I should not worry about Section 301 at all
7 because domestic product is so much more expensive that it
8 wouldn't affect at all. Right now, the normal duty on
9 sodium gluconate is 3.1% so with 10% it's gonna be 13.1 with
10 2528.1. I don't know what's gonna happen.

11 I need to see what's gonna happen with the
12 customers, whether they're gonna accept it or not. But I
13 think it's a sizeable increase that can be a problem.
14 Luckily in sodium gluconate case, our customer is more
15 service-oriented, so hopefully they will not mind this
16 increase and they will understand it comes from
17 circumstances beyond our control.

18 CHAIRMAN JOHANSON: Okay, thank you, Mr. Melamed
19 for your response. That concludes my questions. I
20 appreciate you all being here today. Commissioner
21 Williamson?

22 COMMISSIONER WILLIAMSON: Thank you. I was
23 wondering, who produces sodium hydroxide? And is the
24 shortage you talked about in China, is that a global
25 shortage of sodium hydroxide?

1 MR. MELAMED: I'm not really -- like, I know a
2 few companies will definitely provide you a full list in the
3 post-hearing brief. The shortage is local, it's related to
4 the fact that Chinese government is visiting these
5 facilities, they're doing environmental monitoring. They're
6 measuring certain discharges into what there is in the air.
7 And if there is a problem or if their equipment
8 malfunctions, they just shut them down without explaining
9 the reason.

10 And then they need to prove that they are not
11 polluting the environment. The policy has been very strict.
12 It's been mandated by the highest levels of Chinese
13 government. It's been endorsed by the last Congress of
14 their ruling party, and it's expected to continue for the
15 indefinite future. So every time they come and shut down a
16 couple of big plants, there is a --

17 COMMISSIONER WILLIAMSON: These are sodium
18 hydroxide plants?

19 MR. MELAMED: Yeah, sodium hydroxide plant, there
20 is a shortage for the whole of China and the prices go up.

21 COMMISSIONER WILLIAMSON: Okay, thank you.
22 Respondents argue that, because of attenuated competition,
23 that subject imports did not affect domestic pricing. But
24 our records indicate that eight of twenty-three purchasers
25 purchased subject imports rather than domestic like product.

1 Seven reported that subject imports were priced lower and
2 six said that price was a primary reason for the decision to
3 purchase subject imports rather than domestic imports. This
4 is Table 5-11 to 5-12. Doesn't this data suggest that
5 subject imports and the domestic like product do compete?

6 MR. MELAMED: Well, it was probably not my
7 customers, but somebody else's customers. But again, I
8 understand that we are importing more than -- and I
9 understand that our customer is buying from another source,
10 probably another 20% or so of total imports. Whatever is
11 left, where price plays a role, it's fairly minor, but I
12 haven't seen this confidential part of the records, so maybe
13 he can address that.

14 MR. SCHUTZ: We can certainly address it in more
15 detail in the post-conference. But I think that if you look
16 at the fact that Mr. Melamed's imports account for a vast
17 majority of it, and there is very clear attenuation in that
18 market, I think that is really the more important fact to
19 look at for this.

20 COMMISSIONER WILLIAMSON: Okay. Let's look at
21 this Table 5- and also whether or not what we're seeing here
22 sort of indicates that underselling did shift sales. For
23 post-hearing, could you look at that?

24 MR. SCHUTZ: No problem.

25 COMMISSIONER WILLIAMSON: Okay, thank you.

1 Petitioner notes a spike in subject import volume just
2 before Commerce's preliminary determination. Do you agree
3 that such a spike occurred? And if it did occur, what does
4 that tell us about subject producers' interest in access to
5 the U.S. market?

6 MR. MELAMED: Well, again, since most of the
7 products were imported by us, I can tell you exactly what
8 happened and I touched on that in my presentation. We had a
9 contract, a large contract with one of Chinese producers for
10 2.2 million pounds of sodium gluconate that was schedule to
11 be shipped in August and September.

12 And because of rising prices of corn and because
13 of shortages and rising prices of sodium hydroxide, they
14 pretty much breached the contract. They did not perform on
15 it. They told us they not gonna do it. So we had to
16 scramble and get it somewhere else. We paid 25% premium and
17 the other guys took a while to produce it.

18 So by the time it was ready, the petition was
19 filed. But all these contracts were signed and all these
20 orders were received from our customer well before the
21 petition.

22 COMMISSIONER WILLIAMSON: Okay. Can you put some
23 documentation in the record on that?

24 MR. MELAMED: Oh, absolutely. We already
25 provided text message correspondence with this supplier who

1 breached the contract. And we'll definitely provide the
2 contract with the replacement supplier that was signed prior
3 to the petition. And also the purchase order from the
4 customer that was given us well before the petition.

5 COMMISSIONER WILLIAMSON: Okay, thank you. We've
6 already asked some questions about the technical and
7 food-grade. And what did you say the differences were
8 between them?

9 MR. MELAMED: Well, number one is, the food-grade
10 product has to be produced under a certain standard of
11 sanitary conditions. There cannot be any rodents, insects,
12 any dust in the environment. I visited some of these
13 facilities. They're far from meeting that standard.

14 Second, you have to use food-grade inputs into
15 the production. If one of the inputs is not food-grade, the
16 resulting end product is not food-grade. From what I
17 understand, Chinese manufacturers are using technical-grade
18 sodium hydroxide. And as a result, we're getting higher
19 moisture, we're getting higher impurities. And not only
20 impedes our sales to food applications, which is a given,
21 but also creates caking issues and creates problems using it
22 anywhere else.

23 COMMISSIONER WILLIAMSON: When the product is
24 shipped to the U.S., is it labeled as technical-grade?

25 MR. MELAMED: Oh, absolutely. It says for

1 industrial or fertilizer use. We can provide pictures of
2 our labeling in the post-hearing brief.

3 COMMISSIONER WILLIAMSON: Okay. Thank you.
4 Actually, that's all the questions I have for right now.
5 I'll come back later.

6 CHAIRMAN JOHANSON: Commissioner Schmidtlein.

7 COMMISSIONER SCHMIDTLEIN: Okay. I think I had
8 just one, maybe two questions. Mr. Melamed, I've heard your
9 testimony about the issue with the caking and so forth and
10 that, at least, from the Chinese producers that you're
11 buying from, that would, according to you, preclude them
12 from selling or elsewhere besides California. Am I --

13 MR. MELAMED: As far as the U.S. is concerned, I
14 mean, look, if there wasn't PMP product that doesn't cake,
15 the customers would live off the cake product. They would
16 just say, "Oh, this is how it is." But they have an
17 alternative that is better, and they just using it.

18 COMMISSIONER SCHMIDTLEIN: And so, forgive me if
19 this was already asked. Is that the issue with all Chinese
20 producers? Or just the ones you're buying from?

21 MR. MELAMED: Oh, no-no. We purchase product
22 from all five of them. And the product in Memphis that was
23 caked was at least from two. All their products are the
24 same. We don't really see any difference of quality between
25 the producers.

1 COMMISSIONER SCHMIDTLEIN: Okay. And again, if
2 this was already asked, I'm sorry. But in the staff report,
3 we asked purchasers for their opinions on the comparability
4 between U.S. and China product and the numbers--which are
5 not confidential, right--where it talks about quality
6 exceeding industry standards, quality meeting industry
7 standards, the vast majority of purchasers say that U.S. and
8 Chinese product are comparable, even for the quality
9 exceeding industry standards.

10 MR. MELAMED: Well, remember that these were the
11 answers from people who are using Chinese sodium gluconate.
12 You did not get answers from countless people who have
13 problems in testing and are not using it by definition,
14 there were not sent questionnaires, so they would not
15 respond. It was a sample of people who actually approved
16 Chinese sodium gluconate and were able to use it.

17 So once they do it, and I supposed that people
18 like me, the importers take care of the caking, if it cakes,
19 they mill it, then everything is good. But then there are
20 all these people who never approved it, so they never bought
21 anything. They never got educated as customers. They never
22 answered the questionnaire. So it was just a narrow group
23 of the population of consumers.

24 COMMISSIONER SCHMIDTLEIN: So what should I do
25 with that, though?

1 MR. MELAMED: I don't know.

2 COMMISSIONER SCHMIDTLEIN: I should just ignore
3 it, and say, well, on the record, we've got, of the
4 purchasers who answered the questionnaire, the vast majority
5 found it to be comparable? And then when you look at the
6 next table, we've got number of purchasers reporting, ten
7 out of twelve says that Chinese and U.S. product are
8 frequently or always interchangeable.

9 MR. MELAMED: Well, again, I am not a
10 Commissioner. I don't know what to do with it. All I can
11 say is, from my experience, a lot of people reject the
12 Chinese product, and the one who were given questionnaires
13 are the one who accepted it. So it's a very skewed
14 population of users.

15 COMMISSIONER SCHMIDTLEIN: Do you agree with
16 that, Mr. Schutz?

17 MR. SCHUTZ: Well, the other thing, and again, we
18 can provide a more detailed analysis in the post-hearing
19 brief. But there is a certain portion of the Chinese
20 product that is made to the food standard. So that could be
21 some of the purchasers that are actually purchasing that
22 product. Our position is not that all product coming out of
23 China is of a lesser quality, but certainly as Mr. Melamed
24 has experienced, a vast majority of it, and the one that he
25 is using and the one that really has caused issues in this

1 cases.

2 COMMISSIONER SCHMIDTLEIN: But I guess you would
3 expect that if there were purchasers from outside the West
4 Coast, who answered the questionnaire, wouldn't they be
5 expected to answer that the quality's not the same, since
6 they would have this problem with caking?

7 MR. SCHUTZ: Well, it depends what kind of GNA
8 they were purchasing. If they were purchasing the
9 food-grade from China, then they wouldn't be experiencing,
10 necessarily, the quality issues that have been experienced.

11 MR. MELAMED: And also, I'm sure you got the
12 questionnaire response from our Georgia customer. And they
13 probably saying that everything works. And this is a great
14 example of why their people were saying that products are
15 interchangeable, because number one, they're not storing the
16 product. They're using it as soon as they can possibly
17 receive it. And number two, they approved it and it works
18 in their production and this is why they're buying from us.
19 But then, for them, there are twenty people in the same
20 industry who rejected our samples, who told us that the
21 product doesn't work in their applications and they're not
22 a user, they didn't get the questionnaire.

23 MR. CHOUDHARY: If I may add one point to this
24 issue. Again, Table 2-9 in staff report, it's true that --
25 purchasers are kind of seeing that U.S. and China products

1 are comparable on these quality issues, and which is -- but
2 if you notice, all these parameters, beginning from product
3 consistency, product range, quality meets industry
4 standards, quality exceeds industry standards, reliability
5 of supply and technical support service and transport it, up
6 to this point.

7 You see, in all of the instances, some of the
8 purchasers definitely rank U.S. as superior to China. And
9 none of them rank China as superior to U.S. I mean this is
10 important to note. A majority of them did see that both of
11 them are comparable on these parameters. But several of
12 them also underscore that U.S. is superior to China, but
13 none of them said that China is superior.

14 COMMISSIONER SCHMIDTLEIN: Yes, yes. I see that
15 as well. Okay. I don't think I have any other questions.
16 We did look up that USDA table that's in the staff report,
17 and it is referring to the corn-based glucose syrup. So if
18 you wanna address that in the post-hearing, if you have
19 other information with regard to the cost of the raw
20 material input, we'd be happy to receive it. But the table
21 that's cited there is based on corn.

22 MR. CHOUDHARY: We are going to --

23 COMMISSIONER SCHMIDTLEIN: Glucose syrup. Okay.
24 All right. Thank you.

25 CHAIRMAN JOHANSON: Commissioner Kearns.

1 COMMISSIONER KEARNS: Let me just pick up where
2 Commissioner Schmidtlein left off. Mr. Choudhary, I
3 understand your point. There are some areas in which the
4 U.S. product is superior. Service, transportation costs,
5 minimum quantity requirements, delivery terms, delivery
6 time. But we were very much focused this afternoon and this
7 morning on the quality of the product. Product consistency,
8 minimum quantity required -- sorry. Quality meets industry
9 standards.

10 That's where the story's very different. So I
11 mean on the one hand, I'm hearing you say that the product
12 isn't as high quality. That appears to be refuted in this
13 table. But then you're saying, "But the U.S. product is
14 superior in other ways," delivery times or whatever else it
15 might be.

16 Those are different stories, right? I mean it
17 seems like we're shifting our focus now from problems with
18 caking and so-forth to, maybe not caking, but things like
19 services and reliability--well, not reliability, those are
20 comparable, too--for these delivery terms and delivery
21 times. That's a different issue, right?

22 MR. MELAMED: Well, it's a part of the same.
23 It's just --

24 COMMISSIONER KEARNS: No, but you were very much
25 talking about caking and the quality of the Chinese product

1 being inferior.

2 MR. MELAMED: Right.

3 COMMISSIONER KEARNS: And now we're saying,
4 "Okay, this table doesn't so much support that, but it does
5 suggest that in other ways" --

6 MR. MELAMED: One doesn't exclude the other. The
7 quality is superior and --

8 COMMISSIONER KEARNS: But it's hard to exclude,
9 yeah, this chart says -- you know, when you look at meeting
10 minimum quality standards, it seems like they're comparable.

11 MR. MELAMED: Well, like I said, the people who
12 reject the Chinese product because of the quality are not --

13 COMMISSIONER KEARNS: That's my next question.

14 MR. MELAMED: -- even a part of the respondents.
15 And the ones --

16 COMMISSIONER KEARNS: Right. That's my next
17 question. Mr. Schutz, wouldn't you agree, I mean, it's not
18 just people who purchase Chinese product that answer the
19 questionnaire, right? I mean there are some purchasers who
20 don't purchase Chinese product, but they still answer the
21 questionnaires.

22 MR. SCHUTZ: Right. That's my understanding.

23 COMMISSIONER KEARNS: Okay.

24 MR. SCHUTZ: So I think you have to go -- we have
25 to go behind it a little bit and see exactly who these

1 purchasers are, what type of product they're actually
2 purchasing.

3 COMMISSIONER KEARNS: Okay.

4 MR. SCHUTZ: And then weigh that against Mr.
5 Melamed and what he said. Because if Mr. Melamed is saying,
6 if he's importing a ton of this stuff, which he is, and it's
7 a large percentage, and he has had specific experience, and
8 you're talking about a purchaser trying to compare his
9 experience to a purchaser that has purchased a very little
10 amount that has this opinion, I think that you have to weigh
11 Mr. Melamed's --

12 COMMISSIONER KEARNS: Okay. If you can kind of
13 address that --

14 MR. SCHUTZ: Yeah.

15 COMMISSIONER KEARNS: -- parse the questionnaire
16 responses in the post-hearing brief, that'd be helpful. And
17 in relation to that, we've been talking a lot about
18 food-grade GNA. And I don't know that we have an estimate
19 in our staff report of how much of this is food-grade. And
20 I assume that that's distinguishable from agriculture, which
21 I think means fertilizer.

22 So I don't know if you all, or petitioners, I
23 guess I'd ask you both post-hearing if you all have any --
24 Well, first of all, am I right that the staff report doesn't
25 estimate how much actually is purchased by food

1 manufacturers? And if I am right about that, if you all
2 have any estimates about what segment of the market that
3 might be, what the percentage is, that would be helpful.

4 MR. SCHUTZ: Okay, we'll address that.

5 COMMISSIONER KEARNS: Okay, petitioners as well,
6 that'd be great. Thanks. Turning back to -- I now sort of
7 understand the point you're making, Mr. Choudhary, I think,
8 about corn syrup prices. In essence, you're saying, yes,
9 their corn syrup prices may've been going up and they were
10 purchasing corn syrup, but they probably could've been
11 relying upon a cheaper raw material when corn syrup prices
12 were going up, is that right?

13 MR. CHOUDHARY: What I stated is that the price
14 data which has been included in the staff report, that is
15 for glucose syrup. And glucose syrup is a general category,
16 which encompasses syrup produced from a range of starch
17 sources.

18 COMMISSIONER KEARNS: Okay.

19 MR. CHOUDHARY: Not only corn. In this case,
20 there's no dispute the GNA sodium gluconate has been
21 produced, not from any other starches, but primarily from
22 corn, beginning from -- I mean they, PMP purchases an
23 intermediate input, but whosoever would produced that
24 intermediate input, he must have used corn or corn starch to
25 produce.

1 COMMISSIONER KEARNS: Okay, could I just
2 interrupt? I'm sorry, 'cuz I don't wanna take too much
3 time. But apart from this USDA data we have about corn
4 syrup prices, which I take your point now, but that's a
5 broad category. I mean I think, as I understand the way we
6 gather our data, we do have on the record that their costs,
7 PMP's cost did increase over the POI.

8 So I thought you were arguing that they should've
9 been purchasing a different raw material to make it as a
10 substitute when their raw material was getting too costly.
11 I don't think that's what you're saying. Now, I think what
12 you're saying is, well, this corn syrup thing is a basket
13 category and we don't necessary -- just because that price
14 may be going up, doesn't necessarily mean that PMP's raw
15 material prices are going up. But I believe that we get
16 from PMP's financial data what their costs are, and those
17 costs are increasing, am I right?

18 MR. CHOUDHARY: Once again, I was addressing the
19 glucose syrup price that is attributable to USDA.

20 COMMISSIONER KEARNS: Right. And my point is,
21 put that aside, good point, that's a basket category. It
22 may not be reliable. But can't I just look at what PMP has
23 reported as their cost of goods sold and their raw material
24 costs over the POI as going up and doesn't that suggest that
25 that impact is the case?

1 MR. CHOUDHARY: We have to address it in our
2 post-conference brief.

3 COMMISSIONER KEARNS: Okay, thank you. Well, I
4 wanted to turn back, Mr. Melamed, you had talked about how
5 you, unlike PMP, had accommodated a customer in terms of
6 packaging. Can you tell me more about what they were
7 seeking in terms of packaging?

8 MR. MELAMED: Absolutely. They were seeking for
9 1,000 kilogram super sacks and PMP was supplying 2,000 pound
10 and 2,500 pound super sacks. So they really needed 1,000 kg
11 super sacks that we provided to them promptly.

12 COMMISSIONER KEARNS: Okay. And I'm trying -- I
13 don't remember what our pricing data is, but -- 'cuz that of
14 course relates to the packaging, and I don't know what we,
15 let's see, it's 50 to 60 pound bag or kilogram equivalent
16 that -- so here, I mean Product 2 is 1,000 or 1,250 kilogram
17 bags.

18 MR. MELAMED: Exactly. This is what we would
19 provide, yeah.

20 COMMISSIONER KEARNS: Okay. Well, what's hard
21 for me to understand here is, you know, our data suggests
22 that that is almost all the Chinese product is entering
23 under this, you know, this kind of product. But it's a very
24 high percentage of U.S. product is also in this category.

25 MR. MELAMED: No-no, absolutely. All the super

1 sacks will be in this category, whether they're 2,000
2 pounds, 1,000 kg, which is 2,204 pounds, or 2,500 pounds,
3 they will all be in this category. It's just for this
4 particular customer, they wanted this 1,000 kg, which would
5 be 2,204 pounds. And PMP did not want to supply it to them.

6 COMMISSIONER KEARNS: But what I'm saying, and
7 this doesn't say bags that contain at least 1,000 or 1,250
8 kilograms, it says 1,000 or 1,250 kilograms and a lot of
9 U.S. product is being sold in that. So even though they
10 told your customer that they can't do this, they apparently
11 are.

12 MR. MELAMED: Well, I mean if they are offering
13 2,500 pounds super sack, it would fall right into this
14 category.

15 COMMISSIONER KEARNS: That's what I'm saying. I
16 don't think it would. 2,500 kilograms?

17 MR. MELAMED: 2,500 pounds.

18 COMMISSIONER KEARNS: Oh, okay, right. But then
19 I don't understand, I mean, you're saying that only you are
20 willing to provide this and --

21 MR. MELAMED: Well, again, PMP was providing
22 2,000 pound super sack, which is 908 kilograms. And 2,500
23 pound super sack, which is -- I don't know the exact
24 conversation, probably around 1,100 kilograms. And we were
25 providing something in the middle, which is 1,000 kilograms.

1 All three packaging sizes would fall into the category in
2 your report. But for our customer, they just needed the
3 specific, very exact weight of 1,000 kilograms for their
4 production deck side.

5 COMMISSIONER KEARNS: Okay, okay. I guess I'd
6 like, anything you can do to sort of document that more
7 would be helpful I think, post-hearing. And also if the
8 petitioners can sort of address that, that'd be helpful.

9 MR. MELAMED: Sure.

10 COMMISSIONER KEARNS: One question for, I guess
11 it would be Mr. Schutz. We focused a lot on how there's
12 only sales, or most of the sale of the Chinese product are
13 on the West Coast. And normally that means something,
14 because if there's reasons why the subject imports couldn't
15 also then go sell to other markets, then that would suggest
16 that there's going to be attenuated competition.

17 But in this particular case, isn't it right that
18 if the number of sales is great enough in one particular
19 region, like, the West Coast, that that alone could
20 establish material injury, even if they were completely
21 prohibited from selling to any other market?

22 MR. SCHUTZ: Well, I think that you have to look
23 at the reasons behind those sales. I suppose theoretically
24 it's possible, but in this instance, the reason why the U.S.
25 lost, or PMP lost sales particularly to the West Coast, was

1 not because of price, and it was for other reasons. And I
2 point your attention to the recent TRB's case from Korea
3 where something kind of similar happened, where there were
4 business reasons why purchasers moved towards the foreign
5 product and rather than the domestic product. They were
6 other than price.

7 COMMISSIONER KEARNS: Okay.

8 MR. SCHUTZ: I think that would be helpful and
9 obviously that's something we'll address in our
10 post-hearing.

11 COMMISSIONER KEARNS: Okay, thank you. My time
12 is up.

13 CHAIRMAN JOHANSON: I have no further questions.
14 Do any other Commissioners have questions?

15 COMMISSIONER WILLIAMSON: Yes, Mr. Schutz, just
16 post-hearing, could you take a look at Table V-8, look at
17 the top there and just address what that tells us compared
18 to what we've been hearing.

19 MR. SCHUTZ: No problem.

20 COMMISSIONER WILLIAMSON: Thank you.

21 COMMISSIONER KEARNS: Just one more. I believe
22 you all criticized the product pricing data, suggesting it
23 was, Mr. Melamed, that it's too general of a category, there
24 can be very different kinds of product that fit within that
25 category. And I know you all weren't involved in the case

1 at the time when the questionnaire was being put together.
2 But what should we have done? Is there some way that we
3 could have written the questionnaire to distinguish the
4 products? Because as I said, we've been focused a lot on
5 food-grade versus technical-grade. But I'll bet a tiny
6 fraction of, as I gather the market, a very small amount of
7 this is actually sold to food manufacturers. And so what
8 should we have done to get a clearer picture of, you know,
9 the various sales? How would you distinguish PMP's product
10 from your product from a pricing perspective?

11 MR. MELAMED: Again, I'm not in the business of
12 writing questionnaires. I'm just a salesman. All I can
13 tell you is, we just have this one big customer and a small
14 handful of smaller ones, and it's also into agriculture
15 primarily and, you know, it's not based on price.

16 COMMISSIONER KEARNS: But could it have been
17 moisture-content or something like that? Would that've
18 distinguished the two?

19 MR. MELAMED: Well, again, we will provide in the
20 post-hearing brief, the technical specifications of PMP
21 product versus Chinese food-grade and technical-grade. So
22 it will capture this issue so there is no difference,
23 whether it was in the questionnaire or not, we'll still
24 provide it.

25 COMMISSIONER KEARNS: Okay, thank you. No

1 further questions.

2 CHAIRMAN JOHANSON: Well, thank you all for
3 appearing here today. We appreciate it. Do staff have any
4 questions for this panel?

5 MR. THOMSEN: Craig Thomsen, Office of
6 Investigations. Staff have no questions for this panel.

7 CHAIRMAN JOHANSON: All right. Do petitioners
8 have any questions for this panel?

9 MR. SPOONER: No, Mr. Chairman.

10 CHAIRMAN JOHANSON: Okay. With that, we will
11 prepare for the party's rebuttals and closings. I will note
12 that petitioners have thirty-two minutes of direct, five
13 minutes of closing, for a total of thirty-seven minutes.
14 And respondents have eighteen minutes for direct, five
15 minutes for closing, for a total of twenty-three minutes.

16 MR. BURCH: Closing and rebuttal remarks on
17 behalf of Petitioner will be given by David M. Spooner of
18 Barnes & Thornburg. Mr. Spooner, you have 37 minutes.

19 CLOSING STATEMETN OF DAVID M. SPOONER

20 MR. SPOONER: Mr. Chairman, Commissioners, thank
21 you. I'm just going to use five minutes for a closing. I
22 won't go on for 37 minutes.

23 I will close, succinctly, I hope, by addressing
24 five points made by Respondents, a list that of course is
25 not comprehensive.

1 First, Respondents claim that they are limited to
2 the fertilizer industry; that they tried to sell to the
3 concrete industry, but the concrete industry only accepts
4 liquid product.

5 This is simply not so. Mr. Russell, a purchaser
6 in the concrete sector who testified here today, testified
7 that he purchases both liquid and powder for concrete. And
8 PMP sells both product types to concrete users.

9 Second, Respondents claimed in their affirmative
10 presentation that their primary customer shifted--and this
11 is an important point--from PMP to Chinese product because
12 of quality issues, not price. I would ask the Commission to
13 please look at Table 5 or V-8 of the staff report, as well
14 as the relevant questionnaire responses as the Commission
15 weighs this claim. I'm sorry I have to be a little obtuse,
16 but it necessarily involves BPI information.

17 Also, regardless of the reason for this major
18 customer switch from PMP to Chinese goods, I can't help but
19 note that Valudor has admitted that its major customer was a
20 customer of PMP's, which speaks volumes about Valudor's
21 claims of attenuated competition.

22 Third, as to Valudor's claim that product must be
23 stored in California, the record shows, particularly in
24 Table 2-2 of the staff report, that subject imports are
25 present in all regions. And Valudor itself in its

1 affirmative presentation spoke of selling to a customer in
2 Georgia. And for goodness sakes, PMP is in Illinois.
3 PMP's warehouse is in Peoria, Illinois, not California.

4 Fourth, the Respondent conveyed that Chinese
5 solicitation emails are not coming from Chinese sodium
6 gluconate producers but from distributors who sell many
7 products and who don't know the U.S. market. One of the two
8 emails that we waived around this morning, an email received
9 in the past week, was from Shan Dong Fuyang, one of the
10 major Chinese producers, indeed a mandatory respondent on
11 the Commerce side. We'll put that email on the record
12 post-hearing.

13 Fifth, finally, the Respondent beseeched the
14 Commission to utilize untimely filed foreign producer
15 questionnaires, and asked the Commission to disregard the
16 fact that Commerce went AFA. And, yes, Mr. Schutz indicated
17 that at times Commerce does go AFA because of a messy
18 database, or unclear affiliation rules, or that sort of
19 thing. But believe me--and we've put Commerce's CVD
20 decision on the record--here the sole participating
21 Respondent repeatedly filed false information and hid
22 information from the Commerce Department. And was convicted
23 in Chinese court of bribery.

24 Chinese product is sold into all regions of the
25 United States for all end uses. PMP's product is sold

1 throughout the United States into all end uses, including
2 fertilizer producers in the West. Chinese product is
3 substitutable for U.S. sodium gluconate. Subject imports
4 substantially undersold PMP in every period, underselling
5 that resulted in lost sales and revenue, and that
6 negatively impacted PMP's financial performance.

7 We would ask the Commission to please find
8 Material Injury or Threat of Injury when it votes. And
9 thank you.

10 MR. BURCH: Closing and rebuttal remarks on
11 behalf of Respondent will be given by Andrew T. Schutz of
12 Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt.

13 Mr. Schutz, you have 18 minutes.

14 CLOSING STATEMENT OF ANDREW T. SCHUTZ

15 ON BEHALF OF RESPONDENT

16 MR. SCHUTZ: Thank you. I too will only take
17 about five minutes here.

18 So I mentioned in my opening statement that this
19 is essentially a case about two companies, PMP and Valudor.
20 You have now heard from those two companies, and when you
21 marry the statements made today with the data on the record,
22 the data speaks for itself.

23 This data shows that the doom and gloom that the
24 Petitioner espouses is vastly overstated. The Commission
25 has seen what injury looks like in countless companies over

1 the years, and this just isn't one of them.

2 The data shows that through every financial
3 indicator, this is an industry and a company that is
4 healthy, not one that is injured or vulnerable to injury
5 from Chinese imports. And it is for this reason that the
6 Commission has already found that there was not a
7 reasonable indication of Material Injury between 2015 and
8 2017, and there is no factual basis for the Commission to
9 revisit that decision.

10 So when the Commission turns to its review of the
11 additional post-prelim POI period for this Final Phase, it
12 should analyze that period through the prism of its
13 Preliminary Analysis. That is, the Commission compare what
14 occurred during that preliminary period to what has occurred
15 now.

16 Since the 2015 to 2017 financial indicators were
17 such that the Commission made a No Injury finding under the
18 Reasonable Suspicion Standard because the facts were clear
19 and convincing, the facts regarding this interim period must
20 be significantly different to achieve an Injury finding in
21 the final. And when we actually review this period, the
22 data establishes the absence of Injury.

23 Specifically, the financial indicators--market
24 share, U.S. shipments, capacity utilization, productivity,
25 et cetera--are not at injurious levels. This is simply not

1 a case where all, or even many financial indicators are
2 poor.

3 Next, any increase in the Chinese shipments or
4 the decrease in U.S. financial indicators is readily
5 explainable, some of which you heard today, and more of
6 which is confidential as you will see in our pre- and
7 post-hearing briefs. This is just not a case where imports
8 have increased over the POI where prices went down.
9 Instead, prices in imports fluctuated and are essentially at
10 or below 2015 levels.

11 The trends do not follow the typical injurious
12 trends that the Commission normally sees in these cases.
13 Given the situation, the only way the Petitioner tries to
14 make its case is by:

15 One, splicing and dicing the data by repeatedly
16 focusing attention on its own sodium gluconate sales and
17 business, rather than on all GNA products. This should be
18 rejected by the Commission, like it was in the prelim.

19 Two, by lamenting about theoretical lost sales
20 that weren't actually lost.

21 Three, by focusing on product two.

22 Again, our answer to these claims is that the
23 actual data speaks for itself and that there are very
24 specific reasons for any claimed instances of injury,
25 particularly those provided by Valudor today.

1 And when looking at the whole U.S. industry, as
2 is required by law and was actually occurring with regard to
3 product two, the Commission should come to a conclusion that
4 there is no current material injury. Or, put within the
5 context of this case, the U.S. industry certainly is not
6 being any more injured during this POI than it was during
7 the Preliminary POI, to the extent that PMP was
8 experiencing any injury at that time.

9 The data surrounding threat is equally as
10 demonstrative of a negative determination.

11 First, Chinese imports and domestic shipments are
12 focused on different sectors and different geographic areas.
13 There is no evidence that this will change in the future.

14 Second, the GNA products market in the U.S. is
15 expected to continue to grow and expand.

16 Third, China has significant internal raw
17 material shortages that have decreased shipments and will
18 continue to do so.

19 Fourth, and most importantly, the U.S. market
20 simply is not a major one, or even an important one, for
21 Chinese producers and exporters. China is by far the
22 largest GNA products producer in the world, having more than
23 90 percent of worldwide capacity and production.

24 A vast majority of that GNA is destined for the
25 China home market, or third-country market, with little of

1 it destined for the U.S.

2 Taking this into account, and even assuming that
3 the Chinese capacity figures are correct, there is no
4 evidence that China intends to increase its shipments to the
5 U.S. under any circumstances. This was confirmed by Valudor
6 who testified that they tried and failed to expand its
7 market for this product in the U.S. and how Chinese
8 producers outright refused to make changes to their product
9 that would permit them to compete for more sales in the U.S.

10 China's status as a worldwide producer and its
11 capacity utilization have remained relatively the same over
12 the POI, and despite increases in demand in the U.S. China
13 has not increased shipments. If China didn't increase its
14 shipments before, there is no reason to believe they would
15 do so now.

16 Thank you, and we thank the staff and Commission
17 for their consideration and their time today.

18 CHAIRMAN JOHANSON: Thank you again for appearing
19 here today. And I will now make a closing statement.

20 Post-hearing briefs, statements responsive to
21 questions, and requests of the Commission, and corrections
22 to the transcript must be filed by September 25th, 2018.

23 Closing of the record and final release of data
24 to parties occurs on October 10th, 2018. And final comments
25 are due on October 12th, 2018.

1 And with that, this hearing is concluded.

2 (Whereupon, at 3:00 o'clock p.m., Tuesday,
3 September 18, 2018, the hearing in the above-entitled matter
4 was concluded.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Sodium Gluconate, Gluconic Acid, and Derivative Products from China

INVESTIGATION NOS.: 701-TA-590 and 731-TA-1397

HEARING DATE: 9-18-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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: 9-18-18

SIGNED: Mark A. Jagan
Signature of the Contractor or the
Authorized Contractor's Representative

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

SIGNED: Duane Rice
Proofreader

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

SIGNED: Gaynell Catherine
Court Reporter

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