

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:
AMMONIUM SULFATE FROM CHINA

) Investigation Nos.:
) 701-TA-562 AND 731-TA-1329
) (FINAL)

Pages: 1 - 116
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8

9 Thursday, January 12, 2017

10 Main Hearing Room

11 U.S. International

12 Trade Commission

13 500 E Street, S.W.

14 Washington, D.C.

15 The meeting commenced, pursuant to notice, at

16 9:30 a.m., before the Commissioners of the United States

17 International Trade Commission, the Honorable Irving A.

18 Williamson, presiding.

19

20 APPEARANCES:

21 On behalf of the International Trade Commission:

22 CHAIRMAN IRVING A. WILLIAMSON, (presiding)

23 VICE CHAIRMAN DAVID S. JOHANSON

24 COMMISSIONER MEREDITH M. BROADBENT

25 COMMISSIONER RHONDA K. SCHMIDTLEIN

1 APPEARANCES (Continued):

2 STAFF:

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4 JORDAN HARRIMAN, INVESTIGATOR

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1 OPENING REMARKS:

2 Petitioner (Stephen J. Orava, King & Spalding LLP)

3

4 In Support of the Imposition of Antidumping and

5 Countervailing Duty Orders:

6 King & Spalding, LLP

7 Washington, DC

8 On behalf of:

9 PCI Nitrogen LLC

10 Elio Mazzella, Sr., President PCI Nitrogen LLC

11 Elio Mazzella, Jr., Senior Vice President and

12 Secretary, PCI Nitrogen LLC

13 Hans Quitmeyer, Senior Vice President, General

14 Counsel and Corporate Secretary, AdvanSix, Inc.

15 Mike Hamilton, Business Director, Plant

16 Nutrients, AdvanSix Inc.

17 Roy Houseman, Legislative Representative, United

18 Steelworkers

19 Bonnie B. Byers, Senior International Trade

20 Consultant, King & Spalding LLP

21 Stephen J. Orava, Benjamin J. Bay -- Of Counsel

22

23 CLOSING REMARKS:

24 Petitioner (Bonnie B. Byers, King & Spalding LLP)

25

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P R O C E E D I N G S

9:30 a.m.

MS. BELLAMY: Will the room please come to order?

CHAIRMAN WILLIAMSON: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on Investigation Nos. 701-TA-562 and 731-TA-1329 final, involving Ammonium Sulfate from China.

The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury, or the establishment of an industry in the United States is materially retarded by reason of imports of ammonium sulfate from China.

Schedules setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the public distribution table. All prepared testimony should be given to the Secretary. Please do not place testimony directly on the public distribution table.

All witnesses must be sworn in by the Secretary before presenting testimony. I understand that parties are aware of the time allocations. Any questions regarding the time allocations should be directed to the Secretary. Speakers are reminded not to refer in their remarks or

1 answers to questions to business proprietary information.
2 Please speak clearly into the microphone and state your name
3 for the record for the benefit of the court reporter. If
4 you'll be submitting documents that contain information you
5 wish classified as Business Confidential, your request
6 should comply with Commission Rule 201.6. Madam Secretary,
7 are there any preliminary matters?

8 MS. BELLAMY: No, Mr. Chairman.

9 CHAIRMAN WILLIAMSON: Okay, very well. Let's
10 begin with opening remarks.

11 MS. BELLAMY: Opening remarks on behalf of
12 Petitioner, Stephen J. Orava, King and Spalding LLP.

13 CHAIRMAN WILLIAMSON: Welcome Mr. Orava. You may
14 begin when you're ready.

15 OPENING STATEMENT OF STEPHEN J. ORAVA

16 MR. ORAVA: Thanks. Good morning Mr. Chairman,
17 members of the Commission, Commission staff. My name is
18 Steve Orava. I'm representing the Petitioner. This case is
19 about rapidly increasing unfairly traded imports of ammonium
20 sulfate from China. As demonstrated in the petition and in
21 commerce determinations, imports from China are being dumped
22 at high margins, and are benefitted from a substantial
23 amount of countervailable subsidies.

24

25 The scope of the petition includes ammonium

1 sulfate in all grades and forms. Because an identical
2 product is manufactured in the United States, and because
3 clear dividing lines separate ammonium sulfate from other
4 types of fertilizers, the domestic like product should be
5 defined commensurate with the scope definition. The
6 conditions of competition make this domestic industry
7 especially susceptible to injury from unfairly priced
8 imports.

9 First, ammonium sulfate is a price sensitive
10 commodity like product. Moreover, subject imports and
11 domestically produced ammonium sulfate are highly
12 interchangeable. As a result, purchasing decisions are
13 largely based on price. Second, the industry is highly
14 capital intensive. Fixed costs are high relative to
15 variable costs.

16 Moreover, the equipment used to produce ammonium
17 sulfate is designed to operate continuously in order to
18 maintain technical efficiencies and to minimize fixed per
19 unit cost. U.S. producers therefore have strong operational
20 and economic concerns to meet lower import prices in order
21 to avoid losing sales and underutilizing capacity.

22 Third, U.S. demand for ammonium sulfate has been
23 increasing over the Period of Investigation. Nonetheless,
24 U.S. producers have been denied the benefits from increasing
25 demand, as subject imports have undersold U.S. producer

1 prices and captured market share. The record of these
2 investigations demonstrates that the U.S. ammonium sulfate
3 industry is suffering material injury by reason of subject
4 imports.

5

6 First, the volume of subject imports and the
7 increase in the volume of subject imports are significant.
8 Subject imports increased 682 percent from 2013 to 2015.
9 Moreover, as demonstrated in publicly available information,
10 imports from China have increased their share of the U.S.
11 market.

12 Second, imports from China have had negative
13 price effects. Based on published industry data and
14 information from several domestic producers, subject imports
15 have consistently undersold the domestic like product by
16 significant margins. The increasing volume and decreasing
17 prices of subject imports have suppressed and depressed U.S.
18 prices, even as demand for ammonium sulfate has increased.

19 Finally, the subject imports' negative volume and
20 price effects have negatively impacted the domestic
21 industry's market share, output and commercial shipments.
22 The domestic industry lost over ten percentage points of
23 market share from 2013 to 2015, and the domestic industry
24 has suffered declines in production, profitability and cash
25 flow.

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The financial condition of the industry will deteriorate further in the absence of relief, making it very likely that one or more ammonium sulfate producers in the United States will be forced to shut down rather than run their operations at a loss. Although we believe the industry is suffering present material injury, there is also substantial evidence that the industry is threatened with additional injury.

The rapid increase in imports, the large margins of underselling, the excess in growing capacity in China and the significant level of government subsidies make clear that future injury is also imminent if duties are not imposed to offset the unfair pricing and illegal subsidies. Finally, we note the failure of any Chinese respondents or importers to appear before you today. We believe that the Commission should make adverse inferences based on this lack of participation.

In conclusion, this investigation is incredibly important to the U.S. ammonium sulfate industry and its workers. We urge the Commission to reach an affirmative final determination in these investigations. Thank you.

CHAIRMAN WILLIAMSON: Thank you. The first panel is seated, so you can begin when you're ready.

STATEMENT OF STEPHEN J. ORAVA

1 Okay, great. Good morning again. Steve Orava
2 again for the Petitioner. I'll begin with an overview of
3 the main issues before you today. Now for this presentation
4 we used both non-proprietary information from the prehearing
5 report and publicly available information. So the first
6 slide here is a few key points on these investigations.

7
8 First, from 2013 to 2015, the volume of imports
9 of ammonium sulfate from China rose by an astounding 682
10 percent. Second, from 2013 through 2015, Chinese imports
11 took over ten percent of the U.S. market. Third, imports
12 from China and the domestic like product are generally
13 interchangeable, and they compete on the basis of price.

14 Fourth, during the Period of Investigation
15 Rentech Nitrogen, which had been one of the biggest players
16 in this industry, suffered enormous losses, losses on the
17 scale of close to a quarter of a billion dollars, and they
18 left the business entirely.

19 Fifth, despite years of strong demand, there can
20 be no question that domestic producers have suffered severe
21 harm by reason of unfair trade. Let me give you some
22 background on the subject product. Ammonium sulfate is a
23 fertilizer that is about 21 percent nitrogen and 24 percent
24 sulfur. In other words, it provides two of the most vital
25 soil nutrients.

1 As you will hear in more detail from our company
2 witnesses, ammonium sulfate is used primarily to help
3 farmers avoid the serious problem of sulfur depletion. In
4 short, it is a very important and valuable product.
5 Ammonium sulfate may be produced in a factory devoted to
6 that purpose, or it may be produced as a co-product along
7 with other chemicals. You'll hear more this morning from
8 producers in each of these categories.

9
10 Whatever the production process, major domestic
11 producers need a market-based rate of return. A few more
12 points to keep in mind. Ammonium sulfate may be sold in
13 granular or standard form. Both have the same nutrient
14 value and they are both part of the same like product.
15 Domestic producers and importers for that matter may sell to
16 distributors or directly to retailers.

17 Finally, in recent years demand for this product
18 has grown, in large part due to the efforts of U.S.
19 producers to promote ammonium sulfate and educate farmers
20 about its benefits. Unfortunately as you will see, unfair
21 trade has deprived those producers of the full benefits of
22 their efforts.

23 Now let's turn to the statutory factors, and
24 we'll begin with the volume of subject imports. As you can
25 see in Slide 4, U.S. imports of ammonium sulfate from China

1 have soared in recent years, rising from 47,000 tons in 2013
2 to almost 370,000 tons in 2015. This surge continued during
3 the first quarter of this year. Through the first three
4 months of 2016, imports from China were up more than 60
5 percent compared to the same period in 2015.

6 While demand has been strong, subject imports
7 have risen much faster than demand. Since 2013, imports
8 from China have increased their share of the U.S. market by
9 over ten percentage points. As China producers gain market
10 share, U.S. producers are losing. From 2013 to 2015, the
11 domestic industry lost seven percentage points of market
12 share.

13

14 As you can see in Slide 8, all of that market
15 share lost by domestic producers went to Chinese imports.
16 In other words, you have compelling evidence that Chinese
17 imports came into this market in large volumes and took a
18 significant amount of the business from the domestic
19 industry. That evidence alone justifies a finding that
20 subject imports have caused material injury to the domestic
21 industry.

22 Domestic producers cannot avoid the harmful
23 effects of unfair trade by increasing their exports to other
24 markets. As you can see here, exports fell over the Period
25 of Investigation, in part due to increased competition from

1 China and third country markets.

2 So next on price effects. As we've already
3 mentioned, subject imports are generally fungible with the
4 domestic like product, meaning that competition takes place
5 on the basis of price. As import volumes grow, they
6 suppress domestic efforts to obtain more favorable pricing,
7 and then exert a downward pressure on pricing.

8

9 Unless domestic producers obtain trade relief,
10 they will find it impossible to obtain true market pricing
11 for ammonium sulfate. Now we've shown you the surge in
12 Chinese imports. Now here in Slide 12 you can see what's
13 happening to their pricing. These are averaging of values
14 reported by the Commission staff for U.S. imports of
15 ammonium sulfate. They show you just how cheaply importers
16 are able to obtain this product.

17 No wonder imports are growing as more parties
18 take advantage of these unfair prices to speculate on
19 ammonium sulfate. The situation has gotten much worse in
20 the last year. As you can see here the price of ammonium
21 sulfate normally rises between early September and late May.
22 This pattern makes sense, given that ammonium sulfate is
23 strongest in the spring, when fertilizers are most likely to
24 be applied.

25 But if you look at what happened in 2016, prices

1 for ammonium sulfate actually declined in the fall of 2015.
2 In other words, you could have bought ammonium sulfate more
3 cheaply in the spring of 2016, at the time when it is
4 normally most in demand than you could during the off
5 season periods of fall and winter. These facts strongly
6 indicate that unfairly traded imports are distorting the
7 U.S. market.

8 Now let's talk about impact. From 2013 through
9 the first quarter of 2016, subject imports deprived the
10 domestic industry of more than \$160 million in revenues.
11 There were virtually no imports from China before the Period
12 of Investigation, and there was no need for such imports
13 during the Period of Investigation. Those imports simply
14 represent sales that were lost by the domestic industry.

15
16 If anything, these figures understate the
17 revenues taken from U.S. producers, as they do not account
18 for more favorable pricing that would have been available to
19 domestic producers in a fair market. Remember that
20 throughout this period, demand was generally growing. In
21 other words, conditions were generally favorable for U.S.
22 producers. This factor is significant, because it makes the
23 difficulties faced by the domestic industry impossible to
24 explain absent the impact of unfair trade.

25 We've provided a compelling example here in Slide

1 18 regarding what happened to the ammonium sulfate facility
2 in Pasadena, Texas. You'll hear more from others here with
3 PCI Nitrogen, the current owners. But let's take a look at
4 this chart. In November 2012, before Chinese imports played
5 a significant role in this market, the plant was sold to
6 Rentech Nitrogen for almost \$160 million.

7 In other words, that was the market value of the
8 plant according to a sophisticated investor. After that
9 sale, Rentech spent tens of millions of dollars more on
10 improvements to increase capacity at a time of increasing
11 demand. In other words, the Pasadena facility is now a
12 better plant in a stronger market.

13

14 Yet in the spring of 2016, when Rentech sold the
15 plant after over a year of seeking new ownership, the market
16 value of the plant was less than \$11 million. It is
17 difficult to imagine more vivid evidence of harm done by
18 unfair trade. I want to stop here and emphasize that the
19 Commission does not always have this type of evidence. Many
20 times in this type of situation the domestic producer at
21 issue simply shuts down, and the Commission may have
22 incomplete data or no data for its operations.

23 We call this survivor bias. In other words, the
24 record contains only evidence from those producers least
25 affected by unfair trade. But this time PCI Nitrogen bought

1 the plant and brought these petitions. And so you have the
2 chance to see just how quickly unfair trade can destroy the
3 value of a facility.

4 Given what has already happened here, the
5 Commission must not allow unfair trade from China to
6 continue. The potential risk to the industry is enormous.
7 Accordingly, there's no question that subject imports have
8 caused material injury. My colleague Bonnie Byers will
9 address the threat of injury later in our testimony,
10 including the significant growth in Chinese ammonium sulfate
11 capacity and production, and the vulnerability of the
12 domestic industry to additional low-priced imports.

13 In light of the facts on the record and the
14 testimony presented today, it is absolutely critical that
15 the Commission make affirmative determinations here.
16 Failure to do so would have disastrous consequences for the
17 industry and for its workers. Thank you for your time.

18 STATEMENT OF ELIO MAZZELLA, SR.

19 MR. MAZZELLA, SR.: Good morning. My name is
20 Elio Mazzella, and I am the president of PCI Nitrogen LLC,
21 which produces ammonium sulfate in Pasadena, Texas. I am
22 joined here today with my son, Elio, who is vice president
23 of PCI also. First, excuse me, first we would like to
24 express our thanks and appreciation to the Committee for
25 allowing us to present our case today.

1 We're here today to tell you about our facility
2 in Pasadena, Texas, how the facility is being harmed by
3 unfair trade from China, and why the situation is likely to
4 get even worse unless we're able to obtain trade relief from
5 this Commission. I've been in the fertilizer business for
6 over 35 years, both as a producer and a marketer of the
7 product. In 1985, I helped to found Interoceania
8 Corporation, also known as IOC. PCI is an affiliate of IOC,
9 and IOC is located in New York.

10 Since that time, IOC has become an international
11 leader in bulk chemical fertilizer sales and distribution,
12 with warehouses throughout the U.S. We have sold fertilizer
13 all over the world, and we also import fertilizer into this
14 market. We believe that fair competition leads to more
15 efficient markets, and without question markets work best
16 when they reward hard work and innovation.

17
18 We have never brought a trade case of this kind
19 before. However, as I will explain, the events of the last
20 few years have left us with no choice. Over the years, we
21 at IOC have sometimes served as the exclusive selling agent
22 for companies that produce various fertilizers. One such
23 relationship involved Agrifos Fertilizer, which previously
24 owned the fertilizer Pasadena plant. The facility
25 originally made phosphate fertilizer, but due to

1 environmental restrictions Agrifos needed to find another
2 way to utilize the facility.

3 Some time around 2010, the folks at Agrifos came
4 to us with an idea. What if the plant produced ammonium
5 sulfate, not as a co-product but as a synthetically produced
6 item that was primarily focused -- which was the primary
7 focus of the manufacturing process? The ammonium sulfate
8 would be in granular form, which would make it easier to
9 blend with other granular fertilizers and spread easily on
10 large farmers' fields like those in the Midwest Corn Belt.

11 We liked the idea and told them so. Farmers were
12 becoming increasingly aware of the importance of replacing
13 the sulfur in their soil, and ammonium sulfate is the most
14 efficient way to do that. Accordingly, we were confident
15 that we could market large amounts of ammonium sulfate from
16 the Pasadena facility.

17

18 Agrifos went ahead with its plans and by 2011 the
19 facility had begun production of ammonium sulfate. From the
20 beginning, it was a success. The plant was making hundreds
21 of thousands of tons of granular ammonium sulfate, and we
22 were having little difficulty marketing and selling the
23 product at favorable prices. Soon, other major corporations
24 showed interest in the Pasadena facility. In November of
25 2012, Agrifos received an offer for the plant and sold it to

1 Rentech Nitrogen for roughly \$160 million.

2 Rentech was a significant player in the nitrogen
3 fertilizer business. Further, Rentech was so enthusiastic
4 about the business that it immediately set out to expand
5 production capacity at Pasadena based on projections of
6 increased demand here in the United States. IOC continued
7 to act as the exclusive agent and marketer for the Pasadena
8 facility under Rentech's ownership, so we saw what happened
9 next at very close range.

10 In 2013, Rentech spent \$7.7 million on a project
11 to increase capacity by 20 percent, and estimated to produce
12 700,000 tons. Rentech spent millions more on infrastructure
13 improvements, a new co-gen, cogeneration plant unit designed
14 to reduce energy costs and other projects designed to
15 support its forecast of a growing business as a long term
16 supplier to the market.

17
18 Rentech was correct that demand for ammonium
19 sulfate was growing. Just as forecasted, more and more
20 farmers were using this quality product. But something
21 else, something no one could have predicted or looked at was
22 the effect of the market -- which was also affecting the
23 market. Suddenly, beginning in 2013, we were hearing about
24 offers of imports of ammonium sulfate from China into the
25 marketplace, imports that were entering the market at

1 extremely low prices.

2 That shouldn't be possible. I have been in this
3 business for decades, and it makes no sense that Chinese
4 producers can make ammonium sulfate, process it into
5 granular form, ship it across the ocean to the United States
6 and still undersell the ammonium sulfate made and produced
7 here in Pasadena, Texas, which is only minutes away from the
8 Port of Houston. This could only be possible due to unfair
9 trade practices.

10 Rising imports from China were very troubling for
11 Rentech, because it had significant fixed costs and needed
12 to operate its facility at high levels of capacity
13 utilization. In an effort to maintain sales volumes and
14 compete with Chinese imports, Rentech's ammonium sulfate
15 prices fell significantly during 2014. Sales volumes grew
16 some, but not enough.

17 Rentech had hoped to produce more than 700,000
18 tons per year, but it soon became apparent that this would
19 be impossible. By September of 2014, Rentech was forced to
20 change its plans, and had to effectively reduce capacity to
21 about 500,000 tons, which was far below the maximum and well
22 below its projected forecast.

23

24 Meanwhile, imports from China continued pouring
25 into the market at alarming volumes. The imports continued

1 to undersell Rentech's product, making it impossible for
2 them to obtain a favorable rate of return on its investment.
3 Remember that Rentech already had spent close to \$160
4 million to buy the facility, and had spent tens of millions
5 more upgrading and improving it.

6 Now the people at Rentech were finding it
7 impossible to justify those expenditures, and they had to
8 write down the value of the assets on its books. It was a
9 terrible situation for everyone concerned, and it was the
10 direct result of the presence of this unfairly traded
11 Chinese imports entering the market.

12 By April 2015, Rentech had had enough. They
13 began looking to sell the plant, but they found it extremely
14 difficult to find a buyer. Almost immediately it was clear
15 that they would take a major loss on the sale, and as time
16 went on it become obviously that very few potential buyers
17 were willing to take a chance on a facility that had been in
18 great demand just a few years previously.

19
20 Finally, we at IOC bought the facility through
21 PCI, an affiliated company, for a total consideration of
22 \$10.4 million in March of 2016, which was about \$145 million
23 less than what Rentech paid for the facility. So let me
24 summarize the history of this facility. Less than four
25 years ago, the Pasadena facility was purchased for roughly

1 \$160 million. The facility today is significantly better
2 and more efficient than it was then, to a large part due to
3 the many upgrades and improvements made and paid for by
4 Rentech.

5 Demand for ammonium sulfate has grown, and
6 despite all these facts over the same period, the facility
7 lost more than 90 percent of its value. China's unfairly
8 traded ammonium sulfate is the only way to explain this
9 combination of events. If Chinese ammonium sulfate had
10 entered the United States at a true, legitimate and fair
11 market price, Rentech would have completed expansion plans
12 and the facility would be turning a healthy profit.

13 Instead, Rentech lost a fortune and the future of
14 this facility is at risk. Let me be very clear. We believe
15 in this plant and the people who work there and in this
16 product. That's why we took over this facility ourselves.
17 We believe that there's a healthy demand for ammonium
18 sulfate and it continues to grow and that it is a truly
19 competitive market. No one could provide customers with a
20 better product at competitive prices.

21 But we absolutely must have some trade relief, to
22 ensure that pricing in this market will reflect market
23 forces rather than unfair trade. We urge you to grant that
24 relief and let us go back to work. Thank you so very much.

25 STATEMENT OF MIKE HAMILTON

1 MR. HAMILTON: Good morning. My name is Mike
2 Hamilton. I am Business Director for Plant Nutrients at
3 AdvanSix, with responsibility for our ammonium sulfate
4 product line. I'd also like to thank you this morning for
5 your time and attention in this matter. I am joined today
6 Hans Quitmeyer, Senior Vice President, General Counsel and
7 Corporate Secretary at AdvanSix.

8 AdvanSix was created when Honeywell spun off its
9 ammonium sulfate and caprolactam production lines to create
10 a new independent company in October of 2016. I've been
11 with the company for 26 years, and have been in the ammonium
12 sulfate business for ten. I've held my current position for
13 the last four years.

14 I am responsible for all aspects of our ammonium
15 sulfate business, including both sales and operations. It
16 is a big business. We are the nation's largest producer of
17 ammonium sulfate, and our sales of this product generate
18 hundreds of millions of dollars per year in revenue.

19 Unfortunately for the past several years, our
20 ammonium sulfate business has been under attack from an
21 ever-increasing surge of unfairly traded imports from China.
22 This is why we are here today, to testify in support of
23 trade relief. To understand the impact of unfair trade, it
24 will be helpful for you to understand how our ammonium
25 sulfate business works.

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I work at our facility in Hopewell, Virginia. It is a large manufacturing plant with multiple integrated operating areas and over 600 employees. It is also the world's largest ammonium sulfate production facility. At Hopewell, we produce ammonium sulfate, a critical fertilizer and caprolactam, an intermediate product in the manufacture of nylon simultaneously as co-products.

In our process, we cannot make one product without making the other, and we produce roughly four to four and one-half tons of ammonium sulfate for every one ton of caprolactam produced. It is critical for you to understand that we do not regard ammonium sulfate as a mere byproduct of our caprolactam production. From our perspective, both of these products are extremely important, and we cannot obtain an adequate return on the assets at our Hopewell facility unless we can obtain a profitable price for both of these products.

As business director, my focus is only ammonium sulfate production and sales. We have a dedicated sales and marketing team that focuses only on ammonium sulfate. We have agronomists located in the United States and Latin America that focus completely on education and on promoting the use of ammonium sulfate.

1 We are always looking for ways to grow demand for
2 this product, because that demand has been and continues to
3 be critical to the long-term health of our Hopewell
4 operations. We've spent millions of dollars to educate the
5 agricultural industry about the benefits of using this
6 product. Traditionally, farmers have focused on three
7 primary nutrients and fertilizer: nitrogen, phosphorous and
8 potassium. But sulfur has increasingly become a soil
9 fertility concern due to a decrease in sulfur depositions
10 and an increase in crop yields.

11 As a matter of fact, the application of sulfur
12 has become so important that it is now often described as a
13 fourth major nutrient. Historically, farmers did not have
14 to worry very much about adding sulfur to their crops. One
15 of the ironic benefits of so-called acid rain and other
16 forms of pollution was that they provided sulfur for crops.

17 In recent decades, however, the air has gotten
18 cleaner and farmers no longer get sulfur from the sky. At
19 the same time, yield levels have been increasing due to a
20 variety of technologies, from improved genetics to better
21 management and advanced equipment, resulting in higher
22 nutrient needs, including the need for sulfur.

23
24 Taking corn as an example, yields for corn crops
25 in the United States more than doubled over the past 50

1 years. Ammonium sulfate is the best solution for farmers
2 seeking to add sulfur to their fields. Ammonium sulfate is
3 typically composed of 21 percent nitrogen and 24 percent
4 sulfur, two vital amino acid components, the protein
5 building blocks and plants. Nitrogen and sulfur are also
6 essential for chlorophyll formation, key to the
7 photosynthetic process.

8 These two nutrients work hand in hand, and by
9 plying them together the efficiency of the nitrogen is
10 optimized. Thanks to the efforts of our sales, marketing
11 and agronomics team, and the numerous studies that we have
12 supported in collaboration with universities like Virginia
13 Tech, the University of Illinois and Penn State, American
14 farmers are now much more knowledgeable about the benefits
15 of ammonium sulfate, and as a result demand for this product
16 has grown.

17 No company was better positioned to serve this
18 growing demand than we were. Most of the ammonium sulfate
19 that we produce is what we call granular. It comes in small
20 grains of roughly two and a half millimeters diameter, that
21 can be easily blended with other fertilizers and efficiently
22 spread by machines over the types of large farms you see in
23 states like Iowa.

24 We also market what is known in the industry as
25 standard ammonium sulfate. Standard grade ammonium sulfate

1 has average particle sizes under two millimeters, and looks
2 more like sugar. It has the same nutrient qualities as
3 granular product, but tends to be used more in places like
4 orchards, where spreading over large distances is not
5 required, or in some cases even possible.

6

7 In the United States, most of the ammonium
8 sulfate sold is in the granular form. Our product served
9 the needs of American farmers throughout the major crop
10 growing regions of this country. Indeed, as I mentioned
11 before, no one makes as much ammonium sulfate in this
12 country as we do. We are really good at it, and we would
13 like to make even more.

14 In short, our company has worked hard to increase
15 demand for ammonium sulfate, and we were in a very strong
16 position to benefit from that increased demand. Since 2013,
17 according to the Fertilizer Institute data, U.S. demand for
18 ammonium sulfate has been growing about nine percent per
19 year. But then in 2013, almost 50,000 tons of Chinese
20 imports entered the U.S. market, at prices far below
21 prevailing market prices, triggering the first wave of
22 pressure from our customers to lower our prices.

23 We are especially vulnerable to such cheap
24 imports because our facility at Hopewell is a large complex
25 facility with high fixed costs. We cannot survive by

1 reducing our volume in the hopes of stabilizing market
2 price. First, we would struggle to cover our fixed costs,
3 and second, we know that additional imports from China will
4 follow.

5
6 So we have no choice but to lower our prices to
7 the level of the subject imports. After the first wave of
8 imports, we responded by doing everything we could
9 strategically to both maintain volume and profitability as
10 imports continued to flood the market and adversely impact
11 our sales.

12 We continued our successful work to expand the
13 market by being a leader in agronomic education, and even
14 developed an app that growers could put on their iPhones to
15 calculate the yield and economic benefit to them of using
16 ammonium sulfate. We have also made significant other
17 commercial and go-to-market changes.

18 Despite our efforts to remain competitive,
19 however, imports from China continue to increase, hitting
20 230,000 tons in 2014 and then shooting up again to 370,000
21 tons in 2015. As the availability of Chinese ammonium
22 sulfate began to increase, more and more of our customers
23 required price reductions from us. It seemed like every day
24 my sales people were reporting new offers of Chinese
25 ammonium sulfate, new customers switching to the Chinese

1 product and business being lost.

2 Instead of reaping the benefits from increasing
3 demand that we had worked so hard to cultivate, we suddenly
4 found ourselves in a position of just scratching out a
5 profit. The wave of Chinese imports continued into 2016,
6 with Chinese imports hitting 152,000 tons in the first three
7 months of 2016. Had imports continued at this level for the
8 remainder of the year, they would have reached over 600,000
9 tons.

10

11 The only thing that prevented this disaster was
12 the filing of the petitions in May. Even after the filing
13 of the petitions and for the remainder of the year, we
14 continued to feel the downward pressure on prices from
15 inventories of Chinese imports. In the absence of relief,
16 we expect that Chinese imports will resume, and we will be
17 back in the position of having to reduce our prices even
18 further to maintain volume.

19 This is a tactic that we just cannot sustain
20 every time more imports from China arrive. We cannot
21 profitably continue to maintain volume by beating the
22 Chinese on price, and if we reduce our production, we cannot
23 afford to cover fixed costs. We are a publicly traded
24 company trying to make a healthy rate of return for our
25 shareholders, and we can never match the unfair prices

1 charged by Chinese producers.

2 We've been badly hurt as a result of imports from
3 China. Our total profits for 2014 and 2015 combined are
4 lower than the profits we made in 2013, even as demand has
5 grown. Demand in 2016 remains strong, but our profits are
6 on pace to be even lower in 2016 than they were in 2014 and
7 '15. Our profitability would have been even worse had it
8 not been for a drop in raw material prices during 2016.

9
10 These prices appear to have bottomed out however,
11 and have already increased in the last quarter of 2016 and
12 into this year. If Chinese ammonium sulfate reenters the
13 U.S. market at dumped and subsidized prices, I fear that we
14 will be unable to ensure our prices respond to changes in
15 our raw material costs. It's only going to get worse. I've
16 been to China. I've heard about more factories making more
17 ammonium sulfate. I've heard the discussions about new
18 facilities to put even more of their ammonium sulfate into
19 granular form, and since most granular ammonium sulfate is
20 used here, that is a sure sign that China intends to
21 increase exports to the United States.

22 I know that in the absence of trade relief, the
23 situation will only get worse for American producers and
24 workers. Although China has focused primarily on exporting
25 granular product to the United States, we have started to

1 see imports of standard grade as well. In June 2015, a huge
2 shipment of Chinese standard grade product came into the
3 Port of Manatee in Florida.

4 Immediately, we got calls from our citrus growing
5 customers in Florida demanding lower prices, which we have
6 had to give them. At this point, there is no part of the
7 ammonium sulfate market that has been left undamaged by
8 Chinese imports and their extremely low prices. As business
9 people, we have done all we can to grow our ammonium sulfate
10 business. We've developed a great product. We are the
11 business that has invested through universities to
12 understand how this product helps farmers improve their
13 crops, and we are the business that has spent the money to
14 promote the product and to educate farmers about what it can
15 do.

16
17 We have a talented sales team and a strong
18 support system. We've done everything possible to make
19 ourselves competitive on price. But we simply cannot get a
20 fair rate of return on this product without your help. All
21 we ask is that you give us a chance to compete in a market
22 that is not distorted by subsidies and other unfair trade
23 practices. You do that, and we will do the rest. Thank you
24 very much.

25 STATEMENT OF ELIO MAZZELLA, JR.

1 MR. MAZZELLA, JR.: My name is Elio Mazzella, Jr.
2 I am Senior Vice President for PCI Nitrogen, and Executive
3 Director at Intro Oceana Corporation.

4 As part of my responsibility at IOC, I work
5 closely with Rentech on the sales of ammonium sulfate made
6 at their facility Pasadena, Texas. I was actively involved
7 in the decision to buy the Pasadena facility, and I have
8 detailed knowledge of the operations there.

9 I agree with everything my father has told you
10 about the impact of unfairly traded imports on that plant,
11 and on the entire domestic industry that makes ammonium
12 sulfate. I would like to supplement his testimony by
13 emphasizing a few critical points about this industry.

14 Fixed costs associated with producing ammonium
15 sulfate are very significant. Our plant is designed to
16 operate 24 hours a day, 7 days a week, with only limited
17 down time for maintenance. The plant includes a
18 cogeneration unit that produces electricity for our factory,
19 with excess generation being sold into the local market.

20 That unit must operate at a high level of
21 capacity utilization to justify its costs. I know from my
22 years of experience in this business that companies making
23 ammonium sulfate by other methods face similar pressures to
24 maintain high levels of capacity utilization.

25 Domestic producers are highly vulnerable to

1 unfairly traded imports from China. When we were the
2 exclusive sales agent for Rentech, our job was to sell as
3 much of their product as possible. Now that we own the
4 facility, we have the same goal.

5 Low prices, especially when they're caused by
6 unfairly import competition, can cause severe damage, and
7 cutting production can be disastrous given the high fixed
8 costs.

9 Under these circumstances, the fact that imports
10 from China have grown so rapidly, and taken so many sales
11 from U.S. producers with no regard to pricing, it is causing
12 enormous damage to our industry.

13 We deal with highly sophisticated buyers. We
14 sell ammonium sulfate to distributors and retailers who have
15 been buying fertilizer for many years, with a very strong
16 desire to get the best possible price.

17 These customers are extremely familiar with
18 market conditions, are well aware of prices available from
19 other parties, and will ultimately make their purchase
20 decisions based on who has the lowest price.

21 When we negotiate with our customers, we know
22 that they will seize upon any opportunity to pressure us to
23 lower our prices to meet competition. In recent years we've
24 repeatedly been told of very low Chinese offers, offers that
25 our customers generally require us to meet or lose the

1 business.

2 I have studied the report prepared by your staff,
3 and the purchasers who responded to your questionnaires
4 confirmed that U.S. producers were forced to lower their
5 prices as a result of imports from China.

6 We cannot avoid the harmful impact of imports
7 from China by increasing our exports to other markets. We
8 export some of our ammonium sulfate from the Pasadena
9 facility. Our granular ammonium sulfate is only used in a
10 limited number of markets outside the United States. You
11 need sophisticated farmers with mechanized equipment for use
12 of our granular ammonium sulfate.

13 One of the few export markets for granular
14 product is Brazil, and this market has also been adversely
15 affected by imports from China. In fact, the prices we
16 obtain for our exports are usually even lower than the
17 prices we can get here.

18 Currently, Chinese ammonium sulfate is being
19 offered into Brazil at over \$30 per ton cheaper than
20 equivalent European and North American product, with no end
21 in sight of supply.

22 Pricing for the U.S. market can be affected by
23 the location of your customer. Traditionally, producers
24 look at the price of their ammonium sulfate in terms of the
25 price they obtain after freight costs have been taken into

1 account. Thus, producers generally adjust prices to account
2 for the cost of shipping the ammonium sulfate.

3 This practice means that a facility like ours,
4 which is so close to the Port of Houston, would have an
5 advantage when it came to making sales in the Gulf region.
6 Unfortunately for us, however, many of the imports from
7 China come directly into the Gulf region, which has made it
8 extremely difficult for nearby producers, including PCI.

9 Furthermore, we know that imports from China have
10 entered the United States at such low prices as to allow
11 them to spread all the way up the Mississippi River, as far
12 as Minnesota and North Dakota, and throughout the Midwest
13 and Northern Plains.

14 PCI is able to supply these same markets with
15 over ten warehouse facilities throughout these areas. We
16 have been forced time and again to lower our prices to
17 compete with the Chinese product. There is no question that
18 the surge in imports from China is a result of their unfair
19 trading practices, and the Commerce Department has now
20 confirmed the extent of those practices by imposing
21 significant antidumping and countervailing duties.

22 Because of those practices, Chinese producers can
23 offer ammonium sulfate to importers at extremely low prices.
24 Those prices allow the importer to bring the product to this
25 market, under-sell the domestic like-product, and still come

1 out ahead. Naturally these facts encourage importers to buy
2 even more Chinese ammonium sulfate.

3 Domestic producers like PCI may lower their own
4 price to maintain volume, and in fact we have repeatedly
5 been forced to do so. But because the prices in China are
6 so low, the importers have plenty of room to cut their own
7 prices further, and continue under-selling us.

8 We literally cannot afford to reduce our prices
9 as much as they can. We have also seen an increase in our
10 raw material costs starting last quarter and continuing into
11 this year. These increases make us very vulnerable to
12 renewed imports of dumped and subsidized ammonium sulfate
13 from China.

14 If subject imports start to enter the U.S. market
15 again at the price levels we saw in 2016, we will have
16 little ability to respond to cost increases.

17 I am also very concerned that if duties are not
18 imposed on imports from China to offset their unfair trade
19 practices, there will be a stampede among importers to bring
20 Chinese ammonium sulfate into this market.

21 When we first started hearing about imports from
22 China, the name most frequently mentioned was Gavilon.
23 Since then, however, numerous large trading companies have
24 set up operations, including Trammo, Nitron Group, and JM
25 Fertilizer, among others. With so many importers involved,

1 there will be no limit to the amount of product that will be
2 brought into this market, or the damage that can be done to
3 competing U.S. producers.

4 In fact, these imports can be brought into the
5 U.S. market at a very rapid rate, as trading companies have
6 the ability to divert shipments already at sea to another
7 country in response to market opportunities.

8 A recent example of this is when trading company
9 Eurochem diverted a shipment of ammonium sulfate already
10 heading to Brazil from China to the United States in
11 response to the Department of Commerce delaying its
12 countervailing duty determination in the investigations of
13 this product.

14 That is how quickly imports from China can flood
15 this market. And let me make one thing absolutely clear: I
16 read in the staff report that some purchasers said that
17 imports came into the United States to fill a void left by
18 U.S. producers. I totally reject the self-serving
19 observations.

20 There is a natural ebb and flow in our business
21 due to the seasonal nature of fertilizer demand. Product is
22 plentiful in the summer and fall, and inventories are drawn
23 down in the lead up to the spring peak in demand. This is
24 true for all fertilizers, not just ammonium sulfate.

25 But let me make clear, we have always had

1 inventory of ammonium sulfate and could supply product
2 whether directly from our facility or from our inland
3 warehouses. So the notion that there has been tight supply
4 that necessitated imports from China is just plain wrong.

5 At the end of the day, it is all about price.
6 Purchasers didn't buy the Chinese product because they
7 couldn't buy it from U.S. suppliers, they just liked the
8 price of the Chinese product a whole lot better.

9 As several customers said to me, don't even waste
10 your time giving me a quote. You'll never be able to
11 compete with the Chinese.

12 Another customer characterized Chinese ammonium
13 sulfate this way: Any price, any location, and they will be
14 able to supply.

15 We need your help, and hope that you will vote to
16 find that our industry is materially injured by imports of
17 ammonium sulfate from China. Thank you, very much.

18 STATEMENT OF ROY HOUSEMAN

19 MR. HOUSEMAN: Good morning. My name is Roy
20 Houseman. I am a legislative representative for the United
21 Steel, Paper, and Forestry, Rubber Manufacturing, Energy,
22 Allied Industrial, and Service Workers International Union,
23 better known as the USW.

24 The USW is the single largest industrial union in
25 the United States, and we are the dominant union

1 representing 30,000 workers in the chemical industry. The
2 USW's chemical units include traditional chemical plants,
3 petrochemical units, and chemical end producers
4 manufacturing.

5 The USW represents workers at PCI's ammonium
6 sulfate facility in Pasadena, Texas, and Advance Six
7 Ammonium Sulfate facility in Hopewell, Virginia.

8 In addition to the USW at these facilities, the
9 International Brotherhood of Electrical Workers, otherwise
10 known as IBW, also represents members at both of these
11 sites. The Hopewell facility also has workers that are
12 represented by the International Chemical Workers Union
13 Council, affiliated with the USCW, the International
14 Association of Machinists and Aerospace Workers, IAM, and
15 the United Association of Journeymen and Apprentices of the
16 Plumbing and Pipefitting Industry, UA, and the International
17 Association of Heat and Frost Insulators and Asbestos
18 Workers.

19 In all, there are about 520 union workers at the
20 two sites alone. In addition to these two facilities, USW
21 also represents workers who make ammonium sulfate at JR
22 Simplot in Lathrop, California, and in Pocatello, Idaho.
23 These two locations combined employ about 300 additional
24 workers.

25 The USW strongly supports the Petition covering

1 ammonium sulfate from the People's Republic of China. As is
2 the case in multiple industries where unions or companies
3 have petitioned for relief before the ITC, workers have
4 suffered from unfairly traded imports from China.

5 PCI is no different. In 2013, the owners of PCI
6 facility invested tens of millions of dollars to increase
7 the capacity of their facility in Texas in response to the
8 steady increase in ammonium sulfate demand. However, just
9 as they were making this investment, imports from China
10 began flooding into the U.S. market, undercutting prevailing
11 market prices, and causing a significant deterioration in
12 profit.

13 By the Fall of 2014, it was clear that imports
14 from China were going to continue their surge into the U.S.
15 market, and the owners made the painful decision to reduce
16 capacity at the facility only one year after investments
17 were made to expand capacity to meet growing demand.

18 In September 2014, capacity reductions were
19 implemented which had a negative impact on the workforce.
20 Then in 2015, Rentech, who owned the Pasadena facility at
21 the time, decided they wanted out of the business. They
22 searched for a new owner, but the market had deteriorated so
23 significantly as a result of imports from China that it took
24 over a year to find a buyer, PCI Nitrogen. Even then,
25 Rentech had to sell at a price well below the prices that

1 they had paid only a few years earlier.

2 Workers at the facility felt like they had dodged
3 a bullet, but imports from China have only continued to
4 increase, and uncertainty about the future remains.

5 USW, and indeed all the unions represented at
6 American ammonium sulfate facilities, are very concerned
7 about the impact of the flood of low-priced imports from
8 China will have on jobs in the industry.

9 If U.S. producers cannot run these facilities and
10 make a profit, they will shut them down and our workers will
11 be thrown out of their jobs. It's as simple as that.

12 Instead of working for a good job, our members
13 will be forced to file for federal trade adjustment
14 assistance benefits. And while I've personally assisted
15 over 7,000 workers who qualify for benefits, the one refrain
16 I hear over and over again in these workers is that they
17 would have preferred to keep their old jobs.

18 Keep in mind that the Pasadena facility was
19 designed to produce only ammonium sulfate and not capable of
20 producing other products. If PCI can't run the facility
21 profitably because of imports from China, it will certainly
22 have to close its plant. Moreover, if these jobs are
23 lost, they will not be easily replaced. Jobs in that part
24 of Texas are hard to come by, given the downturn in the
25 energy sector.

1 We applaud PCI Nitrogen for having filed these
2 cases. We urge the Commission to make an affirmative
3 determination so that duties can be imposed to offset the
4 injury the sector is experiencing, and to save good-paying
5 jobs in the ammonium sulfate industry.

6 Thank you for your attention, and I'll be happy
7 to answer any questions.

8 STATEMENT OF BONNIE BYERS

9 MS. BYERS: Good morning, Mr. Chairman and
10 members of the Commission. My name is Bonnie Byers. I'm
11 with King & Spalding, and I'm here on behalf of Petitioner.

12 You have heard from our witnesses this morning
13 the very compelling evidence of present material injury. I
14 plan to discuss now the significant evidence that also
15 exists with respect to additional threat of injury to this
16 industry.

17 Applying the statutory criteria, the threat of
18 injury of imports from China is both real and imminent.

19 First, imports are increasing rapidly. In 2013
20 to 2015, imports increased by 682 percent from 47,000 tons
21 in 2013 to 370,000 tons in 2015, based on public data.
22 Imports in the first three months of 2016 totaled 152,000
23 tons, which was a 60 percent increase for the first three
24 months of 2015.

25 Absent the filing of petitions in this case,

1 imports for 2016 would have been much higher than in any
2 previous year, indicating not only that imports from China
3 increased but that the pace of that increase was
4 accelerating.

5 U.S. market shares also demonstrated an
6 accelerating import penetration, with Chinese imports
7 increasing their market share over the period of
8 investigation. These rates of increase in the volume and
9 market penetration of imports indicate a strong likelihood
10 of substantially increased subject imports in the near
11 future.

12 Second, imports from China are entering the
13 United States at increasingly lower prices that are likely
14 to increase demand for further subject imports at the
15 expense of U.S. producers. This will have a significant
16 depressing effect on domestic prices.

17 The average unit value of subject imports
18 declined from \$218 a ton in 2013 to \$185 a ton in 2015, a
19 decline of 15 percent. Average unit values also declined by
20 another 11 percent in 2016 to \$165 a ton.

21 The pricing product data also supports a finding
22 that subject imports are entering at prices that are likely
23 to have a significant depressing and suppressing effect on
24 domestic producers' prices. For pricing product one, for
25 example, prices fell over 44 percent from \$340 a ton in the

1 first quarter of 2013 down to \$233 a ton in the fourth
2 quarter of 2015, and then dropping further to \$189 a ton in
3 the third quarter of 2016.

4 The unfair and declining prices of subject
5 imports for this very price sensitive product will stimulate
6 demand for additional Chinese imports in the near future.

7 Moreover, purchaser responses in the record of
8 this investigation demonstrate that U.S. producers were
9 forced to lower prices due to the presence of dumped and
10 subsidized subject imports.

11 Third, China's capacity to produce ammonium
12 sulfate is significant and growing. China is now by far the
13 largest producer of ammonium sulfate in the world,
14 accounting for about 38 percent of total global capacity.

15 China's capacity has skyrocketed from 5.5 million
16 metric tons in 2012 to 12.5 million metric tons in 2016.
17 Because ammonium sulfate production is so capital intensive,
18 producers have a very strong economic incentive to export
19 their excess capacity in order to lower their fixed per-unit
20 cost of production. The amount of excess capacity in China
21 is absolutely staggering.

22 For example, China's fertilizer trade association
23 reported that in 2015 China's ammonium sulfate capacity was
24 11 million metric tons. In that same year, China only
25 produced 8 million metric tons, signifying a capacity

1 utilization rate of only about 73 percent.

2 Moreover, most of what China does produce now
3 goes into the export market. In 2015, China exporter 5.3
4 million metric tons of ammonium sulfate, but only consumed
5 2.8 million metric tons.

6 That means that for every ton that China consumes
7 domestically, it is now exporting 2 tons. Moreover, China's
8 demand for ammonium sulfate is now forecasted to grow at a
9 rate that will ever catch up with this increasing capacity
10 in production.

11 Fourth, significant new capacity is slated to
12 come online in China within the next couple of years, most
13 of which will focus on the export market because, as noted,
14 China already produces far more than it can consume.

15 We've provided information regarding specific
16 capacity expansion projects in our prehearing brief, and
17 China's fertilizer trade association estimates that new
18 capacity exceeding 4 million metric tons is going to come
19 online in China within the next several years.

20 Fifth, many Chinese producers are highly export
21 oriented and have invested in capacity design specifically
22 for the export market. About 90 percent of the ammonium
23 sulfate consumed in China is standard grade ammonium
24 sulfate. By contrast, the vast majority of exports to the
25 U.S. were in granular form. Chinese ammonium sulfate

1 compactor Wu Zhoufeng, for example, exports nearly all the
2 ammonium sulfate it produces.

3 Other ammonium sulfate producers and trading
4 companies in China are installing compaction capacity
5 specifically aimed at the U.S. market.

6 In addition, Chinese producers face significant
7 antidumping duties in Mexico, between 44 and 80 percent.
8 Absent relief in the United States, those exports are very
9 likely to be redirected to this market.

10 Moreover, China is now facing saturation in most
11 of its Southeast Asian markets, which means that its excess
12 production will have to find other outlets, most likely the
13 United States.

14 Sixth, the United States is an extremely
15 attractive market for Chinese exporters. There are no
16 ordinary duties on ammonium sulfate in our market. Demand
17 for ammonium sulfate in the U.S. is significant, and it's
18 growing, and Chinese producers are now investing in new
19 production and compaction capacity to target the huge U.S.
20 market for granular grade ammonium sulfate.

21 Seventh, the number of U.S. companies importing
22 ammonium sulfate from China is growing rapidly. In 2013,
23 the vast majority of import volume was brought into the U.S.
24 by Gavilon, according to public ship manifest data. Now
25 there are over a dozen importers entering Chinese ammonium

1 sulfate into this market.

2 There are absolutely no barriers to entry for
3 Chinese product. Gavilon paved the way, and now there are
4 many routes for Chinese ammonium sulfate to enter the U.S.
5 through a host of importers.

6 Eighth, as confirmed by the Department of
7 Commerce, ammonium sulfate producers in China benefit from
8 significant and highly distorted countervailable subsidies
9 that are likely to increase production and export of
10 ammonium sulfate.

11 Finally, the financial condition of Petitioner
12 and the supporting producers materially worsened from 2013
13 to 2015, leaving domestic producers extremely vulnerable to
14 further material injury in the absence of trade relief.

15 Moreover, the domestic industry is already facing
16 increases in their raw material prices in the fourth quarter
17 of 2016, and into this year. The increases in raw material
18 costs contribute to the vulnerability of the domestic
19 producers and will make them even more susceptible to injury
20 from subject imports in the absence of relief.

21 Thank you. This concludes our presentation and
22 now we would be happy to answer your questions.

23 CHAIRMAN WILLIAMSON: Good, thank you. I want
24 to thank all the witnesses for coming today and taking time
25 from your businesses to be here.

1 This morning we're going to begin our questioning
2 with Commissioner Schmidtlein.

3 COMMISSIONER SCHMIDTLEIN: Alright, thank you.

4 Good morning. I'd also like to thank you all for
5 taking the time to be here with us today.

6 Mr. Mazzella, I think I'm going to start with a
7 question for you. You said in your testimony that we deal
8 with highly sophisticated buyers and these customers are
9 extremely familiar with market conditions as well as the
10 prices available from other parties.

11 Can you talk a little bit, given the
12 sophistication of your buyers about how the costs of raw
13 materials affects your prices? So for this particular
14 product, obviously the cost of the main raw materials is a
15 large portion of the cost of that product, so are buyers
16 aware of that and do they use that in negotiations with you.

17 MR. MAZZELLA, JR.: This is Elio Mazzella, Jr.
18 from PCI Nitrogen.

19 I think, as the buyers, they're going to look at
20 it. When it's to their advantage, they'll try to use it.

21 COMMISSIONER SCHMIDTLEIN: Okay.

22 MR. MAZZELLA, JR.: So if they see our raw
23 material prices going down, yeah, they're going to try and
24 say Rentech they're completely different markets. And I
25 think over the period of investigation you know our raw

1 material prices of ammonia and sulfur were basically
2 skyrocketing in 2014 while our ammonium sulfate was going
3 down.

4 As a producer, yes, you would love to, as you
5 have higher raw material, pass the cost on. You know a big
6 problem here and a huge problem that Rentech had and we saw
7 that up close and personal was that it couldn't be passed
8 on.

9 COMMISSIONER SCHMIDTLEIN: Okay.

10 MR. MAZZELLA, JR.: So raw material, but it's
11 completely separate markets.

12 COMMISSIONER SCHMIDTLEIN: So if they did see
13 prices of raw materials going down, then would that be
14 something you'd have to react to in your negotiations with
15 them?

16 MR. MAZZELLA, JR.: No.

17 COMMISSIONER SCHMIDTLEIN: I mean I understand
18 the demand was growing so strongly during this period.

19 MR. MAZZELLA, JR.: No, it's just that,
20 typically, the buyer will try to use a talking point, but
21 no, we're not looking at our pricing at all and saying this
22 did this or we're doing this that. No, ammonium sulfate is
23 globally traded. It's a very independent market. It has
24 its own supply and demand fundamental, so you know.

25 COMMISSIONER SCHMIDTLEIN: Mr. Hamilton, would

1 you like to comment on that for AdvanSix?

2 MR. HAMILTON: Mike Hamilton, AdvanSix.

3 And I agree with his testimony. I believe that,
4 for the most part, our purchasers of ammonium sulfate
5 ultimately look at the produce based on the value, so the
6 growers understand by adding sulfur to their crops that they
7 get crop yield increases and that's going to drive more
8 economic benefit from them. And I believe the buyers,
9 whether they be distributors or retailers, are typically
10 looking at the supply/demand of ammonium sulfate, not raw
11 material prices.

12 And it's funny that you ask that because just in
13 the past three or four days our CFO sent me an email saying
14 that natural gas prices were going up and I should think
15 about a price increase. And I sent him a very heated email
16 back that our buyers don't respond to natural gas prices
17 moving up or down. Our buyers respond to changes in the
18 market of ammonium sulfate from the supply/demand
19 standpoint.

20 COMMISSIONER SCHMIDTLEIN: Okay. So you find it
21 difficult to pass on cost increases?

22 MR. HAMILTON: I believe that, for the most part,
23 that if raw material prices increases go up it's not
24 necessarily going to transfer into a price increase for
25 ammonium sulfate. I mean that has to be driven by the

1 supply/demand characteristics in the AG markets, not by the
2 price of natural gas.

3 COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank
4 you very much.

5 Let's switch gears back to your testimony, Mr.
6 Mazzella. You also mentioned the supply constraints that
7 the staff report talks about, that there were some
8 purchasers who indicated that they had experienced supply
9 constraints. And from PCI's perspective, you never had an
10 issue in terms of being able to fill orders or requests.

11 MR. MAZZELLA, JR.: This is Elio Mazzella, Jr.,
12 again.

13 No, we never ran out of product ever. You know I
14 think Rentech would've loved if we sold enough that we
15 could've done that. I mentioned in the testimony that we
16 have a bunch of warehouses throughout the Midwest, so we
17 produce in Pasadena, Texas, where we never ran out of
18 inventory. And in Pasadena, we are on the Houston ship
19 channel, so we can load barges. We also are on the
20 Burlington Northern Railroad and the Union Pacific and Texas
21 is also a big truck market. So just from the Pasadena
22 facility, we could pretty much economically hit as far as
23 east as Pittsburgh going up the river system and as far west
24 as the Pacific Northwest by going on the railroads and up to
25 Minneapolis.

1 In addition to that, we have 10 warehouses
2 throughout the Midwest and they'll span from Owensboro,
3 Kentucky to St. Paul, Minnesota, kind of Burns Harbor,
4 Indiana, which is the Chicago area and we never ran out of
5 any of those spots either, so you know our marketing
6 strategy is that we're hoping that, in season, which is the
7 fall and spring, we're going to see good demand, so we make
8 sure no matter what we have tons in places.

9 You know during this period what ended up
10 happening was we couldn't sell all the tons, so we were
11 using all that offsite storage just to really manage
12 inventory to try to keep the plant running at first.

13 COMMISSIONER SCHMIDTLEIN: Okay. Mr. Hamilton,
14 would you like to comment on this too?

15 MR. HAMILTON: Yes, I'll respond. Mike Hamilton,
16 AdvanSix.

17 As I noted in my testimony, we're the world's
18 largest single production site of ammonium sulfate and as
19 such, our goal is to sell as much as we can. We've
20 developed a very large global footprint of the product. So
21 in result of that, we have quite a bit of sales in the
22 Southern Hemisphere, quite a bit of sales in the Northern
23 Hemisphere and a couple of times in the past several years,
24 due to sort of the vagaries and variation of seasonal demand
25 overlapping, we had, on a couple of occasions, reduced our

1 willingness to take orders temporarily in order to make sure
2 we could meet our commitments.

3 COMMISSIONER SCHMIDTLEIN: Okay. And was that
4 during a peak season?

5 MR. HAMILTON: Obviously, it's more likely to
6 occur during peak season than it would be during the off
7 season.

8 COMMISSIONER SCHMIDTLEIN: Okay.

9 MR. ORAVA: Steve Orava for PCI.

10 One of the comments in the pre-hearing report
11 suggested that AdvanSix was withdrawing from parts of the
12 market and Mike you might want to address that as well, but
13 they were being pushed out of markets more than being -- you
14 know pulling back because of some sort of supply
15 constraints. The pricing was just so severe that they had
16 to pull back from markets because they simply couldn't
17 compete with the Chinese import.

18 COMMISSIONER SCHMIDTLEIN: Okay. Do you want to
19 comment on that and could you expand a little bit more on
20 your statement?

21 MR. HAMILTON: Yes. I mean our footprint in the
22 U.S., at one time, expanded further West, particularly, in
23 the northern plains. And due to the impact of pricing on
24 imports and I think as Elio, Jr. mentioned in his testimony
25 when we looked at our business we look at our margins based

1 on price minus freight. Freight is a very significant
2 portion of the cost of doing business in the fertilizer
3 industry. And when you look at the price depression caused
4 by imports and some of those parts further west in our
5 markets it did not make sense for us to do business there.

6 So as I note in my testimony, we've made some
7 commercial changes and some of those changes are to change
8 the footprint in which we've sold, somewhat.

9 COMMISSIONER SCHMIDTLEIN: So can you expand a
10 little bit on your statement prior to that that due to the
11 vagaries of seasonal demand or overall demand around the
12 world that you had some instances where you were refusing to
13 accept orders? Do you have any more specifics or could you
14 follow up in the post-hearing brief with a little more -- be
15 a little more specific about that?

16 MR. HAMILTON: Yeah, I think it'll probably be
17 better to follow up post-hearing. Yes.

18 COMMISSIONER SCHMIDTLEIN: And what kind of
19 volumes are we talking about when you said that?

20 MR. HAMILTON: Yeah, we could do that. We could
21 follow up in a post-conference brief.

22 COMMISSIONER SCHMIDTLEIN: Okay, that would be
23 great.

24 Mr. Mazzella?

25 MR. MAZZELLA, JR.: I've read that pre-hearing

1 brief as well and the fertilizer market, in general, is a
2 small market in terms of number of buyers. So if anybody
3 did have -- if a customer of AdvanSix is said he couldn't
4 get product, 99 percent chance we know them and we know them
5 very well.

6 One of the things at IOC we don't just sell
7 ammonium sulfate. We sell all the other fertilizers, so
8 we're very involved with the other people who are some of
9 the importers and also all of the end users, regardless.
10 They could've very easily picked up the phone to call us.
11 And you know one of the things I read in the pre-hearing
12 brief was that they talked about, I think, product not being
13 available like on the Illinois River and we have warehouses
14 in Rock Island, Illinois, Camacho, Iowa, which is on the
15 upper Mississippi River, right on the border of Illinois,
16 Burn Harbor, Indiana, which covers northeastern Illinois,
17 and we always had product. And kind of what lead to my
18 comment at the end of my testimony where it was don't waste
19 your time. You can't compete." That was exactly it. You
20 know I talked to those people and I would assume who
21 might've given those comments as people that we wish they
22 came to us to buy from us.

23 COMMISSIONER SCHMIDTLEIN: So did you ever get
24 calls over this period from purchasers who said I can't get
25 it from another domestic supplier?

1 MR. MAZZELLA, JR.: No.

2 COMMISSIONER SCHMIDTLEIN: Can you --

3 MR. MAZZELLA, JR.: No. And there were customers
4 that we were always trying to get into. It was very public.
5 You know with Rentech being a public company, to our chagrin
6 as the marketer, they would always give out the info. We're
7 increasing capacity. We're doing this. And with that, we'd
8 put on a very strong sales push. And you know some of the
9 big importers we directly approached. We do business with
10 other products and you know we completely given a stiff arm,
11 basically, saying don't waste your time.

12 And they're people that we're friendly with. I
13 mean we do a lot of other business. So it was almost more
14 like a friendly thing being like, Elio, don't waste your
15 time. So if they really needed product, if they had an
16 outage in the spring, we cover from the warehouses I said
17 all the way west to Shelby, Montana. So there was not a
18 spot that a customer should've had an outage if they wanted
19 to call a U.S. producer.

20 COMMISSIONER SCHMIDTLEIN: Okay. Well, my time
21 is about to run out, but I'm just sort of curious. Can you
22 talk a little bit about why there wasn't any Chinese product
23 in the market before 2013? From what I understand, you know
24 demand was really taking off or it looks like demand took
25 off over the POI and right around that time the Chinese come

1 in with granular product, which is what U.S. farmers are
2 using. So was demand taking off before and they were
3 ramping up? I mean was that just a coincidence that they
4 actually hit it just right? Like why was there nothing in
5 the market before then?

6 MR. MAZZELLA, SR: Well, you hit on the head when
7 you turned around and said the word "granular" product. The
8 USA is a granular product market for all of its fertilizer
9 needs.

10 As was mentioned, it's a sophisticated market
11 with spreading patterns of the material into the farms, the
12 soils, and so on. Just picture a big soil spreader, okay,
13 if you have a very small product, as Mike had mentioned
14 earlier, which is standard grade in size of salt or sugar it
15 can't spread very evenly and very far, just doesn't have the
16 volume to it.

17 The U.S., at one time, going back 30 years ago,
18 was a standard grade pro market, but due to efforts and
19 requirements of the larger farms, especially, in the grow
20 crops you need a bigger product that's homogeneous with the
21 other fertilizer products. So the granular was produced
22 here in the States, mostly. The customers when Rentech,
23 Agrifos and PCI went into a sole production of granular
24 that's why it was so easily accepted and easy to sell
25 because it was a product that the customers had been looking

1 forward to, okay, on a consistent basis.

2 Well, I think the Chinese at around that
3 2012/2013 level went out and bought some technology to
4 convert their standard grade by compaction method to produce
5 a granular grade.

6 COMMISSIONER SCHMIDTLEIN: And is that hard to
7 do, to convert?

8 MR. MAZZELLA, SR.: It was very hard to do and
9 still is not easy, but it's a situation that because of the
10 overproduction, as you've seen by the charts, they had to
11 take some kind of position to increase their market share by
12 going into different markets and producing a granular they
13 opened two of the largest markets in the world, the United
14 States and Brazil. So they found this new toy, okay, and
15 they started producing tremendous amounts of tons of
16 granular, which was easy to sell and gave them a premium
17 over their standard grade product, which they were selling
18 to some of the Third World country markets that utilize the
19 standard grade easier because they don't -- the fields and
20 the applications are totally different in some of these
21 places.

22 COMMISSIONER SCHMIDTLEIN: And that's what
23 happened. Alright, thank you.

24 CHAIRMAN WILLIAMSON: Okay, thank you.

25 Continuing along that line, so granular is not

1 interchangeably with the standard grade just because of the
2 way it's applied or is there other differences?

3 MR. MAZZELLA, JR.: Elio Mazzella, Jr., PCI
4 Nitrogen.

5 It's the same chemical analysis, so to a farmer
6 it's exactly the same. The question is how does that farmer
7 get it onto the field. So if you are row crop in Illinois,
8 you're going to have highly sophisticated equipment that's
9 driving down the center of the field. And as my father was
10 referring to, will spread it and it will shoot it out the
11 back and so they want an even tread.

12 If you're applying the ammonium sulfate in
13 Central America on fruit crops or vegetable, maybe you're
14 hand applying it, so that spreading capability is not as
15 important. But overall, I mean it's all the same. It's
16 all, more or less, 21 percent nitrogen and 24 percent
17 sulfur, so it's all one big global market and then within
18 there you know have a little bit of specialties.

19 CHAIRMAN WILLIAMSON: Okay.

20 MR. MAZZELLA, SR.: Excuse me, sir. It is
21 interchangeable. As Elio, Jr. said, it's the same analysis
22 of the product. It's just the most efficient way of
23 presenting it to the soil. You know before there was the
24 granular product -- and Mike could probably speak much more
25 closely to this -- many of the people spread the material,

1 the standard grade even though they didn't have the granular
2 or limited granular at that time. You can spread it, but
3 you don't get as good of an application as you would with
4 the granular.

5 MR. HAMILTON: Mike Hamilton, AdvanSix.

6 I think the primary difference is the
7 requirements, particularly, in the U.S. of growers and the
8 retailers who apply the product of to be able to do things
9 efficiently. I've traveled around the world and I've walked
10 through farms everywhere and you know one of the striking
11 features is is that U.S. growers are the most efficient in
12 the world and part of that efficiency is fertilizer
13 application. So what they're looking for is in a short
14 window of time in the spring to be able to get fertilizer
15 down and to get their crops planted. And because of that
16 they look for blends of fertilizers and those blends have to
17 have common size particles so that they spread evenly and
18 they spread a good distance.

19 I've been in rice paddies in Peru where the
20 fertilizer application efficiency is not even remotely the
21 same and so the need for granular product there doesn't
22 exist. They can either apply the various fertilizers
23 individually or even if they blend them it's not as critical
24 that the fertilizers blend as well. So U.S. farmers, and in
25 a few other places in the world like Brazil, where the

1 agriculture has reached a fairly significant level of
2 sufficiency, they'll pay more for the granular product
3 because they get the return through efficiency and
4 application.

5 CHAIRMAN WILLIAMSON: Okay, thank you.

6 Now how quickly do changes in demand for
7 fertilizer impact ammonium sulfate?

8 MR. MAZZELLA, JR.: The U.S., in general, is a
9 very mature fertilizer market. Ammonium sulfate has been
10 one of the real bright spots really with growing demand.
11 You know we should've been -- I think Mike's testimony
12 referred to it. You know that upswing in demand we ought've
13 been able to really keep more tons here in the U.S., take
14 advantage of that market, but overall, the market it's
15 pretty ratable. It's not like some other products, other
16 commodities where maybe you see like a huge spike. You know
17 we're talking 5 percent. It's kind of ratable.

18 Agriculture is very seasonable, so you get a lot
19 of forward selling, typically. So it allows time for a U.S.
20 producer to see. You know you're seeing from your customer
21 that they're expecting better demand for the spring and
22 we're seeing that today, as we speak, where now they'll
23 start ordering their tons now. So it's kind of the thing
24 that you don't really feel the increase in demand 'til after
25 the season where you're sitting and you look back. It's not

1 the kind of thing where you're waking up tomorrow and saying
2 there's a huge spike.

3 CHAIRMAN WILLIAMSON: Tell me a little bit about
4 your customers because you all keep referring to them, but
5 are they primarily -- is there a mixture of sort of
6 nationwide distributors and regional distributors? Kind of
7 describe them.

8 MR. MAZZELLA, JR.: Sure. So we have the large
9 distributors. With the large distributors you'll have the
10 Gaviolon. You'll have ADM, Archer Daniels Midland, the big
11 grain company and those are guys who are going to have
12 warehouses all throughout the U.S. and they're going to be
13 selling to retailers.

14 In addition to that, you'll have what we call the
15 end users retailers or primarily the cooperatives. At the
16 cooperatives level, you'll have some national ones, such as
17 CHS, which is Cenex Harvest States is probably the largest
18 co-op I'd say in the U.S. And then at the retail level,
19 you'll also have people like --

20 CHAIRMAN WILLIAMSON: What do they produce?

21 MR. MAZZELLA, JR.: They're just a very big
22 consumer of fertilizer. They, more or less, do everything
23 for the farmer. They will sell them seed. They will sell
24 them chemicals. They will sell them fertilizer. A lot of
25 their locations will then buy their grain. It's kind of

1 like an end all/be all for that farmer. So when you go to
2 the Midwest, you'll see big grain elevators and typically
3 attached to that grain elevator is a fertilizer warehouse as
4 well, then you kind of get to the regional co-ops. You'll
5 have like South Dakota Wheat Growers, which is a very large
6 South Dakota co-op. And then you'll get down even to the
7 next level where it'll be like a county-type co-op.

8 In addition, you'll have independent retailers.
9 The biggest one is CPS, Crop Protection Services and they
10 will just have very small locations. I mean they have
11 thousands of them spread throughout the U.S.

12 CHAIRMAN WILLIAMSON: Okay, thank you. That's
13 helpful.

14 Can you comment on what has driven the huge
15 growth in subject imports? You already talked about the
16 Chinese, I guess, developing a capacity to do granular. Are
17 there other market factors at work in addition to price in
18 terms of their ability to get into this market?

19 MR. MAZZELLA, JR.: No. I think we saw the exact
20 same thing in the Brazilian market. They just had
21 significant capacity expansion. 2011/2012 they weren't
22 compacting it and they kept significantly increasing
23 capacity. And with that they said, alright, we need to go
24 after more markets, so they put in the compaction and
25 they've really just put a huge bull's eye on the U.S. and

1 Brazil. And so it was purely driven by just we're going to
2 move these tons and they put the compaction on it and they
3 started pricing it to make sure that they moved it no matter
4 what.

5 MR. MAZZELLA, SR.: Another factor is that the
6 U.S. market, and even Brazil, to an extent, is a very easy
7 market to enter. There's no import license required. The
8 monetary currency is accepted throughout the world.
9 Basically, you can ship to the United States 12 months out
10 of the year. It's not a seasonal situation. The material
11 usage is seasonal, but you know we've got various modes of
12 transportation. You can use the Mississippi River all the
13 way up to St. Louis 12 months out of the year and 8 months
14 out of the year you can go all the way up to Minnesota.

15 So the U.S. market is a very, very attractive
16 market. Like I say, the constraints are not there that
17 other markets have. So if you can get your material into
18 the U.S. that's the market you want to go and so that's why
19 they targeted it and it's increased so rapidly. And the
20 other thing that you notice is that on the ammonium sulfate
21 some of their other fertilizers; the Chinese had an export
22 tax most of the times of the year or at various times of the
23 year, okay, for some of their other phosphates and nitrogen.
24 There has never been an export tax for ammonium sulfate by
25 the Chinese, which meant open season, okay, so there was no

1 restriction on any of the producers of ammonium sulfate to
2 China to watch or be careful for any reason.

3 MR. ORAVA: Just one other comment -- Steve
4 Orava, King & Spalding.

5 We also talked in the testimony about the
6 measures that were put in place in Mexico and for some
7 reasons we've actually seen diversion coming from Mexico
8 into the U.S. market and you know the expectation is now the
9 Chinese have one less market, although not as significant as
10 Brazil and the United States, it would still -- they were
11 still taking in granular.

12 CHAIRMAN WILLIAMSON: Have there been any other
13 cases? Brazil is an after user of the dumping law.

14 MR. MAZZELLA, JR.: We're not aware of any other
15 active cases, although you would expect, as you indicated
16 that Brazil may certainly have some concerns.

17 CHAIRMAN WILLIAMSON: Okay. Is the filing of the
18 petition the only reason imports from China decreased so
19 historically in the latter quarter of 2016 or were there
20 other factors contributes to this.

21 MR. MAZZELLA, SR.: I would say the factor that
22 they reduced their imports was the potential duties that had
23 to be paid and so it was price driven.

24 CHAIRMAN WILLIAMSON: Okay.

25 MR. MAZZELLA, JR.: I reference a EuroChem cargo

1 so that's how quick stuff can get diverted. So when Mexico
2 put their anti-dumping in, immediately there was vessel
3 going to the west coast of Mexico. It was immediately
4 diverted to the West Coast of the U.S. and that means it's
5 on the water. So the EuroChem that was going to Brazil, on
6 its way to Brazil -- you know it was seven days out from
7 Brazil and someone says, oh, you know what, we have until
8 October 15 or whatever the date was, now to get it into the
9 U.S. They changed their charter probably with the vessel
10 owner, diverted to the U.S. So you know if we weren't
11 successful here, you would immediately see vessels that are
12 going to Brazil just get diverted. It's not like there's
13 some big, long lead up. It would just be that vessel that's
14 on the water send it to the United States instead.

15 CHAIRMAN WILLIAMSON: Okay, thank you. I've
16 heard about that with other products too. Okay, thank you.

17 Vice Chairman Johanson.

18 VICE CHAIRMAN JOHANSON: Thank you, Chairman
19 Williamson. I would like to welcome all of you here today
20 to the Commission and thanks for further informing us on
21 this product.

22 Mr. Mazzella, I visited the site of the Battle of
23 San Jacinto about three years ago, which I think is only
24 about three or four miles from your plant. I'd never been
25 to the Pasadena area before, even though I'd visited Houston

1 a number times and the contribution of the Pasadena area to
2 the U.S. economy must be strong. For those of you who've
3 never visited the area between Houston or the Gulf Coast,
4 there are many, many chemical plants located there. It's a
5 major center of U.S. manufacturing. So for any of you who
6 ever visit the Houston area, this is an area worth seeing if
7 you're interested in U.S. manufacturing.

8 The pricing data, as noted in your pre-hearing
9 brief at page 22, shows that imports from China undersold
10 domestic ammonium nitrate in 14 out of 26 quarterly
11 comparisons. I'm curious. Why don't we see more instances
12 of underselling in the price comparisons?

13 MS. BYERS: Bonnie Byers with Kings Spalding on
14 behalf of Petitioner.

15 You know I think this is a pretty typical pricing
16 product scenario. In an industry like this one where
17 constantly the U.S. producers are having to decrease their
18 prices in the face of offers of Chinese product and I think
19 that's what you've seen here. You know things ratchet down.
20 Rather than lose the sales, they lower their prices and you
21 know I think this is pretty reflective of that kind of
22 scenario.

23 MR. ORAVA: Steve Orava, King Spalding.

24 You know the other factor here is that it is a
25 highly capital intensive industry. They've got to operate

1 at high utilization rates, so they need to try to push those
2 utilizations rates, so they're often incentivized to meet
3 those prices, even though it has a significant adverse
4 impact on them.

5 VICE CHAIRMAN JOHANSON: Thank you.

6 And Ms. Byers, you mentioned that the Petitioners
7 feel a need to keep selling products and matching those
8 prices, of course. And I wanted to link that to something
9 in which Mr. Elio, Jr. spoke about. You talked a minute ago
10 about the high fixed costs for domestic producers and the
11 inability to cut production. Could you please explain
12 further the nature of these high fixed costs and how they
13 impact the domestic producers' ability to adjust production
14 levels, depending upon market conditions?

15 MR. MAZZELLA, JR.: Sure. You know I don't think
16 our fixed costs are any different than a plant in China. I
17 think it's that we just -- you know, unfortunately, we don't
18 have a subsidy or anything that's allowing us to look at it
19 the way that they look at it. So, more or less, you know we
20 have a fixed number that we have to run our plant, whether
21 we produce 400,000 tons a year or 700,000 tons a year.

22 One of the things that Bonnie referred to was
23 having to sell and meet the Chinese prices, so if we were
24 priced at 200 and the Chinese were at 190, at some point if
25 you keep losing sales you have to make a decision do we

1 reduce production. When you reduce production or if you
2 take -- taking that sale you lose an extra ton. Reducing
3 production you might be taking a much bigger financial hit
4 because you're not producing enough product against that
5 fixed cost. So we have to make really an unfortunate
6 decision of what do we do here.

7 And at first, you say we have to maintain market
8 share, so you match it and you keep matching it. And we did
9 that for 18 months and then eventually Rentech just said
10 enough's enough. We have to pull the production back down
11 from the 700,000 ton rate.

12 MR. MAZZELLA, SR.: No matter what price was out
13 there, which we thought were legitimate prices for the price
14 of our product and so on and against any legitimate sellers,
15 it seems that the Chinese product always undercut us. And
16 so in reality, because of the trade practices in China and
17 their ability to sell much less -- at a less price, the U.S.
18 industry, basically, hold an umbrella up and everybody who
19 wants to -- well, the Chinese who want to bring it in have
20 that ability to go under our umbrella and continue to reduce
21 their prices.

22 I think Elio, Jr. brought that out before. You
23 know no matter what the price was we were told outright by
24 some of the importers and buyers here in the United States
25 it doesn't matter. They're going to beat you. So to have

1 that umbrella up there is you know sometimes
2 counterproductive, but you've got to give a price to your
3 customer when he wants it. And then it almost becomes,
4 okay, I'll get the price from you and beat you over the
5 head. Then I'll get their price and beat them over the head
6 and it just continues to spiral. It continues to spiral
7 because it is a fungible good. You're buying something.

8 MR. MAZZELLA, JR.: One thing I would just like
9 to say is the unique thing with the Chinese versus other
10 competitors is the Chinese they don't have a floor price.
11 And the price we're competing with the Chinese sell this to
12 a U.S. importer, who then doesn't really have a floor price,
13 so we don't even know what price they're selling that
14 importer at. And so what we've found out real quick
15 throughout 2013 was there was no bottom. You know we keep
16 going down. They keep going below us and it was just a
17 constant cycle where eventually you just had to basically
18 put your hands up.

19 MR. HAMILTON: Mike Hamilton, AdvanSix.

20 I'll touch on the fixed cost piece of the
21 question real quick too. I think one of the things to
22 understand I mean we compete in the ammonium sulfate
23 industry globally. When we say we have high fixed costs, I
24 believe we can be cost competitive with any of our
25 competitors around the world, so it's not an instance of us

1 not being efficient, but I think the nature of running a
2 large chemical process plant is that your costs generally
3 don't go down when you slow down.

4 So if we were to reduce volume -- when you reduce
5 volume by 10 percent in a big chemical process plant,
6 workers don't go home. It takes just as many workers to run
7 the plant at 90 percent as it does at 100 percent.
8 Generally, utility costs don't go down. You're still
9 heating the same vessels and heating the same pipelines and
10 everything else, so you're spending the same amount on
11 utilities. In addition, you still have spend the amount on
12 maintaining the equipment.

13 So in general, with a chemical process plant,
14 that when we talk about having to cover fixed costs is
15 because costs, in general, don't go down when you slow the
16 plant down.

17 VICE CHAIRMAN JOHANSON: Are there physical
18 constraints to curtailing production? In other words, do
19 you have to keep the plant running?

20 MR. MAZZELLA, JR.: When you take the plant down,
21 it's a very cost-intensive process to ramp it up again. I
22 mean we've got a lot of raw material suppliers who are
23 buying from you. You have to push them back. You know
24 you're at risk of probably having contract violations there
25 as well. I know when Rentech made the decision to reduce

1 production again it was a very long process to decide that
2 because you had to get the okay with the raw material
3 suppliers. We also have 114 employees on site who if you're
4 not producing 700,000 tons and instead you produce 300,000
5 tons you know a lot of those employees are loading railcars
6 and loading barges, loading trucks, so it has an immediate
7 impact on that as well.

8 VICE CHAIRMAN JOHANSON: Yes, Mr. Hamilton.

9 MR. HAMILTON: Yes, Mike Hamilton, AdvanSix.

10 Yeah, to touch on that, I mean in order to reduce
11 fixed cost you really would have to shut the plant down so
12 you're not using electricity. You're not using fuel.
13 Employees are going home. And it's very difficult and
14 complicated to shut one of these plants down. The risk
15 involved to shutting it down and starting it back up and the
16 costs involved do not make it worthwhile to try to operate
17 on those kinds of scenarios.

18 VICE CHAIRMAN JOHANSON: Thanks for your
19 responses to that question.

20 And a minute ago, there was a discussion
21 regarding the Mexican anti-dumping investigation order on
22 the product from China. Out of curiosity, does Mexico
23 supply any product to the United States because it seems
24 like for a period of time the only major suppliers to the
25 U.S. market were Canada and U.S. producers.

1 MR. HAMILTON: Mike Hamilton, AdvanSix. To my
2 knowledge, there have been zero or very limited imports of
3 ammonium sulfate from Mexico. We've participated in the
4 Mexican market as an exporter up until the anti-dumping
5 duties that were put in place there about a year, year and a
6 half ago.

7 My understanding of the Mexican market is that
8 there is enough local production to support something like
9 80, 85% of the Mexican demand, so Mexico is a natural net
10 importer of product, and because of that, I just don't think
11 that there's much incentive for Mexican producers to export.

12 MR. MAZZELLA, JR.: And just to say, one unique
13 thing about ammonium sulfate in this country is that we have
14 production kind of spread across the board. So AdvanSix is
15 in Hopewell, Virginia, us and BASF are down on the Texas,
16 the Gulf Coast. You have Dakota Gas up in North Dakota, and
17 you have Simplot out on the West Coast.

18 You know, we're a self-sufficient market, and I
19 think you alluded to the Canadian imports which now have
20 gone down in the face of the Chinese. But the Canadian
21 market as well, you know, they export to the Pacific
22 Northwest. So it's a market that, for most other
23 fertilizers, the production is in the Gulf, or maybe a
24 production site in the Midwest.

25 Ammonium sulfate's very unique, that we basically

1 have the entire country covered, so there is never a
2 customer in this country who does not have a cost-effective
3 way to get product to their location.

4 VICE CHAIRMAN JOHANSON: All right. Thanks for
5 your responses. My time is about to expire.

6 CHAIRMAN WILLIAMSON: Thank you. Commissioner
7 Broadbent.

8 COMMISSIONER BROADBENT: Thank you. What's going
9 on with exports in this market from the U.S.? What have the
10 trends been?

11 MR. MAZZELLA, JR.: I don't know the actual
12 trend. I mean we do export our product to Brazil primarily.
13 We prefer not to. The price in Brazil is a much lesser net
14 back than we get here. Our intention when Rentech did their
15 capacity expansion was, we saw it grow in U.S. market here
16 and we were saying, you know, our goal is to keep every ton
17 here.

18 You know, I think you saw that in Rentech's, when
19 they made the announcement they were reducing -- you know,
20 they wanted us to cut out the exports to Brazil and keep
21 more tons in this market. So --

22 COMMISSIONER BROADBENT: Wait. Who did that?

23 MR. MAZZELLA, JR.: Yes, we did, and we --

24 COMMISSIONER BROADBENT: Wait. Say that again.

25 MR. MAZZELLA, JR.: Rentech wanted us to reduce

1 our exports to the Brazil market because it's a much lesser
2 price to go down to that market. So our goal as a producer
3 is to keep every ton we can in the U.S. market.

4 COMMISSIONER BROADBENT: Okay. And then, when
5 the, I guess, Honeywell spun off a company -- but there's a
6 dumping duty in Mexico on the exports from the U.S.; is that
7 right?

8 MR. HAMILTON: Yes, that's correct.

9 COMMISSIONER BROADBENT: Okay. And then, what
10 was the pricing on that product? Like, these would be the
11 Mexicans.

12 MR. HAMILTON: So one of the things that I think
13 we have to -- the difference between our two production
14 processes is -- the production process that they're
15 describing, they produce 100% granular. The nature of our
16 production process is that we produce both granular and
17 standard and as noted in some of the earlier testimony,
18 standard is generally not as well -- the demand for standard
19 in the U.S. is not as high because of the level of
20 sophistication in agriculture.

21 So most of the product, almost all of the product
22 that we ship to Mexico was of standard product, and the
23 pricing of standard product because of the nature of high
24 sophistication of farmers willing to invest a higher price
25 for granular. The prices for standard are generally lower

1 than that of granular.

2 So I don't think the price in the Mexican market
3 for the standard necessarily is relevant to the prices of
4 the granular market in U.S. because they are generally
5 looked at as different products, even though the nutrient
6 qualities are the same.

7 COMMISSIONER BROADBENT: Okay. So how much --
8 does anybody have any sense of how much was being sold to
9 Mexico? And what the duty was that the Mexican applied?

10 MR. HAMILTON: I'm sure I would give you numbers
11 that probably aren't exact, but I believe Mexico consumes
12 somewhere in the order of 1.6 to 1.8 million tons, and I
13 think something like 150,000 tons of that has generally been
14 imported. I do know that we have exported somewhere between
15 50- and 100,000 tons to Mexico.

16 COMMISSIONER BROADBENT: Okay.

17 MR. HAMILTON: Largely standard though.

18 COMMISSIONER BROADBENT: Now, Mr. Mazzella and
19 Mr. Hamilton, how do your two companies compete on price?
20 And how does it compare to how you compete with the Chinese
21 on price?

22 MR. HAMILTON: I mean we are -- obviously, we are
23 separated by a fair amount of U.S. They're in the Gulf and
24 we're on the East Coast, so there are regions where I do not
25 believe we have -- you know, we have limited competition,

1 but there are other regions where, you know, we're
2 definitely head-to-head direct competitors. And I, you
3 know, I think we compete on price like any other competitors
4 in a market.

5 From my standpoint over the past three years, if
6 I look at the impacts where we've had to reduce price, you
7 know, most of the time, when sales come to me, sales folks
8 come to me and say we've had to reduce price, it's been
9 because of Chinese competition. There are imports coming
10 into the market and our customers are getting offers at a
11 price where they cannot afford to buy our product at the
12 price we're offering based on the price that's being driven
13 by the Chinese. In order to compete in that market, we're
14 going to have to lower our price or we're going to have to
15 say no. We're going to have to give up the sale.

16 MR. MAZZELLA, SR.: Domestic competition is a lot
17 driven by logistics. When you look at rail freights, barge
18 freights, so on and so forth, you know, there's areas of the
19 United States that we can hit a lot easier than Mike's
20 customers and vice versa. So when you look at your
21 marketplace and your competition, your customer only cares
22 about his delivered cost. Couldn't care less about the FOB
23 or whatever. He's looking at his delivered cost.

24 So in those areas where we might overlap,
25 legitimate competition is good for the market, and we've

1 accepted that we'll compete on price and personalities and
2 supply, timing and everything else. So, you know, it's --
3 that's the way we compete. And, you know, the best man gets
4 the piece of business.

5 MR. ORAVA: Steve Orava with King & Spalding.
6 Just one point. I've learned a lot from listening to these
7 guys, and one of the things in the highlight earlier about
8 the diverted shipments -- it doesn't take much for the
9 Chinese imports in this--basically a fungible--commodity
10 product to really infect the pricing across the country.
11 You know, there's sophisticated buyers that -- there's a lot
12 of transparency in what's going on, and so a few shipments
13 at significantly lowers prices than market really have a
14 significant ability to impact those price negotiations.

15 MR. MAZZELLA, JR.: Just to elaborate there, that
16 was the interesting part, I think, as we started seeing the
17 Chinese imports. First, we saw barges getting offered in
18 Mississippi, which makes sense. They discharge a vessel in
19 New Orleans, they barge it to Mississippi. Then we see it
20 in St. Louis, then St. Paul, and next we know, they're in
21 North Dakota.

22 And to get to North Dakota from coming into New
23 Orleans is extremely expensive, yet somehow they were more
24 or less offering the same price to customers in North Dakota
25 that they were offering on barges on the river system.

1 Which means that they were taking nothing into account on
2 their logistics cost. It was 100% volume-based.

3 Because any other product you would import, or
4 anything we sell from our plant, we're looking at -- it
5 costs us \$20 to get to them or \$60, that's a legitimate
6 cost. You have to take that into account when you price it.
7 Somehow the Chinese product never takes that into account.

8 COMMISSIONER BROADBENT: Are you looking at the
9 Chinese price as -- I mean they have to assume a lot of
10 logistics costs coming all the way from China, getting out
11 of China, getting here.

12 MR. MAZZELLA, JR.: I think it's the price that
13 the importers are bringing in from China is so low that to
14 them, they want to make the volume work. So that's how much
15 room they have to just infiltrate the U.S. market.

16 COMMISSIONER BROADBENT: One of the earlier
17 witnesses, and I don't know who said it, said they needed a
18 market based rate of return even if the product is a
19 co-product or something else that's being produced. Why is
20 this? If you're making a product that's a co-product, why
21 do you need a market based rate of return?

22 MR. HAMILTON: The nature of how we produce
23 caprolactam and ammonium sulfate when you, you know, there's
24 various chemical raw material inputs that go into this
25 process and, you know, the nature of many chemical

1 processes, not just this particular process is, is that when
2 you have a chemical reaction, ultimately you make two
3 different products. You have one output, you have another
4 output.

5 In our plant we make, on the order of one a half
6 billion tons of ammonium sulfate. It's four times the
7 amount of the caprolactam that we make. And there's
8 significant raw materials that go into making that ammonium
9 sulfate, so in order for our business to be successful as a
10 whole, then we can't afford to lose the revenue that we have
11 on this particular product and still survive and be
12 profitable.

13 As we noted, we have hundreds of millions of
14 dollars of revenue that are based on this product. And
15 that's a substantial portion of the revenue we have as a
16 business. And we have to maintain this as a successful
17 business.

18 COMMISSIONER BROADBENT: Okay. Are there
19 specific agricultural end uses that require ammonium
20 sulfate? Or is it generally just kind of preference for the
21 farmer?

22 MR. HAMILTON: For the most part, ammonium
23 sulfate is a good fertilizer across the board for crops. In
24 the one instance in which it's not used as much is on
25 soybeans. Beans and legumes in general do not need as much

1 nitrogen because they have the ability to fixate nitrogen
2 with nodules on the root system, so they don't tend to use
3 as much nitrogen on bean crops. But they still actually do
4 benefit from the sulfur.

5 And we're actually doing some research looking at
6 ammonium sulfate on soybeans in various regions right now to
7 see the benefits of potentially farmers using it on soybeans
8 as well. But otherwise, it's generally applicable to all
9 crops. There are some crops like cotton and canola that
10 need more sulfur than other crops, so there are some
11 variations, but in general it's a very good fertilizer for
12 most crops.

13 COMMISSIONER BROADBENT: I took note of your
14 comment about sulfur from the sky and not having as much of
15 that available now. Are there environmental regulations
16 that impact demand for ammonium sulfate?

17 MR. HAMILTON: I think other than the regulations
18 that went into place over the last, I'd say quarter of a
19 century -- I mean we actually have some maps where we've
20 used promotional literature where we've shown sulfur
21 deposition from 1990 to current times -- I'm not really
22 aware of other regulations that have had an impact.

23 I mean certainly in areas of the country,
24 particularly if you look in the Corn Belt, Ohio, and that
25 places the amount of sulfur deposition over 25 years, it's

1 significantly decreased. And so, that has reduced the
2 amount of sulfur deposition on farmer's fields, and so
3 they've had to put that back.

4 But it's also important to note that the increase
5 in yields -- I mean you're taking more crops out of the same
6 amount of acreage -- so that's required more fertilizer to
7 be applied in general. I mean you're producing more food in
8 the same amount of acreage, so you have to put more
9 nutrients in, so that's also been a factor.

10 COMMISSIONER BROADBENT: Okay.

11 MR. MAZZELLA, JR.: One thing additional. It's
12 not really regulation, but after the West fertilizer
13 explosion, ammonium nitrate consumption has gone down
14 significantly. I don't think much of it is regulation. I
15 think it's honestly been driven more by banks and insurance
16 companies. And so customers just can't buy the product
17 anymore.

18 So ammonium sulfate demand, that is one of the
19 things that has helped drive the increase in demand. A lot
20 of farmers will blend ammonium sulfate with urea. That's
21 why it's a granular product we talked about. And that's a
22 fairly good replacement for the ammonium nitrate.

23 COMMISSIONER BROADBENT: Okay. Thank you. Mr.
24 Chairman.

25 CHAIRMAN WILLIAMSON: Thank you. Commissioner

1 Schmidtlein.

2 COMMISSIONER SCHMIDTLEIN: This is just an aside.

3 Is ammonium nitrate what people use to make homemade bombs?

4 MR. MAZZELLA, SR.: Yes. There's different
5 grades, but yes.

6 COMMISSIONER SCHMIDTLEIN: Different grades?

7 MR. MAZZELLA, SR.: Yes, the ammonium nitrate is
8 the one that has --

9 COMMISSIONER SCHMIDTLEIN: That's the fertilizer
10 that people use? Okay. And so has that affected it? Has
11 there been tightening of the --

12 MR. MAZZELLA, SR.: I think as Elio said, yes,
13 there's been a tightening of the usage, not as much by
14 regulation. Yes, there's been some regulation regarding
15 having fences around the plants that handle it and so on and
16 so forth. But a lot of the stuff has been self-imposed. A
17 lot of barge lines will not transport it anymore. And a lot
18 of the insurance companies -- for example, if we have a
19 warehouse that also -- that we lease a warehouse where
20 there's also ammonium nitrate that's leased there, a lot of
21 times the insurance companies will not allow us to do it.

22 MR. MAZZELLA, JR.: Even if it's not our ammonium
23 nitrate. Even if it's just on the same site, insurance
24 companies don't want to --

25 COMMISSIONER SCHMIDTLEIN: Right. Interesting.

1 I apologize if this was already discussed. Do European
2 farmers use granular ammonium sulfate?

3 MR. MAZZELLA, JR.: Yes.

4 COMMISSIONER SCHMIDTLEIN: Are they producing it
5 themselves in Europe and --

6 MR. MAZZELLA, JR.: Yes.

7 COMMISSIONER SCHMIDTLEIN: Okay.

8 MR. MAZZELLA, JR.: We'll compete with them in
9 the Brazil market, they'll come to this market, you know,
10 but they -- they're just a -- we look at them as a
11 legitimate competitor who's just as market driven and looks
12 at their costs the same way we do.

13 COMMISSIONER SCHMIDTLEIN: Right. Have the
14 Chinese been, as far as you know, been sending product to
15 Europe?

16 MR. MAZZELLA, JR.: Not that we've seen yet.
17 Logistically, the European ports or the European farmer,
18 everything's just a little bit smaller there. So when the
19 Chinese are coming here, they're coming in 25- to 50,000 ton
20 vessels. To go to Europe, you have to go in a 5- to 10,000
21 ton vessel. It's a lot more difficult to come from China,
22 to get to Europe.

23 MR. MAZZELLA, SR.: Another thing, imports into
24 Europe, or exports into Europe, however you want to phrase
25 it, very, very difficult. They're a controlled market. A

1 lot of them, they have duties on their material, like we,
2 for example, have a 6.6% duty to send any of our phosphates
3 over there, so they have duties and it's a pretty
4 well-protected market.

5 COMMISSIONER SCHMIDTLEIN: Okay. The last
6 question I wanted to ask was sort of a clarification of our
7 earlier discussion about the connection between raw material
8 costs and the price of your product. And we talked a little
9 bit about that there's sort of a disconnect in the sense of
10 falling, raw material costs don't always translate into a
11 need for producers to reduce their prices.

12 And so I just wanted to be sure I understood you
13 that -- are you saying, even in the absence of Chinese
14 imports, that in your view, are affecting the prices here,
15 would you not be able to pass on increases in cost to
16 customers?

17 MR. MAZZELLA, JR.: I don't think you'll ever be
18 able to pass on one-to-one. But in 2014 when we saw the
19 price of ammonia skyrocketing? You know, Rentech was
20 pushing us, saying hey, our raw material cost is going up.
21 You have to push this up. It would've been easier to do
22 that if it wasn't the -- with the Chinese imports, we were
23 collapsing.

24 And they kept pushing us, saying, hey, our
25 ammonia price is going up \$50, you know, you have to

1 somehow, you have to raise the ammonium sulfate price.
2 We're reporting back to them, if you want to produce more,
3 we actually have to lower. So while it's something that
4 you're going to try to use as a sales tactic to try to help
5 to offset that cost, it's never a for sure thing. You know,
6 unfortunately they're completely independent markets.

7 COMMISSIONER SCHMIDTLEIN: Had either of you
8 tried to -- you know, given the increase in demand here,
9 were you trying to increase prices during the POI at all?
10 And couldn't?

11 MR. HAMILTON: For the most part during the POI,
12 the overriding factor in the market was the Chinese increase
13 in imports, and that was driving price down. So we have
14 tried to increase price. In general, the seasonal nature of
15 fertilizer means that price is higher in the Spring. In the
16 Fall, typically we will reduce price in order to incentivize
17 the building of inventories by our customers.

18 And so generally there's a point in time where
19 you'll reduce price and you'll start to increase price again
20 as you move towards Spring. And as I think it was a part of
21 one of the testimonies, I think from the opening remarks is
22 that in 2015-16 was the first time in the period of
23 investigation that we saw prices actually lower in the
24 Spring than in the Fall. So even though we tried to raise
25 price, we weren't able to do so.

1 MR. MAZZELLA, JR.: I will say, since the
2 preliminary duties, we've seen a much more normal market
3 now. We are raising prices. We've see what we call our
4 Winter Fill program right now, where we're selling people
5 tons for Q1 and then we'll spread out shipments. And we put
6 on the book, and then we raise the price. And that's the
7 kind of traditional market dynamics you would have. And so
8 for the first time in three years, we're actually getting
9 back to what we would consider normalcy.

10 MR. ORAVA: There is some information on the
11 record that does indicate that price announcements were
12 tried, put out in the market and they were unable to hold
13 those price announcements for increases.

14 COMMISSIONER SCHMIDTLEIN: Okay, if you --

15 MR. MAZZELLA, JR.: We'll flag that for you.

16 COMMISSIONER SCHMIDTLEIN: -- if you'd like to
17 flag that in the post hearing, that'd be helpful. Okay.

18 MR. MAZZELLA, SR.: Can I just get in there one
19 second. It's an interesting point. We're talking about raw
20 material costs here. We're producers of ammonia, natural
21 gas, we have our own sulfuric acid facilities and so on.
22 China is not a producer of ammonia to any extent, so they
23 have to buy their ammonia. They have to buy all their raw
24 materials, import it into the country and yet, they're still
25 able to beat our pricing substantially, even though they're

1 importers of the raw materials.

2 MR. MAZZELLA, JR.: Yeah, in that plant the Price
3 X factory in China today is about \$70 a ton. Our cost just
4 to buy our ammonia, we haven't bought sulfur and we haven't
5 hired an employee yet or turned down a plant, is about \$70 a
6 ton, just the ammonia. So again, with the Chinese
7 marketing, with their production, it just defies typical
8 economics. And we look at these numbers and we say, you
9 know, for the past three years, well, they have to raise
10 their price. They have to. And somehow they keep operating
11 at negative cash flow. How does that continue to happen?

12 COMMISSIONER SCHMIDTLEIN: All right, thank you.
13 I don't have any further questions.

14 CHAIRMAN WILLIAMSON: Thank you. Mr. Houseman,
15 this is interesting, and I think it's one of the first ones
16 I've sent where most of the plants that producers are
17 unionized and I was just wondering -- any reason why that
18 is? Is that because of the nature of chemical industry?

19 MR. HOUSEMAN: Yeah, I mean historically, OCAW,
20 in the organizing that was done at the time, you know -- and
21 it's interesting actually, as you pointed out as well,
22 having multiple affiliate unions -- at the Hopewell
23 facility, for example, it's a tradition that's -- the
24 facility's been around for a long time and so you've had
25 different affiliates that came in, and it's kind of a joint

1 venture, which is interesting.

2 It's not, as you see at steel facilities where
3 it's typically wall-to-wall, one company or another. And
4 then I find one thing I guess another comment, too, that I
5 find interesting is -- you know, you guys have seen James
6 Sanderson here from the steel industry, Georgetown mill, my
7 plant as well. One of the first things that workers
8 oftentimes hear is when a plant is threatened with, you
9 know, a situation like it is at PCI Nitrogen where you have
10 a company that's looking to sell the plant or close it,
11 those workers at those facilities are looking for another
12 buyer and are hoping that someone will come in and save the
13 day.

14 And the Mazzella family here, they came in and
15 they did that. And they provided over 100 jobs there at
16 that facility, the opportunity for a second opportunity.
17 And there's a lot of plants that you guys end up dealing
18 with in these trade cases that they don't get that same
19 opportunity. And so that's why I'm really hopeful for this
20 case. Thanks.

21 CHAIRMAN WILLIAMSON: Thank you. Is there much
22 innovation that sort of goes on in the plant, at the plant
23 level? Are the workers, are they having to be constantly
24 sort of trained and upgraded to stay competitive? Is that a
25 factor here at all?

1 MR. MAZZELLA, SR.: Well, yes it was, especially
2 with the Agrifos situation. It's a totally new process that
3 was developed. When they closed the phosphate operation
4 down, you had the plant there with nothing to do, and the
5 management at that time, and under some of our suggestions
6 and so on since we were the exclusive distributor for
7 Agrifos at the time, we all got together and talked and you
8 know, one of the products that they came up with was, well,
9 we can produce ammonium sulfate.

10 And we looked at that, we thought about the
11 marketing, the sales, and what do we want to do? Make
12 ammonium sulfate? Yes. Okay, what grade of ammonium
13 sulfate? And sizing and everything came into it. And this
14 is where the plant personnel came in, very, very strongly
15 and who knew the plant intimately, from its years of
16 production of phosphates and granulating there anyway,
17 screening material, and they came up with this system which
18 is a patented system that was developed, so innovation, yes.
19 From our point of view, very good innovation.

20 CHAIRMAN WILLIAMSON: Good. Thank you for that.

21 MR. HAMILTON: As Roy noted, our plant has been
22 in operation for an extremely long time. We've built a
23 nitrogen fertilizer plant in Hopewell in 1928 and we started
24 caprolactam and ammonium sulfate production there in 1954.
25 So, the facility is not in any way a new facility, but I

1 think, you know, from our engineers, our technology people,
2 down to people who are working on the plant floor every day.

3 I mean we have a pretty strong culture of
4 constant innovation. So even -- you know, whether or not
5 you call it big scale innovation like you've described, or
6 just looking, I don't know, how to make products better, how
7 to make quality better, how to reduce costs, how to be more
8 efficient, I mean is something that we expect out of all of
9 us every day. So I believe yeah, we have a very strong
10 culture of that.

11 CHAIRMAN WILLIAMSON: Good. Thank you. You've
12 touched on it briefly, thinking about competition between
13 domestic and U.S. producers. And I guess logistics does
14 play a role. I wonder if you could expand on that and to
15 what extent do producers serve different markets? That
16 includes not just different agricultural markets, but I
17 guess there are other nonagricultural uses for the product?

18 MR. MAZZELLA, JR.: I think as you mentioned
19 logistics, I would say that is definitely the driving force.
20 So at Pasadena, we're on the Union Pacific, and the
21 Burlington Northern Railroad. If you're east of the
22 Mississippi River, you're either on the Norfolk Southern or
23 the CSX Railroad.

24 So for us to rail something from the plant and go
25 from one of our railroads onto one of the eastern railroads

1 is very expensive, and it's very inhibitive to do it. So I
2 would say that's really one of the driving forces. So how
3 do we combat that? We go on barge. And then we'll barge up
4 to, say, Cincinnati and go to our warehouse and put it onto
5 a truck. But again, you know, a producer who's in that
6 region is just going to inherently have an advantage.

7 So, you know, I think, you know, the competition
8 in the U.S. market is just like any other commodity or
9 product. You know, the customer, I think like my father
10 alluded to, is looking at their delivered price, so they
11 don't really mind if it comes to them via barge, rail or
12 truck. They just, you know, they're saying, hey, here's the
13 price I want, and we have to look at that, and if it's east
14 of the Mississippi and they want a price, then we're looking
15 at the opposite.

16 We're looking at it as, what does it mean back to
17 us at the plant? And if it's inhibitive for us to go on two
18 railroads, then we give them the best price we can, but
19 typically you'll lose the business to, you know, to AdvanSix
20 in this case.

21 MR. HAMILTON: I think it is because of the
22 nature of transportation and storage and ease of getting
23 product, it is natural that, and particularly in an area
24 right around the plant, you're more than likely going to
25 have a very large market share there.

1 I mean it's just natural, so we serve a pretty
2 significant truck market in the Mid-Atlantic, Virginia,
3 North Carolina, Delaware, Maryland, and in general, we don't
4 have a lot of competition, but we're running 24 hours a day,
5 and as I've told people, we're like a Walgreen's, so if you
6 want to buy a truck of ammonium sulfate at 3:00 a.m. on
7 Christmas Day, you could drive a truck into the plant and
8 we'll load the truck up and, you know, it's very convenient
9 for our customers.

10 And like our competitors, I mean we also operate
11 warehouses through the Midwest so we can provide that
12 convenience. It's further away from our plant, so it's
13 going to be more competitive, but we also try to provide
14 that convenience from our remote warehouses as well.

15 CHAIRMAN WILLIAMSON: Okay. Do you generally use
16 -- when you ship by rail, do you use boxcars or specialized
17 equipment?

18 MR. MAZZOLLA JR.: Hopper cars, yeah. Dry hopper
19 cars. So the same cars that would maybe carry grain or
20 something like that. So it's just the open top. We dump it
21 in there, and at the end customers -- at the bottom it dumps
22 out onto a conveyor system for the customer.

23 CHAIRMAN WILLIAMSON: Oh okay.

24 MR. MAZZOLLA SR.: Boxcars are usually used for
25 bag material, and our industry, I don't think it's one

1 percent of the material and no fertilizer is shipped by bag
2 anymore in the United States.

3 CHAIRMAN WILLIAMSON: Okay. So it's the supply
4 for the hopper cars?

5 MR. MAZZOLLA SR.: Yeah.

6 MR. HAMILTON: Yeah. Mike Hamilton, Avan Six.
7 To touch on it, I believe you also asked about other uses.
8 So a huge proportion, probably 99 percent plus of ammonium
9 sulfate that gets consumed in the U.S. is a fertilizer. But
10 we do sell some ammonium sulfate and do some other end uses.
11 So for example, the wallboard industry uses ammonium
12 sulfate, I think it's part of the curing process when
13 they're making gypsum wallboard. It helps make that curing
14 process a little faster.

15 It's used in a couple of cases as a fire
16 retardant. So we do have some small amount of sales into
17 other industries. Some of that would be sold in bag. We
18 don't bag ourselves. We actually have, you know, we
19 actually have a toller who bags for us just because they're
20 better than we are.

21 We typically deal in bulk. But you know, the
22 nature of those industries in general is that the sulfate
23 tends to be a very small part of their cost make-up.
24 They're using it as an additive in something that's largely
25 driven by other factors.

1 So you know, they're going to be looking for the
2 best price possible like any buyer of any raw material. But
3 the economics tend to be different. Transportation tends to
4 be a little different. They're not going to want to store
5 large piles. They're probably going to buy in bags.

6 When you bag a fertilizer, the reason why
7 fertilizer tends not to be bagged, all of the sudden a large
8 cost, a large portion of the cost of the fertilizer itself
9 ends up being the bag and, you know, the labor and
10 everything it takes to put it in the bag so --

11 CHAIRMAN WILLIAMSON: Okay.

12 MR. MAZZOLLA SR.: An interesting point also,
13 going back to the Chinese. A lot of their material is
14 shipped to their ports in bags, okay, almost all their
15 fertilizers. So that material has to get to the port in
16 China, and you have people literally with the knives cutting
17 the bags open to load the material on vessel by bulk, making
18 it a bulk shipment.

19 So when you look at that, you say how can that
20 again be possible where I have bagged the material, I have
21 shipped it to the port, I have stored it in the port. I've
22 got this material sitting in bags and I've got to open up
23 25,000 tons worth of bags, hundred ton bags, I mean hundred
24 pound bags, and put them in a vessel?

25 So you know, that's another thing that when you

1 look at it and you say how can all this be a situation
2 that's legitimate.

3 CHAIRMAN WILLIAMSON: Okay, thank you. I was
4 just wondering, has the transportation logistics changed
5 over the Period of Investigation?

6 MR. MAZZOLLA JR.: No. I think, you know, in the
7 U.S. we have a very -- the U.S. ag industry is very mature
8 in how it's set up logistically. So you know, up and down
9 the Mississippi River, Ohio River, Arkansas River and
10 Illinois River there's warehouses every 100 miles or so that
11 store fertilizer, and on the other side they store grain to
12 load back out. The same thing, the rail customers.

13 I mean these are very established customers. A
14 lot of the coops we sell to I always laugh, because they'll
15 send in like a credit application and it was founded in
16 1905. So I mean, you know, the U.S. industry and the rail,
17 it's very mature and very well established.

18 CHAIRMAN WILLIAMSON: Part of our agriculture
19 infrastructure I hate to call it. Good, thank you. Vice
20 Chairman Johanson.

21 VICE CHAIRMAN JOHANSON: Thank you, Chairman
22 Williamson. I have a question for counsel. You all have
23 made the argument that the Commission should apply adverse
24 inferences because of the highly limited foreign industry
25 questionnaire coverage.

1 However, if the available information in the
2 record on the foreign industry, which goes well beyond the
3 single foreign producers questionnaire response ends up
4 supporting your case, why should the Commission entertain
5 taking adverse inferences?

6 MR. ORAVA: Steve Orava, King and Spalding. It's
7 a complicated question in the context of what you decide is
8 on the record is you should infer in the Petitioner's favor,
9 versus that which you cannot rely on because you can't
10 verify it or corroborate it with other evidence. I mean
11 it's our position, and we referenced it in the prehearing
12 brief as well that, you know, the use of adverse inferences
13 in a case like this, you know, there's a lot of things that
14 the Commission should do in order to make those inferences.

15 It should infer that the Chinese producers had
16 strong incentives to run their facilities at full capacity.
17 It should infer that they had significant volumes of unused
18 capacity. It should infer that all of that capacity is
19 dedicated to producing ammonium sulfate, that they have
20 limited ability to increase sales to export markets, that
21 they plan to significant increase shipments to the U.S. of
22 dumped and subsidized products.

23 You know, they're highly export oriented.
24 They're putting in compaction. As sworn testimony has
25 indicated, they're putting in compaction and other capacity

1 specifically dedicated to ensure that they can flood the
2 U.S. market with those products. You can infer that they
3 have high inventories that are ready to come to the U.S.
4 market, and there's other things you can infer as well.

5 For example, there's been no other factors placed
6 on the record that might be an additional cause of material
7 injury to the domestic industry. You know, we believe you
8 should infer that that is in fact the case, and that the
9 only cause that's relevant for your consideration is the
10 subject imports.

11 MR. BAY: Benjamin Bay from King and Spalding.
12 Also a key factor using adverse inference is the fact that
13 Congress intended, as is written in the SAA, that a party
14 should not be able a more favorable result by failing to
15 cooperate, that if it had not cooperated fully. We touched
16 upon this in our brief when we talked about the gamesmanship
17 of the non-responding subject producers.

18 Although the record in this case clearly shows
19 that there is injury, by making that additional leap, the
20 additional move to put forth an adverse inference really is
21 following the will of Congress, to make sure that in future
22 cases, Chinese producers are not participating in this level
23 of gamesmanship.

24 VICE CHAIRMAN JOHANSON: All right, thank you Mr.
25 Orava and Mr. Bay. Now I have a question for the

1 manufacturers. Do quality and size limit the
2 interchangeability of subject importers from China and
3 domestically produced ammonium sulfate?

4 MR. MAZZOLLA JR.: I think first and foremost
5 it's the chemical analysis, as we said, and so the sizing.
6 I mean granular ammonium sulfate is basically more or less
7 you have 90 percent of it is what they call between two
8 millimeter and four millimeter, just on the size. So the
9 Chinese when they're producing and compacting in China,
10 they're purposely making it for that specific purpose.

11 So before 2013, before we saw imports, they were
12 already ramping up, but they didn't have the right size for
13 the U.S. market. So at that point they were selling more to
14 Southeast Asia. They were selling into Mexico. They were
15 selling into west coast Latin America, and then when they
16 kept increasing, they said all right, we want to get the
17 right size to sell to the U.S. market, and that's what led
18 to their increase in the compaction at their ports.

19 MR. HAMILTON: Yeah, Mike Hamilton, Avan Six. I
20 mean clearly our customers especially in the United States,
21 where there's a high level of technology, they do value --
22 they do value the size, they value the distribution of
23 sizes. It's not like every particle is the exact same size.
24 So there's going to be a size distribution. They value how
25 well the particle's going to hold up. So is it friable and

1 does the particle start to come off and you get dust,
2 because all of those are going to reduce the efficiency of
3 the fertilizer application.

4 So in order to commercialize the product into the
5 U.S. market, Chinese exporters were going to have to be able
6 to make a product that met those quality characteristics. I
7 think when they first bought some product in, they probably
8 had a couple of quality issues as they were first
9 commercializing it, and as any competitor's going to do, we
10 would use that in every way possible as a competitive
11 advantage.

12 But I can tell you, over the past, you know, over
13 the course of the POI, I mean they've rapidly solved those
14 quality problems and you know, as to date, I mean they're
15 able to compete, you know, just as well as we can in the
16 same markets.

17 MR. ORAVA: Steve Orava with King Spalding.
18 There was a statement in the prehearing report about the
19 U.S. product not being able to replace ammonium nitrate
20 because of granule size and absorption speed, but that the
21 Chinese product could. We talked about that. Not only is
22 it inaccurate, it's hard to even understand. I'm not sure
23 if one of the other witnesses would like to comment on that.
24 But it's simply not a true statement as far as these folks
25 have been telling me.

1 MR. MAZZOLLA JR.: Yes, on Steve's point there.
2 So you know, it was in a prehearing brief where somebody
3 made that comment. That just kind of had us with our jaw
4 dropped saying what are they, what does that even mean? But
5 I will say since the prelim duties are in, I mean one of the
6 major importers was selling a lot of product right now for
7 that exact purpose.

8 So you know, they're taking our product and
9 blending it with urea and so no, it is completely,
10 completely interchangeable, and that's one of the things.
11 You know, talking to that specific customer early on, it was
12 just price. I mean that's all it came down to.

13 MR. MAZZOLLA SR.: Originally when the imports
14 started coming in 2013, we were getting reports, and this is
15 when we knew it was getting a little bit serious, that the
16 sellers, the importers, the sellers were telling the
17 customers they were selling white granular, and intimating
18 that it was a PCI material, to get an entree into the
19 marketplace.

20 So yes, to go back to your original comment.
21 Yeah, there's a question regarding quality and so on. But
22 when it got into the market at these cheap prices, they used
23 us as a pinboard to talk about the sale of the product by
24 using our name.

25 VICE CHAIRMAN JOHANSON: Thanks for your

1 responses. What explains the increasing U.S. demand during
2 the Period of Investigation, that most producers, importers
3 and purchasers have identified? You all had mentioned a few
4 minutes ago the decreasing level of sulfur in the air and
5 how that might have contributed to increased use of this
6 product.

7 I was wondering, it is my understanding that corn
8 production has increased fairly significantly in the United
9 States, and that there is in some cases less crop rotation
10 between corn and soybeans because of ethanol prices. I was
11 wondering if you've seen increased -- if that has impacted
12 the level of use of this product?

13 MR. MAZZOLLA JR.: I would say the two main
14 driving factors, without a doubt on the increase in demand
15 is number one the -- basically the Clean Air Act. So
16 there's less sulfur in the air getting on soil. That's
17 number one. Number two is going to be the reduction in
18 ammonium nitrate consumption. Three, as I was talking
19 earlier, you know, the ag market here is very mature.

20 You know, the increase in corn acres starting,
21 you know, due to ethanol is probably in 2005-2006. So you
22 know, that's kind of been in play for a bit here. As a
23 producer of a fertilizer that contains nitrogen we prefer
24 corn. So I think as Mike was referring to, soybeans does
25 not consume nitrogen. So with that, you know, we're happy

1 when they're consuming corn.

2 But I think, you know, the corn market has been
3 planting for the last several years, you know, between 90 to
4 92 million acres. It's not a huge swing. But overall, the
5 real driving factors to me is just less sulfur coming from
6 the air and two, the reduced ammonium nitrate consumption.

7 MR. HAMILTON: Yeah, Mike Hamilton, Avan Six.
8 Just to add to that, I think for the most part that's
9 correct. I mean the ammonium nitrate, the change in
10 ammonium nitrate consumption I do think had a significant
11 impact. The explosion in West Texas I believe was 2011 or
12 2012, and as noted before, just due to the value chain being
13 concerned about liability, less and less players in the
14 value chain are willing to handle ammonium nitrate. They're
15 not going to take the liability risk.

16 So I mean we've used that as a promotional
17 vehicle for our product, and so we definitely, you know, we
18 definitely increased some sales because of that. I don't
19 believe the sulfur deposition in the last four or five years
20 has necessarily changed a whole lot. But I think what has
21 continued to change over the past say five to ten years is
22 an awareness by growers of the need for sulfur.

23 So the change may have occurred earlier, but
24 we've continued to promote the fact that you still need more
25 sulfur and you're still going to get the economic benefit of

1 that investment in sulfur.

2 VICE CHAIRMAN JOHANSON: I'm curious. You had
3 mentioned the decreased use of ammonium nitrate due to
4 concerns about it being combustible. Isn't ammonium sulfate
5 combustible as well?

6 MR. HAMILTON: Mike Hamilton, Avan Six. No, it's
7 not.

8 VICE CHAIRMAN JOHANSON: Okay. So that does
9 indeed give you an advantage?

10 MR. HAMILTON: It does. It's actually used in
11 some cases as a fire retardant. So no, it's not -- it
12 doesn't have any of the concerns as ammonium nitrate.

13 VICE CHAIRMAN JOHANSON: All right. Thank you
14 for your responses. My time has expired.

15 CHAIRMAN WILLIAMSON: Thank you. Let's see,
16 Commissioner Broadbent.

17 COMMISSIONER BROADBENT: Yeah, no. I just want
18 to thank the witnesses. I don't have any further questions.

19 CHAIRMAN WILLIAMSON: Commissioner Schmidtlein,
20 do you have questions?

21 COMMISSIONER SCHMIDTLEIN: No.

22 CHAIRMAN WILLIAMSON: Okay. I have no further
23 questions. Vice Chairman Johanson.

24 VICE CHAIRMAN JOHANSON: I have just one more
25 question. I understand that Brazil has been a sizeable

1 market and still is, at least for Chinese producers. How
2 have market conditions affected exports to Brazil? The
3 Brazil economy is in the tank right now.

4 MR. HAMILTON: Mike Hamilton, Avan Six. I mean
5 we have maintained a pretty good position in Brazil. I mean
6 part of that goes back to the standard versus granular
7 difference in products. We do make standard product. The
8 standard product does not have as big a market in the United
9 States. So we have developed a pretty significant market in
10 Brazil for our standard product.

11 A lot of it goes on coffee. You can imagine
12 coffee trees being planted on the hills, and those trees are
13 there year after year. You don't have the ability to use
14 the same kind of application equipment that you'd use as
15 your, you know, getting ready to plant corn on flat row crop
16 ground in the U.S. So standard product works there pretty
17 well, and sulfur is needed for coffee. So we maintain
18 a strong position in standard. Granular, it's probably been
19 a little tougher because of the Chinese influence in Brazil.
20 But you know, we continue to maintain a footprint there as
21 well. You mentioned the fact that the Brazil economy has
22 been rocky, and that has definitely been an issue in Brazil.

23 But agriculture is a strong and very growing part
24 of the Brazil economy. So whereas as lot of the parts of
25 the economy have really struggled, agriculture's fared

1 reasonably well. In addition, even though the currency in
2 Brazil has fallen significantly over the past several years,
3 Brazil is very large export-oriented producer of a lot of
4 agricultural goods.

5 If you go down a list of key agricultural goods
6 like coffee and sugar and orange juice, etcetera, they tend
7 to be either the number one or number two exporter in the
8 world of those.

9 So because they're exporting, you know, they can
10 get around the issue of the currency exchange, because even
11 though they may be importing the fertilizer and they have to
12 pay more Brazilian currency for it, they're exporting it.
13 So the devaluation of the currency actually helps them in
14 that.
15 So agriculture has actually fared very well.

16 VICE CHAIRMAN JOHANSON: Thank you, Mr. Hamilton.
17 I have just one more question for Mr. Houseman. I had
18 mentioned earlier the large number of chemical plants in the
19 Houston area. How easily transferable are the skills in the
20 ammonium sulfate industry to workers? Because I'm thinking
21 if they were to lose their jobs, how hard is it find
22 comparable jobs in that region of the country, and also in
23 Virginia as well. I'm not as familiar with production in
24 Virginia.

25 MR. HOUSEMAN: I'd actually defer to folks who

1 work at the facilities. MR. MAZZOLLA JR.: I'll say I
2 mean one big thing is on interchangeability, I'm not 100
3 percent certain. But I'm sure, you know, it's a lot of
4 engineers, you know, a lot of those skilled guys maybe. But
5 it's the matter of are there other jobs there today.

6 You know, the Houston ship channel is obviously
7 very energy intensive, you know. It was booming when oil
8 was \$140 a barrel. You know, with oil where it is today,
9 you know, the Houston market is pretty depressed. I will
10 say, you know, one of the things, Rentech had this plant on
11 the market for over a year, and you know, one neighbor is
12 Kinder-Morgan for them; another neighbor is Exxon Mobil.

13 So one of the considerations for them was to sell
14 it to one of those guys and put up a tank farm. When you do
15 that, a tank farm, you're just importing and exporting
16 refined goods. It's very few employees. Liquid -- loading
17 and discharging liquid product does not take a huge amount
18 of labor. So when we went down there, it was a big sigh of
19 relief to the employees down there, plus they knew we were
20 the ones looking at it, to consider it -- continue it as
21 ammonium sulfate.

22 If not, they would have been going into a market,
23 in a very depressed energy market, looking for a job on the
24 Houston ship channel and it would not have been a good time
25 to do that.

1 (Off mic comment.)

2 MR. MAZZOLLA JR.: Yeah, in addition to that, so
3 there's a major raw material supplier of us down the way on
4 the ship channel as well that we buy, you know, I would say
5 half or a little bit more than half of their production. If
6 we want, you know, we're kind of linked because of that, you
7 know. If we weren't buying their production, the employees
8 at that site would be affected as well. We also buy a lot
9 of sulfur from the local refiners down there.

10 So you know, if something happens to this plant
11 here, and we saw this playing out while the plant was on the
12 market. You saw all those other producers of the raw
13 materials getting very nervous, going you know, what's going
14 to happen here, and those employees as well would have been
15 kind of then facing the same thing we felt, where they're
16 having to reduce capacity and probably reduce workforce.

17 MR. HAMILTON: Mike Hamilton, Avan Six. You
18 know, our situation is at Hopewell, we employ over 600
19 people. We are an integrated manufacturer. So our main
20 organic input to making caprolactam is a chemical call
21 phenol. We actually have a chemical plant in Philadelphia
22 that produces that, and we -- almost the entire output of
23 that plant of phenol is barged to our facility in Hopewell.

24 And then a significant output of caprolactam we
25 make at Hopewell is trucked a pretty short distance into

1 Chesterfield County, Virginia, where we make nylon resin.
2 But the Hopewell plant is the center point of this, of this
3 operation. If the Hopewell plant goes away, those two
4 facilities are most likely going to go away too.

5 There's not a huge chemical plant presence in the
6 eastern Virginia area. I mean the workers we have are very
7 highly skilled. The engineers are very highly skilled. But
8 if, you know, if the plant went away, I think it would be
9 very difficult. I mean engineers could probably move
10 somewhere else in the country and find a job.

11 I think, you know, the folks that operate the
12 plant would probably have a very difficult time, you know,
13 finding a way to utilize those skills even close to the
14 wages that they are now making working for Avan Six.

15 MR. HOUSEMAN: Roy Houseman with the
16 Steelworkers. I think that this kind of highlights to us is
17 that, you know, we have a lot of members in the Beaumont
18 area, 13-1 in a lot of the oil refineries. Those are also,
19 you know, tend to be very mature, more sites. They have,
20 you know, a well developed workforce already.

21 So if there was to be a loss of employment at
22 PCI, the operator at that facility is going to have to be
23 finding openings at those new facilities, even with the
24 expansion that you're talking about. And then as was
25 pointed out, the significant reduction in oil, in crude

1 prices over the last two-three years has had an impact in
2 that region.

3 It has impacted the oil industry to some extent,
4 and of course the steel industry as well.

5 VICE CHAIRMAN JOHANSON: All right. Thank you
6 for your responses. I have no further questions.

7 CHAIRMAN WILLIAMSON: Thank you. No further
8 questions from Commissioners. Does staff have any questions
9 for this panel?

10 MS. HAINES: Elizabeth Haines. Staff has no
11 questions.

12 CHAIRMAN WILLIAMSON: Thank you. Well then it's
13 time for closing statements, and Petitioners have five
14 minutes. I want to thank the panel for their testimony. I
15 appreciate very much your taking the time to come today, and
16 I'll ask you to step back and then we'll do a closing
17 statement.

18 (Pause.)

19 CLOSING STATEMENT OF PETITIONERS

20 MS. BYERS: The light's not as good over here. I
21 have to tell you that. No, no, I'm fine. I want to start
22 by thanking the staff for all their hard work. This was not
23 an easy case. You didn't have a lot of help from the
24 Chinese respondents, and you had to end up doing a lot of
25 research yourselves on what was going on in China, and I

1 really commend you for that.

2 We have provided some additional information in
3 regards to the situation in China with respect to capacity,
4 and very low capacity utilization rates, and we would
5 encourage you to put that into your final staff report. I
6 also want to thank the Commissioners that are here for their
7 very thoughtful questions this morning.

8 As we have shown already, all of the statutory
9 factors with respect to material injury are satisfied in
10 this case, and rather than recapitulate that evidence now, I
11 want to draw your attention to just a few key points that
12 could play a major role in the Commission's determination.

13 You have virtually no cooperation from Chinese
14 respondents, as we've discussed. Indeed, even not one
15 witness came here today to answer your questions or to
16 oppose the petitions at issue. By failing to cooperate, the
17 Respondents have deprived you and us of critical information
18 regarding their capacity, their production, their exports,
19 their plans for new capacity and all of the other evidence
20 that is within their control.

21 It would be seriously outrageous for Chinese
22 producers to benefit from their own lack of cooperation in
23 these investigations. We have no doubt that a complete
24 record with regard to Chinese producers would show that they
25 have massive volumes of capacity, and that they are heavily

1 export-oriented, and that they intend to increase exports to
2 the United States, and that they have deliberately lowered
3 their prices in order to increase their shipments.

4 Indeed, the information that you already have on
5 the record does support this conclusion. The Commission
6 should thus make appropriate inferences given Respondents'
7 deliberate failure to participate in these investigations.

8 The Commission is directed to consider the
9 performance of the domestic industry in the context of the
10 business cycle and conditions of competition distinctive to
11 this industry. In these investigations, conditions were
12 extremely favorable for domestic producers. From 2013 to
13 2015, U.S. apparent consumption of ammonium sulfate rose
14 significantly. In the first three quarters of 2016, key raw
15 materials costs, including natural gas, ammonia and sulfur
16 declined.

17 Under such circumstances, the last few years
18 should have been very good ones for domestic producers. The
19 fact that they were not is compelling evidence that dumped
20 and subsidized Chinese imports were distorting the market.
21 Any time the Commission looks at a case brought during a
22 time of strong demand and falling raw material costs, those
23 factors will necessarily mask to some extent the harm done
24 by unfair trade.

25 But in these investigations, you have dramatic

1 and unmistakable evidence showing a direct causal link
2 between unfair trade and material injury to the domestic
3 industry. First, you have massive increase in the volume of
4 imports. Over the Period of Investigation, Chinese
5 producers shipped hundreds of thousands of tons into this
6 market. Those tons represent sales that could have been
7 made by domestic plants, and that would have been made by
8 those plants in the absence of unfair trade.

9 Those lost sales and the accompanying lost
10 revenues that result from them are more than enough to show
11 material injury by reason of unfair trade. Second, you have
12 specific evidence that Chinese imports are interchangeable
13 with domestic like product, and that U.S. plants have no
14 choice but to either reduce their own prices or lose even
15 more business due to unfair trade.

16 You heard that point made in sworn testimony here
17 today, and the record contains additional evidence on this
18 point as we have highlighted in our prehearing brief. In
19 other words, you don't have to infer that Chinese imports
20 were driving down domestic prices. You have direct evidence
21 on this critical point.

22 Finally, you have the evidence of what happened
23 to Rentech, and how a plant that was valued at almost \$160
24 million before Chinese imports entered this market lost over
25 90 percent of its value just within a few years. This

1 evidence before you, including the testimony from Mr.
2 Hamilton and Roy Houseman shows all the domestic producers
3 were hurt by imports from China.

4 But for those of us who really care about strong
5 and effective enforcement of trade laws, there is no more
6 dreadful result of unfair trade than the loss of domestic
7 capacity due to dumped and subsidized imports. When a plant
8 closes, it's usually gone forever. The jobs that it could
9 have supported, the new products that it could have made,
10 these are all lost to us.

11 Ironically, however, evidence of this type of
12 harm is almost impossible to present to the Commission.
13 When a plant loses almost all of its value, it usually just
14 disappears from the record. Once a plant is gone, there is
15 no one left to bring a trade case on its behalf. There's no
16 one left to fill out the Commission's questionnaire.
17 There's no one left to speak for the workers that have been
18 forced to look elsewhere for employment.

19 And so unfortunately, some of the worse and most
20 painful examples of injury are very difficult to prove. But
21 this time you have the evidence, evidence showing that a
22 plant that makes ammonium sulfate, a plant that was
23 successful before the Chinese came into this market, a plant
24 that competes directly with those imports, lost a huge
25 percentage of its value. Am I over time?

1 You were trying to get my attention and I wasn't
2 paying -- I'm sorry. I thought we had leftover time from.

3 (Off mic comments.)

4 MS. BYERS: Okay. Well, I'll wrap it up. I want
5 to say thank you and we hope that you will confirm an
6 affirmative determination. Thank you.

7 CHAIRMAN WILLIAMSON: Thank you very much. I
8 want to thank everybody for participating in today's
9 hearing, this closing statement. Post-hearing briefs,
10 statements responsive to questions and requests of the
11 Commission and corrections to the transcript must be filed
12 by January 19th, 2017. The closing of the record and final
13 release of data to parties is February 1st, 2017.

14 Final comments are due by February 3rd, 2017, and
15 with that, this hearing is adjourned.

16 (Whereupon, at 11:51 a.m., the hearing was
17 concluded.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Ammonium Sulfate from China

INVESTIGATION NOS.: 701-TA-562 and 731-TA-1329

HEARING DATE: 1-12-17

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: 1-12-17

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

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

SIGNED: Gregory Johnson

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