

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation No.:
RAW IN-SHELL PISTACHIOS FROM IRAN) 731-TA-287 (SECOND REVIEW)

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

IN THE MATTER OF:) Investigation No.:
RAW IN-SHELL PISTACHIOS FROM IRAN) 731-TA-287
) (SECOND REVIEW)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, April 27, 2017

The meeting commenced pursuant to notice at 9:30
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable Rhonda K.
Schmidtlein, Chairman, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman Rhonda K. Schmidtlein

5 Vice Chairman David S. Johanson

6 Commissioner Irving A. Williamson

7 Commissioner Meredith M. Broadbent

8

9

10

11

12 Staff:

13 William R. Bishop, Supervisory Hearings and Information
14 Officer

15 Sharon Bellamy, Records Management Specialist

16

17 Mary Messer, Investigator

18 Joanna Bonarriva, International Trade Analyst

19 John Benedetto, Economist

20 Jennifer Brinckhaus, Accountant/Auditor

21 Nataline Viray-Fung, Attorney

22 Elizabeth Haines, Supervisory Investigator

23

24

25

1 Congressional Witnesses:

2 The Honorable Jim Costa, U.S. Representative, 16th
3 District, California

4 The Honorable David G. Valadao, U.S. Representative,
5 21st District, California

6

7 Opening Remarks:

8 In Support of Continuation (Warren E. Connelly, Trade
9 Pacific PLLC)

10 In Opposition to Continuation (Marie Didierlaurent,
11 Didierlaurent Avocats)

12

13 In Support of the Continuation of the Antidumping Duty
14 Order:

15 Adducci, Mastriani & Schaumberg LLP

16 Washington, DC

17 on behalf of

18 American Pistachio Growers

19 Mia Cohen, Chief Operating Officer, Setton Farms, Inc.

20 Robert Keenan, President, Keenan Farms, Inc.

21 Richard Matoian, Executive Director, American Pistachio
22 Growers

23 Sharon Roden, Partner, Roden Farms and Chairman,
24 American Pistachio Growers

25

1 Jim Zion, Sales and Marketing Director, Arizona Nut
2 Company

3 Daniel Klett, Principal, Capital Trade, Inc.

4 Will E. Leonard, John C. Steinberger - Of Counsel

5

6 Trade Pacific PLLC

7 Washington, DC

8 on behalf

9 Wonderful Pistachios & Almonds LLC

10 Michael Hohmann, Executive Vice President and Chief
11 Financial Officer, Wonderful Pistachios & Almonds LLC

12 Andy Anzaldo, Senior Vice President of Grower
13 Relations, Wonderful Pistachios & Almonds LLC

14 Thomas Coleman, Owner, Coleman Land Co., LLC

15 Larry Wilkinson, President, J. Poonian Limited
16 Partnership

17 Warren E. Connelly and Jarrod Goldfeder - Of Counsel

18

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1 In Opposition of the Continuation of the Antidumping Duty

2 Order:

3 Didierlaurent Avocats

4 Geneva, Switzerland

5 on behalf of

6 Commercial Arman Pegah Co.

7 Hossein Denis Ketabi, President of the Board,

8 Commercial Arman Pegah Co.

9 Marie Didierlaurent and Alexandre Schober - Of Counsel

10

11 Rebuttal/Closing Remarks:

12 In Support of Continuation of Order (Will E. Leonard and

13 John C. Steinberger, Adduci Mastriani & Schaumberg LLP)

14 In Opposition to Continuation of Order (Marie Didierlaurent,

15 Didierlaurent Avocats)

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

2 VICE CHAIRMAN JOHANSON: Okay. Good morning.
3 On behalf of the U.S. International Trade Commission, I
4 welcome you to this hearing on investigation number
5 731-TA-287, second review, involving raw in-shell pistachios
6 from Iran.

7 The purpose of this five year review
8 investigation is to determine whether revocation of the
9 anti-dumping duty order on raw in-shell pistachios from Iran
10 would be likely to lead to continuation or recurrence of
11 material injury within a reasonably foreseeable time.

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

18 All witnesses must be sworn in by the Secretary
19 before presenting testimony. I understand the parties are
20 aware of the time allocations. Any questions regarding the
21 time allocations should be directed to the Secretary.

22 Speakers are reminded not to refer in the
23 remarks or answers to questions to business proprietary
24 information. Please speak clearly into the microphones and
25 state your name for the record for the benefit of the court

1 reporter. If you will be submitting documents that contain
2 information you wish to be classified as business
3 confidential, your request should be -- should comply with
4 Commission Rule 201.6.

5 Mr. Secretary, are there any preliminary
6 matters?

7 MR. BISHOP: Mr. Chairman, I would note that all
8 witnesses for today's hearing have been sworn in. There are
9 no other preliminary matters.

10 VICE CHAIRMAN JOHANSON: Very well. Will you
11 please announce our first congressional witness?

12 MR. BISHOP: Our first congressional witness is
13 the Honorable Jim Costa, United States Representative from
14 the 16th District of California.

15 STATEMENT OF THE HONORABLE JIM COSTA

16 MR. COSTA: Good morning, Vice Chairman Johanson
17 and Commissioners. Please give Chairwoman Schmidtlein my
18 regards. And I am honored to be here before the Commission
19 this morning, as the Congressional representative from the
20 16th District in California representing with my colleague,
21 Congressman Valadao, who will testify following me, what we
22 think is kind of the heart and soul, the bread basket of
23 California agriculture, which is, I believe, you know is the
24 largest agricultural state in the nation. And we are very
25 proud of the incredible productivity of our agricultural

1 industry, over 300 commodities that we grow in California,
2 and half the nation's fruits and vegetables, leading in
3 production in dairy and citrus, and producing 80 percent of
4 the world's almonds, and over 95 percent of the world's
5 pistachios, which is why we're here today.

6 My appearance before you is really to urge the
7 Commission to continue your efforts on the anti-dumping
8 duties on raw in-shell imported pistachios from Iran.
9 Clearly, this has been an issue for some years now. And I
10 want to tell you as a third generation family farmer, I'm
11 keenly aware of the importance of the pistachio industry's
12 efforts and its growth in California.

13 The pistachio industry is what we would like to
14 refer as to a true American success story. Growing from the
15 first commercial crops in 1976 with about one and a half
16 million pounds to a record crop in 2016 of over 903 million
17 pounds. Think about that. One and a half million pounds to
18 903 million pounds in that time period.

19 At the same time, the industry has increased its
20 efficiency more than doubling its production per acre
21 through hard work and continued investment, increased
22 production, the United States has now made as the world
23 leader in pistachio production.

24 California produces 98 percent, as I said
25 earlier, of the U.S. pistachios. And our country is the

1 second leading producer of exported pistachios in the world,
2 providing 24 percent of the global supply.

3 The industry generates over \$600 million in
4 economic output annually. That's significant. \$600
5 million. Much of it is in what we like to refer to as the
6 great Central Valley, but much of it is in the San Joaquin
7 Valley of California.

8 Now Congressman Valadao and I are very proud as
9 representatives of that area. We are both born and raised
10 in our families, immigrant families, but we have significant
11 productivity, significant wealth, but we have significant
12 poverty. And that should not be overlooked.

13 Unemployment rates generally are roughly double
14 the national average. And we have been hard hit, as many of
15 you know, through the last five years of drought conditions
16 that have impacted the California agricultural industry.

17 This issue before the Commission risks
18 jeopardizing millions of dollars of investment and decades
19 of growth if we allow Iran to resume its illicit practice of
20 dumping inferior quality products on the U.S. market. The
21 1986 anti-dumping order, which has been reaffirmed many
22 times by this Commission, prevents Iranian pistachios from
23 dominating the U.S. market and hurting our domestic
24 producers.

25 This sunset review of the 1986 anti-dumping

1 order is critically important, due to the clear and present
2 threat that Iranian pistachio industry poses today to U.S.
3 production. Iran received billions of dollars, as we all
4 know, as a part of the Joint Comprehensive Plan of Action,
5 the JCPOA, between Iran and the United States, China,
6 France, the United Kingdom, Germany, and the European Union.

7 Now there were good reasons for that, as we
8 know. We obviously wanted to eliminate the -- at least in
9 the near term, the threat of a nuclear Iran. However, how
10 those funds are being used is a concern, especially in this
11 issue with regards to anti-dumping provisions that this
12 Commission can make a difference with.

13 The Iranian government is using these funds, we
14 believe, to financially prop up and support their pistachio
15 growers and exporters as they may do in other instances. In
16 October of 2016, Iran's deputy minister of agriculture
17 announced, and I quote here and you have it for the record,
18 "millions of dollars that would be made available to the
19 pistachio exports." The government has now taken, the
20 Iranian government, has now taken subsequent actions to
21 support its domestic growers through acreage improvements
22 and tax exemptions.

23 While Iran is taking this aggressive action to
24 support their domestic industry, U.S. growers do not enjoy
25 the similar direct support programs. And therefore, it's an

1 unlevel playing field. American growers, producers,
2 processers, are proudly self-sufficient, but such
3 independence oftentimes leads to some difficult times and
4 sometimes that independence is their own worst enemy.

5 So California, obviously, as I noted earlier,
6 has had a number of challenges in recent years. The drought
7 has significantly impaired this industry as well as other
8 commodity groups leading to reduced production and increased
9 input costs. Other weather factors have contributed to
10 smaller crop outputs.

11 So I conclude by asking the Commission and the
12 Commissioners on this very important issue to retain the
13 anti-dumping duties on imported pistachios from Iran.
14 Without the duties, rather than a vibrant homegrown domestic
15 pistachio industry supplying the U.S. market and being able
16 to export, U.S. consumers will also be impacted, along with
17 growers and processers. U.S. consumers as a result of not
18 continuing with this effort could be and would be, I
19 suspect, flooded with inferior Iranian produced pistachios.
20 And thus, creating economic harm to the industry, as well as
21 impacting American consumers who are enjoying this very
22 important food product.

23 So that is my testimony before the Commission.
24 I want to thank you for giving me this opportunity to do so.
25 I and my colleagues look forward to continuing to work with

1 the Commission, not only on this issue, but other important
2 trade issues that you're engaged in. We appreciate your
3 efforts. You make a difference. And certainly, we are
4 available to work in a collaborative fashion with you to
5 ensure that good public policy is pursued and that in trade,
6 the trade is a level playing field that we fair trade.

7 We know that trade to be effective has to be a
8 win-win situation. But certainly, you have a key role to
9 play in ensuring that it remains a level playing field and
10 that we can do everything possible to maintain fair trade.
11 So I want to thank you very much for your efforts. And I
12 stand ready to do everything I can to work with you on a
13 bipartisan basis.

14 VICE CHAIRMAN JOHANSON: Thank you, Congressman
15 Costa. Do any Commissioners have questions for the
16 congressman?

17 UNIDENTIFIED SPEAKER: Thank you for coming.

18 MR. COSTA: Thank you very much for taking the
19 time and keep up the good work. And I'll look forward to
20 hearing my colleague's testimony.

21 VICE CHAIRMAN JOHANSON: We appreciate you being
22 here.

23 MR. BISHOP: Our next Congressional witness is
24 the Honorable David G. Valadao, United States Representative
25 of the 21st District of California.

1 STATEMENT OF THE HONORABLE DAVID G. VALADAO

2 MR. VALADAO: Good morning. Chairman
3 Schmidtlein, Vice Chairman Johanson, and fellow
4 Commissioners, thank you for this opportunity to voice my
5 strong support for retaining the anti-dumping duties no
6 imported pistachios from Iran. Since 2013, I have proudly
7 represented California's 21st Congressional District, an
8 agricultural powerhouse.

9 The state of California is the greatest
10 agriculture producer in the nation with over 400 varieties
11 of specialty crops produced in our state alone. The Central
12 Valley plays a large role in this production. And my
13 district is the number 1 producer of many crops, including
14 pistachios.

15 I know firsthand the importance of the industry
16 to our state's agriculture industry and of the economic
17 vitality of the Central Valley.

18 California's pistachio industry is not only an
19 economic asset to our state, but also to our entire country.
20 In just three and a half decades, California farmers have
21 planted over 330,000 acres of pistachios, producing enough
22 crop to supply the domestic market and export more than 65
23 percent of the crop throughout the world.

24 More importantly, the pistachio industry
25 provides my constituents with well paying, stable jobs. The

1 revenue from the significant investment in pistachio acreage
2 and processing facilities has made a positive impact on my
3 district's communities.

4 However, I am fearful that the desperately
5 needed economic benefits of the pistachio industry in the
6 Central Valley could be lost if this Commission allows Iran
7 to resume the unfair and disruptive trade practice of
8 dumping pistachios, a pistachio product into the market.

9 The anti-dumping order put into place in 1986,
10 as reaffirmed and reaffirmed several times by this
11 Commission, prevents Iran pistachios from invading the U.S.
12 market, as has previously occurred.

13 This sunset review of the anti-dumping order is
14 of great importance, because of the real and immediate
15 threat of the Iranian pistachio industry to the American
16 growers. Iran is determined to take back the U.S. market it
17 dominated until 1986.

18 It is no secret to have -- they have the
19 capabilities to shift their significant exports from China
20 or Europe within just a few months and sell pistachios of
21 lesser quality to the U.S. consumers at prices well below
22 California's cost of production.

23 The Iranian government is also unfairly
24 subsidizing their domestic industry. The Iran nuclear deal
25 agreement was -- made billions of dollars available to the

1 government of the Islamic Republic of Iran, which in turn
2 has allowed them to dramatically increase their support for
3 the Iranian pistachio growers and exporters, putting U.S.
4 producers at an extreme disadvantage.

5 On October 8th, 2016, the Iranian deputy
6 minister of agriculture announced nearly \$32 million would
7 be made available for the export of pistachios. Following
8 this report, the minister of agriculture announced a
9 pistachio management, which aims to improve 550,000
10 pistachio acres.

11 On February 2016 of this year, the head of the
12 Iranian National Tax Administration stated that agriculture
13 products are entitled to 100 percent tax exemption for their
14 exports. Meanwhile, pistachio growers in the U.S. do not
15 receive these types of direct support programs.

16 Our growers are self-sufficient for better or
17 worse. However, times have been tough for the last several
18 years. California has been crippled by severe drought
19 conditions, resulting in reduced production and
20 significantly higher inputs. At one point, California
21 Pistachio growers were paying \$2000 and more per acre foot
22 of water.

23 The weather patterns also created problems as
24 the lack of chilling hours in 2015, which resulted in a
25 smaller crop output, as well as a major pest issue with the

1 navel orange worm.

2 In conclusion, I appreciate the opportunity to
3 address this most important topic for -- of my pistachio --
4 for my pistachio constituents. And I strongly support the
5 retention of the anti-dumping deputy -- duties on pistachios
6 from Iran. Thank you very much.

7 VICE CHAIRMAN JOHANSON: Thank you, Congressman
8 Valadao. Do any Commissioners have questions for the
9 congressman? Thank you again. We appreciate your
10 testimony.

11 MR. VALADAO: Thank you very much.

12 MR. BISHOP: Mr. Chairman, that concludes
13 Congressional testimony. Well, then I'll move forward with
14 opening remarks. Opening remarks on behalf of those in
15 support of continuation will be Warren E. Connelly of Trade
16 Pacific.

17 STATEMENT OF WARREN E. CONNELLY

18 MR. CONNELLY: Good morning. 40 years ago, the
19 domestic pistachio industry barely existed. Its growth
20 since then, as Congressman Costa said, is a remarkable
21 success story. And that success is in large measure
22 attributable to the anti-dumping order, as well as two
23 embargos.

24 We have three main points that we want to convey
25 today. First, the Iranian industry huge and it is export

1 oriented. Second, Iranian exporters compete on the basis of
2 price. Third, the domestic industry is highly susceptible
3 to injury from unfairly traded imports, because growing
4 pistachios is an inherently risky business, even in the best
5 of times.

6 Domestic production reached an extraordinary 903
7 million pounds in the fall of 2016 after a disastrous 2015
8 harvest of just 275 million pounds. No predicted either
9 result. And the enormous disparity between the sizes of the
10 two harvests illustrates the extreme uncertainties
11 associated with agricultural production. Weather, water,
12 disease, and pests are just some of the variables that
13 pistachio growers have to deal with every day.

14 About 20 percent of U.S. growers experience the
15 loss during the period of review as a result of these
16 factors. When the possibility of substantial dumped imports
17 from Iran that will be marketed and sold as commodities is
18 added to these existing burdens, the dangers to the domestic
19 industry's previous success become clear.

20 The Iranian industry has not stood still in the
21 31 years since the order was issued. In 1984, Iran produced
22 110 million pounds of nuts. In 2014, it produced over 500
23 million pounds. We anticipate an Iranian harvest in this
24 coming fall in the 525 to 540 million pound range.

25 Iranian production has to go somewhere, since

1 very little is carried out and it is highly likely that a
2 significant percentage will come to the U.S. After all, the
3 U.S. market is the highest priced market in the world. So
4 why would Iranian exporters ignore it?

5 Only one Iranian processor is participating in
6 this review. It has claimed that Iran is not capable of
7 producing and exporting a significant quantity of what it
8 calls OECD quality pistachios. That claim has no record
9 support and it is contradicted by Iran's own export history.
10 Iran in recent years has exported about 80 percent of its
11 production. Most of this production goes to China and the
12 EU, where it competes directly with U.S. origin pistachios.

13 The China example is the best evidence of what
14 is likely to happen here if the order is revoked. Iranian
15 exporters focus on price. And no Iranian party has
16 suggested that they would adopt a different strategy in the
17 United States.

18 U.S. processors have succeeded because they
19 invest heavily in quality and service. These investments
20 would be seriously jeopardized in the event of revocation.
21 Iran no longer encounters obstacles to exportation, such as
22 an inability to obtain export financing. The Iranian
23 government is investing heavily in the agricultural sector.
24 And pistachios are the most important crop in that country.

25 Water shortages are now being overcome through

1 the increasing use of drip irrigation. Substantial
2 plantings are still being made, especially in new areas in
3 Iran, where there is more water. The large recent crops
4 refute any claim that production is declining.

5 Iran can also be expected to take free rider
6 advantage of the hundreds of millions of dollars in
7 investments that the U.S. industry has made in order to
8 expand demand by creating brand awareness, as well as
9 awareness of all the health and nutrition benefits of
10 pistachio consumption. The possibility of aflatoxin
11 contamination is a huge concern. And we have shown that the
12 U.S. standards are less stringent than those in the EU and
13 China. The claim to the contrary is simply not accurate.

14 Our witnesses will explain today all that they
15 have accomplished and all that they fear could happen if the
16 order is revoked. Iran can be expected to target the U.S.
17 market once again, just as it did 30 years ago and are now
18 doing successfully in other markets. We urge the Commission
19 not to let that happen. Thank you.

20 MR. BISHOP: Opening remarks on behalf of those
21 in opposition to continuation will be given by Marie
22 Didierlaurent of Didierlaurent Advocats.

23 STATEMENT OF MARIE DIDIERLAURENT

24 MS. DIDIERLAURENT: Good morning, Mr. Vice
25 Chairman. Good morning, members of the Commission. I am

1 Marie Didierlaurent and I represent Commercial Armand Pegah,
2 processor and exporter of raw in-shell pistachios in Kerman,
3 Iran.

4 First of all, I would like to thank you for
5 giving us the opportunity to advocate our position today
6 before your Commission in opposition of the continuation of
7 the anti-dumping duty order imposed on the raw in-shell
8 pistachios from Iran since 1986.

9 As was commented by my colleague Mr. Leona back
10 in 2005, nuts have continued falling from the trees under
11 this 241 percent anti-dumping duty order for the past 30
12 years now. And we are here today to submit in favor of the
13 U.S. industry that it is now time to acknowledge the change
14 of circumstances that have taken place over the past 30
15 years.

16 We are here to submit that lifting of the order
17 would play in favor of a healthier competition within the
18 U.S. domestic market and therefore, in favor of the U.S.
19 industry as a whole.

20 We are here to advocate that in the today
21 environment, as we speak, Iran pistachio exporters neither
22 have the ability nor the incentive to undersell U.S. origin
23 into the U.S. domestic market and that no underselling
24 practices by Iranian exporters can actually be reported over
25 the reviewed period.

1 We are here to challenge the fact and the
2 generally accepted ideas that Iran should be associated with
3 unfair trade practices. We are here to submit, sorry to
4 challenge, the fact that Iran origin should be associated
5 with -- sorry, with inferior quality products.

6 Mr. Denis Ketabi, who is president of the board
7 of Commercial Armond Pega, is here today and he will explain
8 much better than I can. And he will especially share with
9 you his experience of unique value for the present review of
10 both the U.S. and the Iranian pistachio industries.

11 I will introduce any and further details later
12 on when our time to speak comes. But for now, I would like
13 also to thank the Commission and its staff for its
14 understanding as we have modestly done our best, clearly not
15 being specialists of sunset review processes before the U.S.
16 ITC.

17 The most important idea for us today, we want to
18 convey to your Commission is you should be given the
19 opportunity to listen to the Iranian exporters' perspective.
20 In this assessment. And we are very grateful to be given
21 the opportunity to share it with you today. Thank you.

22 MR. BISHOP: Would the panel in support of the
23 continuation of the anti-dumping duty order please come
24 forward and be seated?

25 This panel may begin when you're ready. Thank

1 you.

2 STATEMENT OF RICHARD MATOIAN

3 MR. MATOIAN: Good morning, Commissioners. My
4 name is Richard Matoian and I am executive director of the
5 American Pistachio Growers. I just want to just quickly
6 introduce who I have with me today. Starting off to my
7 right is Sharon Roden. She is principal of Roden Farms, a
8 pistachio grower. Next to her is Robert Keenan, president
9 at Keenan Farms, both a grower and processer of pistachios;
10 Mia Cohen, who is chief operating officer of Setton
11 Pistachio of Terra Bella, Inc., a grower and a processer.
12 And sitting behind me is Jim Zion. He is sales and
13 marketing director for Arizona Nut Company, a grower and
14 processer. Also testifying on our behalf is Dan Klett.
15 He's principal of Cap Trade a -- he is an economist
16 representing us.

17 We are also have our counsel Will Leonard and
18 John Steinberger of Adduci Mastriani & Schaumberg. And also
19 Bob Schramm, representing Schramm, Williams & Associates.
20 These are the individuals that will be testifying on behalf
21 of American Pistachio Growers.

22 We have provided samples of both American and
23 Iranian pistachios as exhibits for the Commissioners to
24 view. American Pistachio Growers represents nearly 700
25 small, medium, and large pistachio grower entities in the

1 states of California, Arizona, and New Mexico, the three
2 states that have 100 percent of the commercial production of
3 pistachios in the United States.

4 American Pistachio Growers is a voluntary
5 501(c)6 agricultural trade association representing members
6 of the American pistachio industry. As an industry trade
7 association, we work on any number of industry problems from
8 pest issues, water availability, food safety, member
9 industry education, industry statistics, compliance with
10 local state, federal, and international laws and regulations
11 and policies.

12 We also spend a great deal of our funds in
13 working on nutrition research, marketing promotion and
14 consumer education programs.

15 Pistachios grown in California represent
16 anywhere from 98 to 99 percent of the total U.S. production
17 with the largest amount, about 97 percent, being grown in
18 the San Joaquin Valley. Due to a number of factors,
19 including but not limited to economic returns, labor
20 resources, and water availability issues, tree nut
21 commodities such as almonds, walnuts, and pistachios have
22 dramatically increased the number of acres planted in the
23 state.

24 Over the last 10 years, almond bearing acreage
25 has grown from 645,000 acres to 900,000 acres; walnuts from

1 205,000 acres to 318,000 acres; and pistachios from 115,000
2 acres to 240,000 acres. That's just over the last 10 years.

3 As you may be aware, pistachios are an alternate
4 bearing crop. That is, bearing a large crop in one year,
5 then bearing a light crop the next. As an example, in 2014,
6 519 million pounds were produced. Yet in 2016, only 275
7 million pounds were produced.

8 Yet in 2016, just this last year, 903 million
9 pounds were produced. As a result, pistachios farm gate or
10 the value of the pistachios at the farm level can vary
11 greatly from \$1.83 billion in 2014, to \$669 million in 2015.
12 No farm value has been assigned to the 2016 crop by the USDA
13 National Ag Statistic Service, but we expect it to be nearly
14 \$2 billion.

15 With that amount of acres planted in the ground,
16 we expect the American pistachio industry to surpass 1
17 billion pounds by 2020. Pistachios have received much
18 exposure, both through branded campaigns and American
19 Pistachio Growers current campaign, "the power of
20 pistachios". All public relations and marketing campaigns,
21 whether generic or specific company branded help to
22 introduce and expose consumer -- consumers to pistachios.
23 These campaigns help solidify consumer education regarding
24 pistachios, giving consumers the reason to make pistachios a
25 regular part of their healthy and flavorful diet.

1 approximately 700 growers from California, Arizona, and New
2 Mexico. My family farms 275 acres of pistachio trees. Our
3 irrigated land is located in Berrenda Mesa Water District,
4 part of the state water project.

5 APG members have a huge investment to raise and
6 care for pistachio trees with the maintenance of an
7 irrigation system, water, pruning, nutrients, weed
8 management, and labor. Plus all of the equipment such as
9 tractors, disks, cultivators, ATV springing equipment,
10 trucks, and the ever present maintenance and repairs
11 associated with them.

12 And though none of these expenses decrease over
13 time, we are constantly trying to cut over all costs through
14 efficiency and innovation. The Pistachio Growers also
15 incurred other challenges such as increasing threat of pests
16 like navel orange worm and the mealybug and inconsistency
17 and lack of chilling hours that is necessary for producing a
18 crop and over increasing issues with water availability.

19 We have had a lot of challenges in our industry,
20 but we've also created a lot of opportunities. The domestic
21 industry has increased since the anti-dumping duty order was
22 imposed. Growers have invested in developing new pistachio
23 acreage. Processers have increased capacity and efficiency
24 to support that growth and acreage. And all of us have
25 invested time and money to develop new U.S. markets and

1 expand existing U.S. markets. Repeating the anti-dumping
2 order will negate all the progress the domestic industry had
3 made since the order was established.

4 We learned in the 1980's how quickly the Iranian
5 pistachios can enter U.S. markets. Iranian producers and
6 exporters will be prepared to sell the pistachios at a cheap
7 rate, because they have been out of the market for almost 20
8 years. This is evident by Iran's rapid entrance into the
9 Chinese market and would repeat -- be repeated in the U.S.
10 Any company with roasting equipment could easily import from
11 Iran, roast, and package Iranian pistachios. Roasting
12 equipment currently being used to roast other nut and seeds
13 will be utilized to roast Iranian pistachios.

14 Consumers, by and large, will not be able to
15 discern if a pistachio is from California or from Iran. The
16 consumer decision to buy will come down to price. As price
17 in the market falls, so does the price to us growers. As
18 our income falls, so does the value of our orchard. Unlike
19 manufacturers, we cannot pick up our orchard and move it to
20 a more agreeable climate or country, create a more reliable
21 and cheaper water source, or cut wages of those who work
22 with us. Unlike farmers of annual crops, such as cotton,
23 corn, and tomatoes, pistachio growers cannot change crops on
24 an annual basis. Pistachio trees cannot be simply removed
25 if prices decline.

1 In closing, Iran in the 1980s increased its
2 exports of pistachios to the United States some five-fold in
3 three years. We do not want a repeat of the injury to our
4 industry that occurred during that time. We appreciate your
5 time to review our request to maintain the anti-dumping
6 order and are prepared to answer any questions you may have
7 for us. Thank you.

8 STATEMENT OF ROBERT KEENAN

9 MR. KEENAN: Good morning. My name is Robert
10 Keenan. I am president of Keenan Farms, a pistachio farming
11 and processing operation that my family started in 1972 and
12 which I became involved in in 1975. I am responsible for
13 the administration and the domestic and export marketing of
14 Keenan Farms pistachios. Our operations are located in the
15 Central Valley of California.

16 Being in the business since 1975, I can speak
17 firsthand about the conditions before the anti-dumping order
18 went into effect in July of 1986. Iranian pistachios were
19 coming into the United States in very large quantities and
20 at prices much lower than that of California pistachios.

21 In fact, our prices dropped by approximately 15
22 -- 50 percent in 1985. Our purchasers demanded that
23 California industry get in line with the Iranian prices or
24 else we would lose the sale.

25 Since the anti-dumping duty order and the two

1 U.S. embargos of Iranian pistachios were imposed, the
2 domestic industry had -- has progressed a great deal.
3 Because of the demand, growers have invested in developing
4 250,000 acres of new orchards since 1985. And processors
5 have increased production, while creating valuable new
6 markets.

7 With a stroke of a pen, all the progress that
8 domestic industry has made since the anti-dumping order was
9 imposed could be lost. In the 1980s, Iranian pistachios
10 flooded the market at severely discounted rates. And we
11 know they will do the same if the order is abandoned.

12 The Iranian exporters can easily switch their
13 marketing the pistachios from Europe to the U.S. Why? In
14 Europe, the government and buyers require several aflatoxin
15 tests, whereas the U.S. requires only a single aflatoxin
16 test. Due to the difficulties faced by the Iranian
17 pistachios in passing the EU aflatoxin tests, the U.S.
18 market provides a lower risk for aflatoxin interception,
19 which makes it a much more attractive market for Iranian
20 pistachios.

21 In recent weeks, I have received three offers to
22 sell Iranian pistachios from Iranian exporters. Pistachios
23 are a fungible product. Most consumers are unable to
24 determine if a pistachio came from California or Iran.
25 Ultimately, the consumers' decision will be settled by the

1 price of the product. The lower prices will result in a
2 sharp decline in profits for growers, processors, and the
3 industry at large. Thank you for the opportunity to speak
4 and I look forward to your questions.

5 STATEMENT OF MIA COHEN

6 MS. COHEN: Hello. My name is Mia Cohen and I
7 am the chief operating officer of Setton Pistachio of Terra
8 Bella, Inc. Setton Pistachio is the second largest grower
9 and processor in the United States. We are a family owned
10 and operated company in the dried fruit and nut business for
11 over 50 years and specifically in pistachio processing and
12 growing for over 30 years. Our pistachio processing
13 facilities are located in the Central Valley of California
14 and our other dried fruit and nut business is located in
15 Commack, New York.

16 Setton Pistachio employs approximately 600
17 people year round and another 400 during our harvest season.
18 Most of our employees reside in Terra Bella, California,
19 which is a very small town and also Porta Bella, California
20 a larger city nearby.

21 We also employ people in our Commack, New York
22 office to support our pistachio business. It is
23 unquestionable that the American pistachio industry has
24 thrived over the last 30 years with the anti-dumping order
25 in place. For our company, it has allowed us to invest

1 significantly in the creation and constant expansion of our
2 pistachio processing facilities, and also to invest in
3 planting over 10,000 acres of pistachios.

4 In our business, we process our own pistachios
5 and also purchase pistachios from our growers at the time of
6 harvest, and return to them a guaranteed minimum price and
7 usually a bonus at the end of the year, which is tied to the
8 overall sales and marketing success for that year. We are
9 responsible for selling all the pistachios we process, which
10 this year was over 130 million pounds.

11 The risk of large quantities of raw in-shell
12 Iranian pistachios potentially entering the U.S. at cheap
13 prices would be quite harmful to the American pistachio
14 price, to our company and to our growers. If the order were
15 to be set aside, Iranian pistachios would face few barriers
16 to entry into the U.S. market, due to the presence of
17 multiple price-driven U.S. channels of business.

18 For examples, there are many established
19 importers, roasters, wholesalers and rebaggers that would
20 easily be able to purchase and resell lower-priced Iranian
21 raw product either into retail or industrial channels. They
22 are largely price-driven and could easily circulate
23 inexpensive Iranian product throughout the United States.
24 Specifically, roasters would have no hesitation switching
25 from U.S. to lower-priced Iranian raw in-shell pistachios,

1 since these customers are very much price-driven.

2 These roasters would use the lower input
3 prices from Iran to be able to offer lower prices for
4 roasted pistachios to obtain business. As a processor that
5 exports to Europe, China and the Middle East, Sutton
6 competes with Iranian raw in-shell pistachios in those
7 markets. When comparing price, customers compare our larger
8 sized pistachios to their smaller sized pistachios.

9 I can tell you they are price competitive and
10 generally undersell Sutton and other processors for the most
11 common sized pistachios. Even if the pistachios that enter
12 the U.S. market from Iran were smaller sized or lower
13 quality, it would still have a substantial adverse impact on
14 U.S. processors and growers.

15 The presence of lower quality, smaller-sized
16 and lower-priced raw in-shell pistachios in the U.S. market
17 would pull down the price of higher quality, larger sized
18 pistachios, and furthermore would undermine the perceived
19 value and quality of American pistachios. If the order on
20 raw in-shell Iranian pistachios was lifted and raw in-shell
21 Iranian pistachios were allowed free entry into the United
22 States, it would be detrimental to the American pistachio
23 industry and the effects to the market price would be
24 irreversible.

25 In turn, the new lower market selling price

1 would lower the price we can pay to our growers, with a
2 significant adverse impact on their financial returns.
3 There would also be immediate and long-term adverse effects
4 on Sutton Pistachio's operations. Thank you.

5 STATEMENT OF JIM ZION

6 MR. ZION: Good morning. My name is Jim Zion
7 and I am the Sales and Marketing Director for the Arizona
8 Nut Company., I've been involved with California
9 agriculture and specifically pistachios for over 20 years.
10 My experience ranges from banking to managing the California
11 Agricultural Export Program for the California Department of
12 Food and Agriculture, to starting and managing an
13 international sales and marketing company for California and
14 Arizona dried fruits and nuts.

15 I currently serve on the Agricultural Trade
16 Advisory Council for fresh fruits and vegetables, where we
17 advise USDA and USTR on trade issues relevant to our
18 industry. I've held a variety of leadership positions in
19 the pistachio industry, which has given me a better
20 understanding and appreciation for the U.S. pistachio
21 industry and its role in the local, state and national
22 economy.

23 Arizona Nut Company is located in Bowie,
24 Arizona, where we process and market pistachios for Arizona
25 and New Mexico pistachio growers worldwide. There are

1 currently about 7,000 acres of pistachios in Arizona, mainly
2 in the southeast region around Wilcox, Bowie and San Simone.
3 The next largest Alamogordo area of New Mexico, with another
4 700 acres planted.

5 We do expect the acreage in Arizona and
6 possibly in New Mexico to increase to about 10,000 to 15,000
7 acres in the next decade, as California growers look for
8 alternative growing regions outside of California. We sell
9 about six million pounds of pistachios annually, with an
10 estimated gross value of \$22 million. Of this, about 65
11 percent of our product is exported to over 20 different
12 countries.

13 These sales generate almost \$500,000 in
14 payroll, of which the majority went to employees in the
15 Bowie area. A recently reported International Trade
16 Administration has shown export-intensive manufacturing
17 earned on average 18 percent more than their counterparts in
18 less export-intensive manufacturing, and according to USDA
19 research, every dollar of non-bulk exports such as
20 pistachios generates \$1.35 of additional economic output,
21 which includes additional jobs for service-related companies
22 such as trucking, product handling, export logistics,
23 etcetera.

24 We generated almost another \$150,000 in tax
25 revenue for local, state and federal agencies. These tax

1 dollars have helped to keep the only school within 30 miles
2 open for local children. In addition, our plant has donated
3 annually to keep the local recreational activities open for
4 children that live in Bowie and the surrounding areas.

5 At one time Bowie was a thriving community in
6 which the major economic engine was the cotton industry.
7 But with globalization and cheaper producers, the cotton
8 industry in southeast Arizona has ceased to exist. Today,
9 the major employer in this town of 449 people is our Arizona
10 Nut Company. It is the trees that have been planted and the
11 processing plant that was built to handle the harvest that
12 helps Bowie, Arizona and surrounding communities and the
13 residents to survive.

14 Increased competition from proven dumping
15 producers such as Iran will disproportionately hurt small
16 processors, growers and communities such as Arizona Nut
17 Company and Bowie, Arizona. With the increasing costs of
18 energy inputs, labor, government regulations, etcetera,
19 profit margins are constantly being squeezed every year,
20 which in turn limits our ability to increase plantings of
21 pistachios in southeast Arizona.

22 We have also experienced firsthand Iran
23 underselling U.S. producers in key markets such as China and
24 the EU. Iranian product has been consistently lower in
25 price than U.S.-produced pistachios from most commonly sold

1 sizes and have caused buyers to switch origins. With the
2 uncertainty over current world trade policies and the
3 possibility of adverse trade actions against U.S. grown
4 product by key trading partners, we are focusing more of our
5 resources and expanding domestic sales.

6 At times, our domestic sales have actually
7 given us a better return as growers than equivalent export
8 sales, especially given the increasing cost to move product
9 around the world. In addition, the domestic marketplace
10 remains a vital safety valve in case of port strikes, trade
11 embargoes and other issues that may slow down or even cut
12 off international trade for American pistachios.

13 I am confident that Arizona and New Mexico
14 pistachio processed and sold by Arizona Nut Company will
15 find willing buyers from Seattle to Miami. But this assumes
16 we have a level playing field of competition. Anything that
17 distorts the marketplace such as subsidized input costs,
18 preferential tax treatments and most importantly dumping
19 will have a disastrous and an adverse effect on our economy
20 and the communities that rely on us.

21 I urge the Commission to maintain the current
22 anti-dumping duties on imported Iranian pistachios, which in
23 turn will assure we can compete and hopefully thrive in the
24 marketplace. Thank you.

25 STATEMENT OF DANIEL KLETT

1 MR. KLETT: Good morning. I am Dan Klett, an
2 economist with Capital Trade testifying on behalf of the
3 American Pistachio Growers Association. My testimony will
4 focus on Iran's increasing capacity and production, its
5 financial incentives to increase pistachio exports to the
6 United States, and likely underselling by imports from Iran.
7 You should have a packet of the slides to which I will be
8 referring.

9 Slide 1 shows Iran's capacity and production
10 for pistachio growers for the original investigation, the
11 first sunset review and the current sunset review. Iran's
12 pistachio capacity is based on growing area, which has
13 increased significant since the investigation and since the
14 prior sunset review.

15 As shown in Slide 2, there are ongoing changes
16 in Iran's production regions with new plantings in Kerman,
17 being stagnant and increases in higher yield provinces other
18 than Kerman. This is in part due to drought conditions in
19 Kerman and pistachio growing capacity shifting to other
20 provinces. Notwithstanding reports of drought in Iran,
21 there has been no reduction in Iran's growing capacity,
22 production or exports.

23 Because this is sunset review, the Commission
24 must conduct some perspective analysis. In this light, Mr.
25 Edmond Michon, an agricultural economist who has researched

1 the pistachio sector in the past, provided in Exhibit 11 of
2 APG's brief his projection of pistachio production in Iran
3 to 2021. Mr. Michon's analysis is based on an assessment of
4 Iran's 2015 bearing area, average yields for that area,
5 information from Iran's Ministry of Agriculture on
6 non-bearing trees recently planted, and assumptions as to
7 maturity and yields.

8 Slide 3 replicates how Mr. Michon arrived at
9 his estimates for 2021 production. His estimates -- he
10 estimates that pistachio production in Iran in 2021 will
11 range from 240 to 295 thousand metric tons, and the midpoint
12 of this range is 265,000 metric tons higher than any
13 production level achieved by Iran since 2008.

14 Slide 4 summarizes pistachio production in
15 Iran since 2001, and Mr. Michon's production projections
16 through 2021. The takeaway is that pistachio production in
17 Iran will remain at high levels. Iran's pistachio
18 production capacity has also grown and modernized. Although
19 actual data on its processing capacity are not available
20 given the absence of foreign producer questionnaires
21 returned to the Commission except by one firm.

22 However, information from the Iranian
23 Pistachio Association and from the websites of Iranian
24 pistachio processors demonstrate that pistachio processing
25 in Iran is growing, is modernizing and meets rigorous

1 testing requirements in markets such as the EU. The lifting
2 of economic sanctions has given the Iranian economy
3 increased access to international financial markets, which
4 will benefit its pistachio sector.

5 The Iranian government provides direct support
6 to the pistachio sector, including financing to upgrade
7 irrigation systems and tax concessions on agricultural
8 exports. The growth in Iran's capacity and associated
9 production will result in an increase in exports. As shown
10 in Slide 5, Iranian processors remain export-oriented, with
11 80 percent of production exported over the last six years on
12 average, and this year it grew to 90 percent in 2016.

13 One of Iran's major markets is the EU, which
14 has stringent quality and aflatoxin control measures on
15 imports. As shown in Slide 6, imports into the EU from Iran
16 have increased continuously since 2011 or since 2012, and in
17 2016 were 40 percent higher than in 2012. Iran's exporters
18 will have an economic incentive to increase exports to the
19 U.S. markets, both from growth in their output as well as
20 diverting exports from other markets.

21 I conducted a netback analysis that is
22 included in Exhibit 13 of APG's prehearing brief. The
23 results are confidential because the analysis relies in part
24 on U.S. prices reported by U.S. processors. However, by
25 looking at Iran's average netback prices to all markets on

1 an FOB basis, and then netting the U.S. price back to Iran
2 by subtracting ocean freight, I can say that Iran's
3 exporters would earn higher prices on average by exporting
4 to the United States than to its other export markets.

5 In addition, the U.S. market is attractive
6 because of its size in pistachio consumption levels.
7 Because there were no raw in-shell pistachio imports from
8 Iran during the period of review, the Commission cannot
9 conduct any direct underselling analysis. In the prior
10 sunset review and the absence of imports from Iran, the
11 Commission relied on part on evidence that Iranian
12 pistachios undersold U.S. producers in China, as evidence of
13 likely underselling in the U.S. market.

14 For this reason, I have reviewed imports into
15 Hong Kong and the EU, two of Iran's largest export markets,
16 and compared average prices from Iran and imports from the
17 U.S. into these markets. Slide 7 shows that the average
18 price for imports into Hong Kong from Iran were lower than
19 imports from the U.S. from 2012 to 2016.

20 Slide 8 shows the comparisons by month for
21 2016 and the first two months of 2017. While U.S.
22 producers' prices fell significantly, particularly starting
23 in the second half of 2016, imports from Iran more than
24 matched the decrease in undersold U.S. producers in the most
25 recent five months. Also note from the slide that the only

1 three months of overselling were associated with low import
2 volumes from Iran.

3 Slide 9 is a similar analysis for imports into
4 the EU. Here, the results were more mixed, with the average
5 price from Iran being higher than for imports from the U.S.
6 in 2013 and 2015, but lower in 2012 and 2016. However, a
7 review of the monthly data, as shown in Slide 10, shows
8 prices declining during the year as export volumes to the EU
9 increased. Imports from Iran undersold U.S. producers in
10 the EU market in each month during 2016. 2016 comparisons
11 are most reliable for purposes of projecting into the
12 future, given they are most recent, and also may reflect
13 some benefits associated with the lifting of sanctions in
14 January 2016.

15 The information from other sources supports a
16 finding that China undersells U.S. producers in other
17 markets. A September 2016 report by USDA's Foreign
18 Agriculture Service in Exhibit 3 of APG's prehearing brief
19 reports that Shanghai and Beijing are key markets in China
20 for U.S. pistachios, but that "other cities prefer more
21 competitively priced imports from China."

22 Finally, I conducted additional analysis on
23 underselling in Exhibit 16 of APG's prehearing brief. I
24 calculated Iran's average export price to Hong Kong to
25 Canada and to four different regions on a quarterly basis

1 from 2014 to 2016, added a reasonable estimate of ocean
2 freight to the United States, and compared those landed
3 prices to the quarterly prices reported by U.S. processors.

4 The data are confidential and I cannot present
5 the detailed results, but I can say generally that they
6 support a finding of likely underselling should the order be
7 revoked. Thank you.

8 STATEMENT OF MICHAEL HOHMANN

9 MR. HOHMANN: Good morning. My name is
10 Michael Hohmann, and I'm the Executive Vice President of
11 Wonderful Pistachios and Almonds, LLC. I've been with the
12 Wonderful Group for 14 years, and my primary responsibility
13 is worldwide sales and marketing.

14 We regard the preservation of the anti-dumping
15 order as critical to preserving the economic viability of
16 our own company, as well as the economic viability of the
17 750 independent growers in the Central Valley of California,
18 who deliver their pistachio crops to us.

19 We started our pistachio growing business by
20 buying orchards in the Central Valley in 1986. These
21 purchases were at the time that the Iranian industry had
22 inundated the U.S. market with low-priced products.
23 Fortunately, the anti-dumping and countervailing duty orders
24 that the U.S. Commerce Department issued in 1986 provided us
25 with the critical protection that we needed in order to

1 justify additional plantings through the 1990's.

2 MR. HOHMANN: And the high antidumping duties have
3 made it difficult for Iranian producers and exporters to
4 sell their products in the United States.

5 The embargoes that were in effect for 19 years,
6 along with the Order, were certainly helpful in allowing the
7 entire domestic industry to expand its operations over the
8 years. The Wonderful group has built four processing plants
9 in order to serve all of our growers throughout the region.

10 We have also been able to expand our own orchards
11 over the years to the point that we are now the largest
12 single pistachio grower in the state. We are a critical
13 source of employment in the Central Valley at both our
14 processing plants and within our orchards. Between the two,
15 we employ over 2,500 people.

16 The Central Valley offers very few alternative
17 employment opportunities, so we provide jobs to those who
18 may not have them otherwise. We also provide free on-site
19 health care to our processing employees, and this is an
20 extremely valuable employment benefit in an area where
21 medical personnel and health care facilities are in short
22 supply.

23 We are also deeply engaged in our communities by
24 constructing affordable housing, offering educational
25 grants, and establishing both charter and preschools for the

1 children of the Central Valley.

2 And the domestic industry has been very
3 successful in developing and increasing pistachio demand
4 both domestically and globally. This is not an accident or
5 byproduct. Rather, we have spent many years on a number of
6 activities that have cost hundreds of millions of dollars,
7 and that have made consumers far more aware of the benefits
8 of pistachio consumption.

9 For example, we have funded research that
10 demonstrates the health and nutrition benefits of pistachio
11 consumption. We have also created awareness of the benefits
12 of pistachios through our marketing campaign "Get Crackin'."

13 Historically, pistachios were a typical
14 agricultural commodity priced as such and susceptible to
15 price competition from Iran in particular. Over the years,
16 we have made considerable efforts to get away from
17 pistachios being treated as just another salty snack.

18 For example, you might see Wonderful pistachios
19 in the same grocery store aisle--sorry. For example, you
20 will not see Wonderful Pistachios in the same grocery aisle
21 as other snack nuts or snack foods. Rather, Wonderful
22 Pistachios is displayed in the fresh produce section of the
23 stores.

24 The rest of the domestic industry has followed
25 our lead and our collaborative efforts have made pistachios

1 a much more profitable crop for growers than other nuts such
2 as walnuts or almonds.

3 There is no debating the fact that the domestic
4 pistachio industry up until now has been successful. Our
5 industry barely existed 40 years ago. Now the growing and
6 processing industry employs over 11,000 people with many
7 more indirect jobs.

8 These jobs will be put in jeopardy if the Order
9 is revoked. This conclusion might seem counter-intuitive in
10 light of the industry's growth and history of profitability.
11 However, the domestic pistachio industry is vulnerable to
12 Iranian imports for a number of reasons.

13 The first reason is the very nature of the
14 pistachio industry which is as unpredictable as any
15 agricultural crop in terms of the size of the harvests that
16 could be expected at any particular year.

17 Forecasts are usually wrong and can be off by
18 hundreds of millions of pounds. The fact is, we don't
19 really know the size of a harvest until we actually harvest
20 it. That makes production and sales planning extremely
21 difficult in the best of circumstances, as you've heard
22 earlier.

23 As a result, the carry-over process is an
24 essential element of our business because of the variability
25 of the pistachio production, and is the second reason why

1 revocation could lead to a flood of dumped imports.

2 We have explained that carrying out pistachios
3 from a season in which the harvest is high and carrying into
4 a low harvest season is critical to maintaining supply
5 stability and in turn price stability. But Iranian
6 processors do not use the carry-out and carry-in process as
7 a business strategy, unlike domestic processors. That means
8 that a high harvest in Iran will not lead to more than a
9 minimum carry-out. Rather, it means Iranian processors and
10 exporters will sell their entire supply during the crop
11 year, leaving only the bare minimum carry-out.

12 Compounding this problem is the fact that the
13 Iranian industry consists of an extremely large number of
14 growers, processors, and exporters.

15 With complete fragmentation in the Iranian
16 industry, it is inevitable that Iranian sellers are going to
17 be competing with each other, not to mention with the
18 domestic industry, to sell their current crop.

19 We have seen this happen repeatedly in our
20 efforts to sell raw, in-shell pistachios in the world's
21 largest market of China. During multiple trips to China, I
22 have personally witnessed significantly lower priced Iranian
23 products, and this is a function of both their lack of
24 strategic carry-out and the intense competition among
25 Iranian sellers to dispose of their crop.

1 All of our efforts to create brand awareness for
2 Wonderful pistachios could be undone by the traditional
3 Iranian strategy of selling pistachios on a commodity basis
4 if the Order is revoked.

5 When price is the major factor of your product,
6 you lose the opportunity to earn a premium for quality,
7 consistency, service, and reliability.

8 We have also pointed out the dangers posed by
9 Iranian suppliers that will view the U.S. market as one in
10 which the critical food safety standard for aflatoxin could
11 become an alternative export incentive.

12 Iran has a documented and long-standing history
13 of failing to take the steps necessary to meet the EU's
14 aflatoxin limits, and those limits are more rigorous than
15 the U.S. standards.

16 Although Iran has taken steps to reduce the
17 dangers of aflatoxin contamination or exported product, we
18 also have no doubt that the less scrupulous operators in the
19 country will view the U.S. market as where they can send
20 their products with less concern that they will be rejected.

21 Of course the well-known constraints of the U.S.
22 Government's ability to inspect a significant number of food
23 products will heighten this problem, additionally. The
24 rejection of just a single shipment of Iranian pistachios
25 could have repercussions extending far beyond that shipment

1 alone.

2 Consumers these days are extremely food-safety
3 conscious, and many of them are very likely to boycott all
4 pistachio products, not just Iranian products. After all,
5 why would consumers take a chance on food safety? So
6 revocation could have consequences far beyond the
7 introduction once again of dumped Iranian imports into the
8 domestic marketplace.

9 We see likely future Iranian imports as having a
10 material adverse impact on our roasted pistachio business,
11 as well as our raw business. Raw pistachios are the raw
12 material used to make roasted pistachios, which is
13 Wonderful's primary domestic business.

14 What we see happening is that Iranian processors
15 and exporters will begin selling raw pistachios to companies
16 that engage in the roasting process, as you've heard
17 earlier. It is important to understand that the equipment
18 that a roaster uses to roast nuts can be used regardless of
19 the type of nut.

20 Thus, the potential market for Iranian raw
21 in-shell expands far beyond those companies that currently
22 engage solely in roasting pistachios. In addition, we urge
23 the Commission not to revoke the Order. We regard the
24 pistachio industry as an enormous threat to the domestic
25 industry that has been carefully and responsibly developed

1 into an economic success story.

2 However, that success is fragile because of all
3 the vagaries inherent in raising an agricultural crop. We
4 face significant increases in the cost of water and labor in
5 California. These are substantial challenges that may hurt
6 our profitability if we cannot continue to increase demand
7 and at the same time maintain prices.

8 We had to drop our prices considerably in the
9 current crop year due to the enormous harvests that we
10 experienced last fall. We will face an off-year in the
11 coming fall of 2017, but the industry is going to have a
12 strategic carry-out of between 225 and 250 million pounds,
13 with a wholesale value of approximately \$900 million. The
14 value of that carry-out is in jeopardy because our industry
15 sources tell us to expect an Iranian crop in the range of
16 500 to 550 million pounds next fall.

17 That size crop will have to be disposed of in
18 third-country markets, and if the U.S. market is available
19 we can expect to see a substantial influx of imports as soon
20 as this fall, which could generate hundreds of millions of
21 dollars of lost revenue.

22 That completes my remarks.

23 STATEMENT OF ANDY ANZALDO

24 MR. ANZALDO: Good morning. My name is Andy
25 Anzaldo and I'm the Senior Vice President for Grower

1 Relations for Wonderful Pistachio Almonds LLC.

2 I've been with the Wonderful Group since 1999,
3 and my current job responsibilities include grower
4 relations, plant operations, and marketing and sales
5 strategy.

6 I have been the former chairman of the
7 administrative committee for pistachios, and I have served
8 on various industry boards dealing with food safety, grades
9 and standards, and other common issues related to the
10 pistachio industry.

11 About 750 independent growers located in the San
12 Joaquin Valley deliver their pistachios to us for
13 processing. We call our growers "grower partners" because
14 their success is our success.

15 The decision to plant pistachios is unlike any
16 planning decision for a California farmer. These farmers
17 plant trees, then wait six to eight years for their first
18 commercial harvest. Over this initial non-bearing period,
19 growers invest about \$15,000 per acre, plus the cost of the
20 land, just to install an orchard and then maintain it.

21 So the significant up-front cost must be financed
22 for many years. Moreover, it takes 15 to 20 years for new
23 plantings to reach their full bearing potential. This is
24 why pistachio growers often say you grow almonds for your
25 children and pistachios for your grandchildren.

1 Successful and profitable pistachio harvesting is
2 a difficult task even in the best of times. Farmers have to
3 deal with weather extremes--especially the drought
4 conditions that have plagued California until recently--as
5 well as devastating diseases like bochus feria and very
6 harmful pests such as naval orange worm, which can ruin a
7 crop.

8 Minimization of aflatoxin contamination is always
9 a constant concern for our industry. Overall, growers make
10 a decision to plant pistachios without knowing the future of
11 environmental or marketing conditions. And then they wait
12 20-plus years without knowing what the eventual payoff will
13 be.

14 California growers planted an estimated 92,000
15 acres of pistachios in the seven-year period between 2010
16 and 2016. This is the period in which the latest embargo of
17 Iranian goods was in effect, and reliance on that embargo
18 was certainly a factor in the investment decisions that were
19 made.

20 This means investments totaling almost \$1.4
21 billion, plus the cost of the land, has not begun to pay off
22 in terms of commercial production and will be put at risk if
23 the Order is revoked.

24 All California growers face additional risk in
25 the form of much more expensive costs for water and labor.

1 A typical orchard needs 3 to 4 acre feet per year, and the
2 cost of water during a normal hydrology year is about \$200
3 per acre foot. However, during the drought the cost of the
4 water was typically \$500 to \$900 per acre foot, and got as
5 high as \$2,200 per acre foot. The cost of water is only
6 going to increase, and that makes raising a high-value crop
7 like pistachios essential for California farmers.

8 In 2016, the State of California enacted a law
9 called The Sustainable Ground Water Management Act. This
10 law is going to restrict growers' access to water, and
11 increase its price going forward.

12 However, the cost of the water is only one part
13 of the potential impact. There is also uncertainty of how
14 much groundwater growers will be able to pump in the future,
15 which is the only way the California growers survive the
16 drought.

17 California has also increased minimum wages from
18 \$11 per hour by 2018, \$12 an hour by 2019, with a further
19 escalation of \$15 an hour by 2022. Actual wages for San
20 Jiuquan Valley agriculture workers were 45 percent higher
21 than California minimum wage in 2013. In addition to having
22 to pay farm and plant workers a lot more, we face a
23 significant labor shortage.

24 Field and crop workers are rapidly aging, and
25 legal immigration has declined by about 75 percent over the

1 last 75 years. Added to this is the inadequacy of the H2A
2 visa program which is intended to allow temporary
3 agriculture workers to enter the United States.

4 So we face numerous challenges in the future that
5 are separate from the threat of Iranian pistachios. In
6 order to overcome the volatile water prices, growers have
7 worked on--I'm sorry. In order to overcome volatile water
8 prices, increased cultivation costs, and questionable labor
9 availability, growers are investing in new cultivars.
10 Integrated pest management, enhanced irrigation techniques,
11 and data-driven farming decisions, all of which requires
12 substantial investments with uncertain payoffs that are 10
13 to 20 years down the road.

14 The ultimate goal of these investments is to
15 increase productivity per acre and maximize every drop of
16 water we irrigate the trees with. Ultimately, what matters
17 most to a grower is return-per-acre. And that return is a
18 direct function of both the price-per-pound that the
19 processor pays the grower, and the yield of pistachios that
20 that grower gets per acre.

21 If the price drops or the yield declines, then
22 the grower suffers. In crop year 2015-16, we faced the
23 lowest yield-per-acre since 1989, which was 1,161 pounds per
24 acre. And the value per bearing acre was \$3,831, versus the
25 prior year which exceeded \$8,000.

1 We managed to survive this huge decline in
2 profitability, but we are now faced with an equally
3 different problem, which is the huge harvest in the fall of
4 2016. Five-year average prices to the grower have now
5 fallen 40 percent. Overall grower return will be better
6 this year because of yield-per-acre, but nowhere near the
7 levels over the past five years.

8 Further, the value of the 2016 crop will be based
9 on the very large carry-out in order to maintain price at a
10 decent level, and maintain a stable supply due to the
11 volatile nature of the pistachio harvest.

12 The growers bear the cost burden and the risks
13 associated with the projected \$900 million carry-out. So
14 revocation of the Order could immediately be a devastating
15 impact if the Iranians sell millions of unanticipated pounds
16 in the U.S. this fall.

17 We have reviewed Mr. Ketabi's prehearing brief,
18 and we don't think his conclusion about Iran's intentions
19 are reliable. For example, he suggests Iranian producers
20 are not capable of exporting a significant percentage of
21 their annual crop. But that suggestion is contradicted by
22 the actual volume that Iran exports every year.

23 If Iran produces 500 million pounds of pistachios
24 in 2017 and it exports 80 percent of that crop, as it
25 historically has done, then a significant volume is going to

1 seek a home in the United States.

2 It would be one thing if Iranian exporters
3 competed on the basis of quality, service, reliability, with
4 price being only a secondary consideration, but that is not
5 how they do business around the world.

6 We have also mentioned the problems that they had
7 in controlling aflatoxin and the less stringent U.S.
8 standard, which could provide an additional incentive to
9 export a greater percentage of their crop.

10 In summary, Iran is a true threat to the success
11 that the domestic industry has had. We urge the Commission
12 not to revoke the Order. Thank you.

13 STATEMENT OF THOMAS COLEMAN

14 MR. COLEMAN: Good morning. My name is Tom
15 Coleman and I'm the owner of Coleman Land Company. We
16 started our pistachio business in 1978 as a nursery, and I
17 bought my first pistachio orchard in 1982. Since then we
18 have grown to a point where we own 760 acres of bearing
19 trees, and we have invested in 320 more acres that are not
20 yet at the commercial bearing stage.

21 I also currently serve as the Chairman of the
22 Administrative Committee for Pistachios. The ACP was
23 established in 2004 by pistachio growers to regulate the
24 quality aspects of domestically shipped pistachios,
25 primarily testing for levels of aflatoxin.

1 A Federal Marketing Order governs our activities
2 and it authorizes us to require inspection of domestically
3 shipped pistachios for aflatoxin levels, gather statistics
4 from handlers, fund research projects that pertain to the
5 processing and handling of pistachios, and establish food
6 safety regulations.

7 I am also the Chairman of the California
8 Pistachio Research Board. The Board uses mandatory
9 assessments paid by pistachio producers to fund research on
10 pistachio propagation, production, harvesting, handling, and
11 preparation for market.

12 We also provide educational opportunities and
13 materials for pistachio growers. I sell my own harvest to
14 five different processors under both single-year and
15 multi-year contracts. We do that so we always have an
16 outlet for our production and the flexibility to switch
17 between processors when conditions warrant.

18 We employ about 30 workers in our orchards, and
19 it is becoming more difficult to find people to work for us.
20 Agricultural workers throughout California are in short
21 supply, so it costs us more every year to hire and retain
22 them.

23 My company was not an individual petitioner back
24 in 1985, but we were a member of the California Pistachio
25 Commission at the time, which was a petitioner.

1 We had not been in business very long, I remember
2 very well how much of a threat Iranian pistachios presented
3 at the time. Without the relief that the Antidumping Order
4 provided, we might never have gotten the small business that
5 we started in 1982 off the ground.

6 We are now a much stronger business, but we will
7 not remain immune from harmful competition from Iran if you
8 decide to revoke the Antidumping Order. I am very well
9 aware of the fact that Iranian exporters compete on a basis
10 of price and overseas markets.

11 We know that they take sales away from U.S.
12 processors in China in particular, and those sales represent
13 either lost opportunities or lost revenues. However, I
14 understand that the Iranian processor that is participating
15 in this review is claiming that Iran is nothing to worry
16 about because their likely exports to the U.S. will be very
17 small.

18 I truly doubt that that is the case. We know
19 that Iran is export oriented, and we know that it produces a
20 huge crop every year. We also know that it sells its
21 product on the basis of price, not quality or service. The
22 U.S. processors do the opposite.

23 Although the return that we get on each pound of
24 our harvest each year is confidential, I can say that our
25 questionnaire response shows that the average price that we

1 receive from our processors declined by about 70 percent
2 between 2015 and 2016.

3 That type of shift is not sustainable in the long
4 term, and we are very concerned that Iranian imports are
5 going to make it far more difficult to obtain adequate
6 returns in the future for the reasons I just discussed.

7 We have worked very hard to build an industry
8 over the past 40 years that so far is an almost unqualified
9 success story. Our industry employs thousands of people at
10 good wages. We have invested an enormous amount of money,
11 and we have borrowed in order to finance our investments in
12 reliance on the protection of the Order.

13 Without that Order, our investments could become
14 far less valuable if we had to adjust to lower priced
15 Iranian imports. We have a long-term focus, but the
16 Iranians are clearly focused on short-term benefits.
17 Iranian producers and exporters have not shown that they are
18 capable of exercising any sort of price discipline in the
19 markets in which we would compete head to head.

20 There are hundreds of Iranian exporters and
21 thousands upon thousands of Iranian growers. There is no
22 real form of trade association or government organization
23 that can bring leadership to the industry. It's every man
24 for himself in Iran, and that can only mean that the outcome
25 in the U.S., if the Order is revoked, is rapidly increasing

1 imports accompanied by rapidly falling prices, as Iranian
2 exporters engage in a race to the bottom.

3 I urge you not to let this happen. Thank you.

4 STATEMENT OF LARRY WILKINSON

5 MR. WILKINSON: Good morning. My name is Larry
6 Wilkinson and I'm the President of the J. Poonian Limited
7 Partnership, a family-owned business.

8 I'm a fourth-generation farmer, and I was raised
9 by my grandmother from an early age. She taught me how to
10 farm, and she got into the pistachio business in the 1980s.
11 We currently own and operate 400 acres of pistachios in
12 Delano, California.

13 In addition, we custom harvest about 3,000
14 outside acres, as well as our own crop. All of our acreage
15 is in production. My company is a member of the American
16 Pistachio Growers, and we deliver crop to two different APG
17 processors.

18 We also sell a large portion of our crop to
19 Wonderful. My company strongly supports the position of
20 both AGP and the Wonderful Group in this review.

21 Farming pistachios is a tough job. As a farmer,
22 I am in orchards almost every day, checking the crop, trying
23 to decide how to maximize our harvest and avoid the diseases
24 and pests that are our common enemy. However, we cannot
25 control Mother Nature, and we were very unlucky in the Fall

1 of 2015 because of the lack of chill hours during the
2 preceding winter.

3 We also suffered from a lack of adequate water
4 supply from our water district. The water that we were able
5 to buy was very expensive, when it was even available.

6 As a result of the difficult conditions in 2015,
7 our production declined by almost 85 percent compared to the
8 harvest of 2014. Our harvest did improve in 2016, but it
9 did not recover to the level we reached in 2014.

10 At this point it is too early to tell what our
11 harvest will be in 2017. An estimate I provided in our
12 questionnaire response was just my best guess as of early
13 February.

14 MR. WILKINSON: In our industry, we really don't
15 know the size of our crop until we actually harvest it. I
16 employ eight full-time and many seasonal employees and pay
17 them very good wages, compared to other businesses in our
18 area. As you can see from our questionnaire response, we
19 suffered a very serious financial injury in 2016 due to the
20 small harvest in the fall of 2015, and the decrease of
21 outside acres that we harvested.

22 Some of the growers that we normally harvest
23 were elected not to harvest because there was not enough
24 fruit on the tree to warrant harvesting. I deliver my crop
25 to Wonderful's plant. They pay me based on the price that

1 they can charge for their finished product minus what they
2 charge for providing the service of processing.

3 One of the benefits of working with Wonderful is
4 that they have created brand awareness for their own
5 pistachios, which has allowed them to increase demand
6 overall and not just for their own products. They also are
7 a very strong advocate for sustainable water supplies for
8 the entire central valley of California.

9 As a farmer, I worry about everything that could
10 go wrong as we go throughout the year. Adding Iranian
11 pistachio imports to my list of worries is extremely
12 troublesome. I know enough about the Iranian industry to
13 know how large it is, and how much its exporters send to
14 Europe and China every year. I don't know any reason why
15 they wouldn't do the very same thing in the United States if
16 the Commission gave them the chance.

17 Pistachios, unfortunately, are an agricultural
18 commodity, just like all the other crops that you can grow
19 in your fields. Fortunately, the pistachio industry has so
20 far been able to avoid the much lower profitability that is
21 available to walnuts and almonds, but that could come to an
22 end if the order is revoked.

23 If low-priced imports start to take away my own
24 sales opportunities, then I'm gonna be faced with a hard
25 choice of having to tear out my trees and irrigation systems

1 and start over with another type of crop. Whatever I plant
2 is likely to take another four to eight years to mature and
3 in the meantime, I'll be stuck with the cost of new
4 investments that produce no income. For the sake of my
5 family and my hard-working employees, I hope that the
6 Commission will not force me to make this kind of choice.
7 Thank you.

8 MR. CONNELLY: Commissioner Johanson, that
9 completes the presentation of the domestic parties.

10 VICE CHAIRMAN JOHANSON: Thank you, Mr.
11 Connelly, and I would like to thank all the witnesses for
12 appearing here today. We will begin our questions today
13 with Commissioner Williamson.

14 COMMISSIONER WILLIAMSON: Thank you, Mr.
15 Vice-Chairman. I want to thank the panel for the rich
16 in-depth and variety of your testimony. It's really been
17 fascinating. Three or four years ago, we had a hearing on
18 ag exports to India and the almond growers were here and
19 talking about the challenges there. And they also talked
20 about how healthy almonds were. And so after that hearing,
21 I started eating a lot of almonds.

22 And I think you're saying that pistachios may be
23 even more healthy, or is it just Mr. Hohmann has a way of
24 knowing where to put them in the supermarket? But since
25 that is not really relevant to the investigation, if

1 afterwards, if you can tell me which I should be eating, or
2 somebody -- to that point, I'd be interested in hearing
3 about it.

4 But let me turn to some questions that are more
5 relevant to the task before us. And I guess I want to start
6 with this question of both "the Iranian producers are saying
7 that due to the need for small scientific testing, small
8 pistachio firms and farms in Iran cannot produce products
9 for export to OECD countries." And I take it from what
10 you've been saying, you don't agree with that.

11 So I want to -- first question of how Iran
12 pistachios will compete with the U.S. pistachios. And Ms.
13 Cohen, you talked about size and quality, and I guess
14 there's some USDA standards for that, but I'm not sure what
15 the basis is for that, and so if y'all could talk about that
16 competition issue and, of course, sometimes it's all the
17 basis of what are people used to eating.

18 So it would be helpful to get some clarification
19 on this question of the size -- I think you talked about the
20 Iranian product being usually smaller, and is that what
21 matters here, or --

22 MS. COHEN: Thank you, Mr. Commissioner. Yeah,
23 I did mention that Iranian pistachios, typically the most
24 common found size is smaller than U.S. pistachios. But on
25 the global playing field, customers don't differentiate, so

1 it seems that our larger pistachios are competing directly
2 with the Iranian smaller pistachios. And so we don't get to
3 enjoy, perhaps, a premium for the larger size in the global
4 market because it is such a price-driven global industry.
5 Does that answer your question?

6 COMMISSIONER WILLIAMSON: Partially. What about
7 in the U.S. though? Because, you know, people are always
8 talking about "size matters" here.

9 MS. COHEN: In the U.S., you will also find the
10 predominant size of our pistachios in all retail outlets.
11 We do have a smaller percentage of larger-sized nuts that
12 are reserved for certain customers. But for the most part,
13 we do sell one predominant size in the U.S. as well.

14 COMMISSIONER WILLIAMSON: Anything else you want
15 to add to that?

16 MR. HOHMANN: Commissioner, may I add -- as
17 Cohen said, the USDA standards talk about size and they
18 define it as an ounce count, and in the United States, the
19 typical ounce count is a 21/25. So, some of the examples
20 that we gave you are in the 21/25.

21 We often call it the standard size. And so
22 that's the size that California producers produce and, as
23 Ms. Cohen said, there's also a larger size, but that's the
24 typical size. There's also some other quality attributes
25 around the color of the shell and so forth. But the one is

1 size, and then shell color.

2 And I would say that, when we look at Iranian
3 product in foreign products, they look very similar in size
4 and very similar in color and are hard to distinguish
5 between the two, and that's why we brought some samples
6 today. We brought some samples in a tub, and then also our
7 Wonderful product and, you know, I've asked you to take a
8 look and see if you can tell the difference.

9 COMMISSIONER WILLIAMSON: I was anxious to do
10 that, but it's not very nice of us to be scrapping through
11 all your products --

12 MR. HOHMANN: We're used to it. We encourage
13 you to snack, and we're trying to increase consumption as
14 well.

15 COMMISSIONER BROADBENT: Commissioner Williamson
16 has them all down there.

17 MR. HOHMANN: Well, could you maybe pass some to
18 your colleagues as well?

19 COMMISSIONER WILLIAMSON: Okay. Anyone else
20 want to comment on this size/quality competition? And their
21 statement about not being able to produce products of the
22 OECD countries?

23 MR. HOHMANN: I would also, you know, add -- I
24 talked about the Chinese market, but in the EU, you see a
25 significant amount of Iranian product, so our point is that,

1 based on the empirical evidence of large imports and product
2 available in the market, they indeed can ship high quality
3 demanded by those markets and the United States.

4 COMMISSIONER WILLIAMSON: Okay. And I guess if
5 you -- again, Ms. Cohen, I think you talked about the number
6 of nut importers, and I assume they can do a marketing job,
7 too, as y'all have in terms of Iranian product. Have we
8 seen any of this, of people advertising, saying, you know,
9 "Buy these nuts because they're from Iran, and they're gonna
10 be different"?

11 MS. COHEN: We see in the U.S. a pretty
12 extensive network of importers, roasters and rebaggers that
13 sell both to retail and industrial wholesale. They've been
14 around for many, many years, as we have also been in the
15 dried fruit and nut business for many years in New York. We
16 know many of these people personally, and we do know that it
17 would be very easy for them to take in Iranian product,
18 roast it and sell it in the U.S. market. So a lot of that
19 also comes from our experience pre-1986 where we saw a lot
20 of that happening.

21 COMMISSIONER WILLIAMSON: Thank you. Where's
22 Commack, New York? I live in New York City and I've seen it
23 before, but where is it?

24 MS. COHEN: It's on Long Island. It's Suffolk
25 County.

1 COMMISSIONER WILLIAMSON: Okay, good. Thanks.

2 I knew I'd seen it. Good. Let's turn to the question --

3 MR. ANZALDO: Commissioner Williamson, I think
4 Bob Keenan spoke about being contacted by Iranian growers
5 and exporters willing to -- wanting his organization to buy
6 pistachios and roast and rebag them. And roasting and
7 rebagging, think about as like Planters, those pistachios
8 are bought from the U.S. processors raw, and then roasted,
9 salted, put in a Planters bag.

10 If you want something closer to home, as you're
11 making that snack-nut choice, in the main lobby here, if you
12 walk right by the register, there's Barcelona Nut and
13 there's about twelve, thirteen different nut types, and
14 pistachios is right there. And those roaster-rebaggers can
15 basically substitute any nuts, or in this case, Iranian or
16 American pistachios.

17 COMMISSIONER WILLIAMSON: Thank you. This is
18 important because if you're talking about the threat of --
19 what is their capacity, what's the infrastructure that's
20 there for them to use, and that's why I keep asking those
21 questions. Let's turn to this question of aflatoxin. Have
22 domestic producers had recent problems with it in the U.S.?
23 And I know that's not something people want to particularly
24 want to talk about, but --

25 MR. HOHMANN: I can go ahead. Aflatoxin is

1 naturally occurring in the orchards. And the intensity of
2 aflatoxin varies year to year, depending on a variety of
3 factors. And the California industry takes many steps,
4 first in growing, so many steps in the growing part of the
5 operation, to minimize the factors that cause aflatoxin.
6 And it's everything from, you know, sanitation to the way
7 you prune your trees, and it's a variety of steps there.

8 In addition to that, the processor takes many
9 sorting steps to make sure that as many of the attributes
10 related to aflatoxin are removed. And that varies year to
11 year. I can only speak for our company, which is, we have a
12 very low failure rate. We do have some, but we do have a
13 very low failure rate, and we work very hard to keep that
14 low.

15 COMMISSIONER WILLIAMSON: Okay. Yes?

16 MR. ANZALDO: And I would also add on top of
17 that, what we basically work with our growers, and I think
18 most of the other processors in the industry do, as well --
19 the first thing growers do is, the pistachios are harvested
20 and they don't touch the soil. And we feel like that's a
21 mitigation step to reducing the risk of aflatoxin.

22 The growers also, through the research and
23 development that the industry's done over the last ten
24 years, we actually put an atoxigenic extreme called AF36 in
25 the orchards to reduce the toxigen extremes of aflatoxin.

1 We've shown that to reduce aflatoxin in the orchard and
2 third is, many of our speakers talked about navel
3 orangeworm, and that's a pest that we found correlates to
4 aflatoxin, and we incentivize our growers through bonus
5 programs to reduce that pest level, to overall reduce the
6 amount of risk of aflatoxin in our crop.

7 COMMISSIONER WILLIAMSON: Go ahead.

8 MR. MATOIAN: Let me also add to that, that
9 aflatoxin is not unique to pistachios. Aflatoxin is
10 commonly found in wheat, corn, peanut butter, many forms of
11 dried fruit also have aflatoxin. It's very highly regulated
12 in the European Union, also regulated here in the U.S., but
13 not as stringent a standard. So growers are concerned,
14 treat for it, many processes in the processing plants are
15 implemented to reduce the incidents.

16 COMMISSIONER WILLIAMSON: Okay. My time is
17 expiring, but I guess quick -- but we feel our standards and
18 our methods are sufficient to deal with the problem. Is the
19 EU being excessive in their standards?

20 MR. MATOIAN: The European Union has treated it
21 as a much more highly regulated concern, in which their
22 standards are tighter. The standards in the U.S. would
23 probably follow the EU and there's many countries that don't
24 have standards at all, or at least don't test for the
25 incidence of it.

1 But it is of concern, and we feel that our
2 industry is taking the appropriate steps to deal with the
3 problem, both in the field, as well as in the processing,
4 and even prior to shipment, testing is done to ensure that
5 no product is shipped with aflatoxin.

6 COMMISSIONER WILLIAMSON: Okay. Thank you. My
7 time has expired, but I'll come back because I have a lot
8 more questions. Thank you.

9 VICE CHAIRMAN JOHANSON: Commissioner Broadbent.

10 COMMISSIONER BROADBENT: Thank you. Yeah, I
11 wanted to thank the witnesses for coming today and thank
12 Wonderful company for hosting us out there in California.
13 It was probably the best trip I was on this year in terms of
14 facility tours. That was really an impressive experience to
15 see all of that. I think this is probably the most tasty
16 product we've had as a subject matter this year, so it's fun
17 to look at something that's a little different and not made
18 of metal. So we appreciate it.

19 The U.S. has had a really challenging economic
20 relationship with Iran and you all seem to be
21 front-and-center of the ups and downs of that. It seems to
22 me that the dumping order went into place in 1986, but
23 really the embargo up and down, but it was really only
24 lifted for a total of ten years in that period, since the
25 dumping order was in place. I think we still have so many

1 difficult problems with Iran that it's going to be
2 interesting in the future to see what happens.

3 I'd like to continue a little bit more on the
4 standards issue. I didn't quite get where the import
5 standards are the most stringent. There was some reference
6 in our materials to OECD standards, which I didn't know if
7 there was really an official OECD standard or an
8 international codex standard. Can someone kind of give me a
9 broad overview on the standards that govern imports into
10 the U.S., the EU and China? Maybe Ms. Roden, do you, have
11 you looked at that?

12 MR. KEENAN: Morning, Robert Keenan. The
13 standards for U.S. pistachios was established in 1984 in
14 cooperation with the USDA and the then California Pistachio
15 Commission, the state-run marketing order. As the industry
16 grew, we found that we needed to have standards for the sale
17 and dissemination of our distribution of pistachios in the
18 U.S.

19 We established those into grades of size,
20 external and internal quality. The industry then, of
21 course, adopts and utilizes the aflatoxin standards that
22 were established by the USDA and which are, for most
23 foodstuffs, 20 parts per billion, um, and for California
24 pistachios, it's 15 parts per billion. This compares to the
25 European Union, which has in the past had a 4 parts per

1 billion level of aflatoxin, and increased in recent years to
2 10 parts per billion.

3 So aflatoxin, as has been explained by previous
4 speakers, is a naturally occurring fungus. It takes a lot
5 of work and dedication that the California industry has
6 spent a lot of money on, and time and energy to reduce it.
7 You can't eliminate it. And we think this is a major
8 problem that the Iranians could exploit is the lower
9 standard that--or higher standard if you may--that the U.S.
10 market has available to the Iranian producers and shippers,
11 versus the difficulty of the standards in the EU, but
12 multiple tests or that U.S. has a single test and a higher
13 tolerance. So I hope this helps you understand our industry
14 a little better.

15 COMMISSIONER BROADBENT: Mr. Hohmann?

16 MR. HOHMANN: Yes. I'd like to go ahead and add
17 to what Mr. Keenan said, is that there's two parts to this.
18 Number one is the listed EU standard is lower, is more
19 restrictive at the 10 part per billion level. In addition
20 to that, EU requirements require a certain minimum of
21 testing at the border, and for Iranian product, I can't
22 recall the exact number, but it's a rather high number, and
23 so the enforcement, both the level and the enforcement into
24 the EU, make it rather difficult for Iranian product to meet
25 the standards of the EU.

1 COMMISSIONER BROADBENT: Okay. And then, how
2 about--let's see--do you guys sell into China?

3 MR. HOHMANN: Yes, we do.

4 COMMISSIONER BROADBENT: What are those
5 standards like?

6 MR. HOHMANN: So the standards in China have
7 recently been reduced to, I believe it's 5 parts per
8 billion. And the enforcement is not as strict. We don't
9 know a lot about the enforcement there, but the levels are
10 the same or lower than the European levels --

11 COMMISSIONER BROADBENT: Okay.

12 MR. HOHMANN: -- and, of course, lower than the
13 U.S. levels.

14 COMMISSIONER BROADBENT: So there's not really
15 an OECD standard that exists?

16 MR. HOHMANN: Not that I'm aware of.

17 COMMISSIONER BROADBENT: Yeah, I don't know
18 where that came from. Okay. So you're competing
19 successfully in Europe against the Iranians, right?

20 MR. HOHMANN: I'm sorry?

21 COMMISSIONER BROADBENT: You're competing very
22 successfully in Europe against the Iranians because they're
23 subject to this tougher standard?

24 MR. HOHMANN: That's part of the reason, yes.

25 COMMISSIONER BROADBENT: Okay, great. Are

1 customers aware that pistachios from the United States and
2 pistachios from Iran are different species? Are certain
3 species more sought after? And are there certain end uses
4 for one species that's better something than another species
5 is?

6 MR. MATOIAN: Let me start out by talking -- the
7 U.S. industry, the predominant variety is the Kerman
8 variety, which originated from Iran. Approximately 35 to
9 40% of what they grow in Iran is the Kerman variety.

10 But other varieties that they grow with
11 different names look similar to the Kerman variety, and just
12 based upon the packages that you have in front of you of
13 U.S. and Iran origin, they look similar, it's very difficult
14 to tell them apart.

15 Certainly our growers here would be able, and
16 are able to tell them apart, but consumers would not be able
17 to. So by and large, we would be competing with varieties
18 that look like, on the surface, to be exactly like the U.S.
19 varieties.

20 MR. HOHMANN: I would also add if I may that
21 the in-shell pistachios are consumed as a snack, and
22 therefore the consumer is making the decision of what to
23 buy, and to a consumer it's indistinguishable.

24 The consumer cannot tell the difference
25 between the two, and we actually when we entered into some

1 of our international markets with our brand a number of
2 years ago, we actually did some taste tests and we did a
3 blind taste testing and there was a 50-50 preference between
4 consumers between the two, which led us to the conclusion
5 that you cannot distinguish between the two or consumers
6 cannot distinguish between the two products.

7 COMMISSIONER BROADBENT: Okay. Both can point
8 out ways in their prehearing briefs, the amount of resources
9 and capital that have been expended in developing demand in
10 the U.S. market for pistachios, and specifically demand for
11 U.S. grown and produced pistachios. How should the
12 Commission consider this as a condition of competition?

13 MR. CONNELLY: Commissioner, I guess that's a
14 legal question in some ways. Well, the reason we have made
15 the point about the investment that has been made by the
16 domestic industry, hundreds of millions of dollars, is
17 because we think that investment provides an additional
18 incentive for the Iranians to come to the U.S.

19 They would be able to capitalize on all of the
20 efforts that have been made to increase demand for
21 pistachios. Their, as you've heard from our witnesses,
22 their approach in international markets is not that. They
23 have a commodity-based approach. Pistachios are a
24 commodity. The industry has tried to get away from that.
25 That's all of that investment is designed to get away from

1 that notion of a commodity, in the packaging, the
2 advertising, the research. All of that is a way to increase
3 demand for a product where the crop has increased.

4 So as a condition of competition, we feel it
5 is a direct incentive that the Iranians would take advantage
6 of, knowing that that market has been created and developed
7 and expanded by the domestic industry.

8 COMMISSIONER BROADBENT: Yeah I mean I
9 appreciate that. I mean I guess to weigh in on the other
10 side a little bit is just the fantastic brand development,
11 particularly I think that Wonderful has done seems to be
12 sort of a case study of marketing and building demand
13 through just outreach and good communication.

14 So it would seem to me that you've got a
15 barrier there in a sense of you kind of cross-lined. It
16 really isn't quite as much a commodity product as it used to
17 be, but I get your point on how much has been invested.

18 MR. KLETT: Commissioner Broadbent, this is
19 Dan Klett with Capital Trade. I mean in terms of the brand
20 being a barrier to competition, I mean I think that given
21 the testimony before that consumers who really make the
22 ultimate choice can't distinguish between -- or it would be
23 difficult to distinguish between an Iranian and a
24 U.S.-produced pistachio, that I'm not sure it's as big of a
25 barrier for entry as you may think.

1 I mean I think the brand has helped expand the
2 demand in the U.S. for pistachios, but I think that would be
3 undermined by imports where consumers that can't distinguish
4 would make their decisions primarily on the basis of price.

5 COMMISSIONER BROADBENT: Okay, thank you Mr.
6 Klett.

7 VICE CHAIRMAN JOHANSON: Thank you
8 Commissioner Broadbent, and I would like to thank all of you
9 for being here today. I used to do a lot of work in the
10 Central Valley, so I'm pretty familiar with what pistachio
11 trees look like and they're very pretty. I enjoy your
12 product. It's a great product. Commissioner Williamson was
13 saying he tries to eat pistachios and almonds. I do the
14 same. Hopefully, some day it will make me healthier.
15 That's part of the idea.

16 Along those lines, I want to thank you for the
17 samples you all have provided for us to look at, and I have
18 before me pistachios both from California and from Iran, and
19 they both look very good. That leads me though to something
20 else involving the appearance and quality of the product.
21 You all have stated that pistachios from Iran are generally
22 smaller in size, and I would think perhaps that would not be
23 as appealing to consumers.

24 So would that mean that if Iranian pistachios
25 were to re-enter the U.S. market, they might be used more

1 for processing, let's say for pastries, ice cream, etcetera?
2 Is that -- am I correct in assuming that?

3 MR. HOHMANN: I can answer that one. The
4 in-shell pistachios are consumed as a snack. So they're
5 consumed as a snack around the world. So I would -- we have
6 never seen an instance where the in-shell pistachios would
7 be used as a snack. There are some other much smaller
8 percentage of the crop that is what we call kernels that can
9 be used that way.

10 But all of what we discussed here is a
11 direct-direct, direct to direct comparison of in-shell to
12 in-shell that would be used as a snack. It's true that the
13 Iranian crop size or the nut size Iranian crop is generally
14 smaller. However, as I mentioned earlier, the 2125 ounce
15 count size that is our standard size, the Iranians have
16 plenty of that product as well. So they could sort and ship
17 that product to the United States.

18 VICE CHAIRMAN JOHANSON: And I don't recall,
19 and maybe it wasn't addressed in the briefs or in the staff
20 report, but about what percentage of pistachios are used for
21 further processing, let's say for pastries, ice cream? In
22 other words, as opposed to being used for the snack?

23 MR. HOHMANN: It's a very small percentage.
24 It's in the single digits. There's a handful of examples.
25 There's Ben and Jerry's Ice Cream and there's some cookies

1 and, you know, it's used as a garnish on fish and things
2 like that. But it's a very, very small percentage.

3 VICE CHAIRMAN JOHANSON: Okay. Actually
4 Baskin-Robbins makes a good pistachio ice cream too.

5 MR. HOHMANN: They actually use almonds in the
6 ice cream.

7 VICE CHAIRMAN JOHANSON: For pistachio?

8 MR. HOHMANN: They do. Almonds are --

9 VICE CHAIRMAN JOHANSON: Isn't that a problem?
10 I mean --

11 MR. HOHMANN: Well, they declare on the label
12 but it's pistachio flavored with almonds because they're
13 crunchier.

14 VICE CHAIRMAN JOHANSON: I had no idea.

15 MR. HOHMANN: Eat the Ben and Jerry's one.

16 VICE CHAIRMAN JOHANSON: Okay. Well actually
17 I go to Baskin-Robbins every now and then. I'll have to
18 talk to them. I would think that would be a labeling
19 problem?

20 MR. HOHMANN: They declare it on their label.

21 VICE CHAIRMAN JOHANSON: Okay. I should shut
22 my mouth, because I don't want to get a whole new --

23 COMMISSIONER BROADBENT: What about the labels
24 they have on ice cream cones?

25 VICE CHAIRMAN JOHANSON: --a whole new area of

1 the law. Okay, thank you for your responses. Regarding
2 vulnerability of the domestic industry, at the time the
3 petition in this investigation was filed, growers in
4 California had been producing pistachios commercially for
5 less than ten years. In mid-2017, that figure is now over
6 40 years. Does that make any difference in how we should
7 consider the domestic industry? The industry is now very
8 mature and it was not 40 years ago.

9 MR. CONNELLY: Well Commissioner, that's true.
10 But it's also true that the Iranian industry is a much
11 larger industry now as well. They're really comparable in
12 size. If you back out the extremes of the very low harvest
13 in 2015 and the very high harvest in 2016, they're very
14 comparable in size. So that's number one.

15 Number two, I want to talk about this
16 vulnerability issue. Our position here is that the domestic
17 industry does remain vulnerable. Now it depends on how you
18 define vulnerable. If you regard vulnerability as being an
19 industry that is very weak financially, in other words, it's
20 in a state of weakness, that's one thing.

21 But if you regard vulnerability as we do, as
22 an industry that is susceptible to dumped imports for all
23 the reasons we've discussed, then we would certainly take
24 the position that the domestic industry remains vulnerable
25 despite its growth, because as I say, the Iranian industry

1 is way stronger today than it was 30 years ago.

2 They didn't stop, and as Dan Klett's slides
3 show, they are planting more acres. Their production isn't
4 declining. They're finding new areas of the country with
5 more water and their bearing acres are increasing, and they
6 have a lot of non-bearing acres that's going to come online
7 in, you know, in the usual period of time.

8 So our view is the domestic industry remains
9 every bit as vulnerable. Certainly the conditions are
10 different, but every bit as vulnerable today as it was 30
11 years ago.

12 MR. STEINBERGER: Commissioner Johanson, if I
13 can amplify that a little bit. John Steinberger for APG.
14 The idea that vulnerability should be measured in terms of
15 susceptibility to injury comes straight out of the Statement
16 of Administrative Action accompanying the Uruguay Round
17 amendments, and in my mind that relates to some points that
18 Ms. Roden on our panel was talking about. It relates to
19 this particular industry, especially from the grower's
20 perspective.

21 If you start getting disruption in the market
22 from dumped imports and you're a grower, you've got few
23 places to go and few moves that you can make to deal with
24 that kind of disruption. You've already got those trees in
25 the ground. You've got to wait years for them to produce

1 anything. You're in an area where you may be able to sell
2 your product to five or six processors.

3 The processors have to be geographically near
4 you because you've got to get these things off the trees and
5 get them hauled and dried quickly, or you really will have
6 an aflatoxin problem. That's the key to the vulnerability.
7 It's not so much that you are losing money yesterday. It's
8 that you're in a bad situation and unable to respond.

9 VICE CHAIRMAN JOHANSON: Thank you Mr.
10 Steinberger. I'm going to get back to a little marketing
11 issue. I know that was discussed earlier today with regard
12 to marketing in the United States. But I wanted to talk
13 about any marketing in other markets such as China. On page
14 46 of Wonderful's brief, Wonderful argues that the Chinese
15 market is no different from the U.S. market in terms of
16 conditions of competition that influence Chinese buyers.

17 Does Wonderful have a marketing program in
18 China, similar to what it has in the United States?

19 MR. HOHMANN: To a certain extent. In the
20 Chinese market, Wonderful does have a small operation to
21 sell Wonderful branded products in China. It's
22 significantly smaller than the United States market, and I
23 would also add that it's been extremely difficult to have
24 any sort of a brand in the market, where it's predominantly
25 dominated by price and in particular price of the Iranians.

1 So it's not a particular success story of our branded
2 business in the Chinese market.

3 VICE CHAIRMAN JOHANSON: Thinking of U.S.
4 citrus, it's my impression that Sunkist does quite well in
5 China due to its name recognition. You don't see that to
6 the extent with pistachios?

7 MR. HOHMANN: Certainly not.

8 VICE CHAIRMAN JOHANSON: Okay.

9 MR. HOHMANN: No, and we've been at it for
10 over six years, and it's just the tremendous competition
11 that the low-priced Iranian product is in the market. We
12 deal with that all the time and it's something we really
13 can't compete with.

14 VICE CHAIRMAN JOHANSON: Okay, thanks. And
15 notwithstanding all of the pistachio consumption by
16 Commissioner Williamson and myself, the staff reports -- the
17 staff report at Page 2-1 states that apparent consumption in
18 the United States of pistachios has decreased during 2014 to
19 2016. Do you all know why consumption is down?

20 MR. HOHMANN: So I can answer that. During
21 that time period, so typically consumption is measured in
22 volume, and during that time period, the price per pound was
23 significantly higher or increased during that period of
24 time, and with a higher price consumers bought lower volume.
25 Now the total dollar sales were approximately flat, but when

1 you measure consumption on volume, volume decreased and then
2 I would add in 2016 we've seen the volume increase as well,
3 or 2016-2017.

4 VICE CHAIRMAN JOHANSON: So you once again
5 attribute the decline to price?

6 MR. HOHMANN: The decline in volume was with
7 the higher prices.

8 VICE CHAIRMAN JOHANSON: In volume, to price.
9 Okay, so this is not a long-term trend that you foresee?

10 MR. HOHMANN: No.

11 VICE CHAIRMAN JOHANSON: Okay.

12 MS. COHEN: May I answer that as well? Mia
13 Cohen, to Mr. Hohmann's remarks. In addition, the 2015 crop
14 was a crop disaster. It was the lowest-yielding crop in
15 many, many years and devastated our industry in terms of
16 supply availability. So also the demand or volume numbers
17 that you see are also a direct result of the smaller crop
18 and just less volume to sell.

19 VICE CHAIRMAN JOHANSON: Would imports have
20 made up for that difference?

21 MR. KLETT: Commissioner Johanson, this is Dan
22 Klett. I mean there were no alternative imports. I mean
23 really the United States and Iran are the only suppliers
24 that supply the global market. Turkey is a producer, but
25 the quality of their pistachios is such that they really

1 don't compete on the global market.

2 So what happened in 2015 and 2016 is in large
3 part a function of the U.S. industry, and there is a
4 relationship between the price and the volume. I mean in
5 2015, the crop was a disaster, so volume went down. But at
6 the same time, with agricultural products you have an
7 inverse relationship between supply and price.

8 So that's why price went up in 2016. When
9 volume went up, you know, there was also a corresponding
10 decline in price. So you had both increased supply and on
11 the demand side. Lower prices generated additional demand.
12 But there really are no alternative supplies of imports than
13 Iran for the U.S. market.

14 VICE CHAIRMAN JOHANSON: If Iran had been in
15 the U.S. market, could it have kept market share for the
16 entire pistachio industry, during that time of decreased
17 consumption in the U.S.?

18 MR. STEINBERGER: I think it would have been a
19 net minus to have the Iranians to have the Iranians in the
20 market at that time. If Iran comes into this market, there
21 will quickly be a disruption to the way the balance has been
22 struck in terms of what Mr. Connelly was talking about with
23 carrying in and carrying out, which balances out the
24 supplies.

25 That 2015 harvest was quite remarkable and

1 unusual in the extent of its failure. It was because of the
2 lack of chilling hours. You had a lot of empty shelves and
3 a lot of farmers that just didn't think it was worthwhile to
4 even go out and harvest in that year. That was quite odd
5 and quite unusual. Having Iran in the market would be a
6 long-term disaster, as compared to that short-term disaster.

7 MR. MATOIAN: I would also add that 2015 was
8 the anomaly, maybe a 1 in 50 year, 1 in 100 year incredibly
9 short crop, and with the amount of acres that are planted in
10 the ground that we know are maturing today in the near
11 future, we know that we have the supply here in the U.S. to
12 supply the U.S. market and abroad.

13 VICE CHAIRMAN JOHANSON: All right. Thank you
14 Mr. Steinberger and Mr. Matoian. My time is up, so I will
15 turn again to Commissioner Williamson.

16 COMMISSIONER WILLIAMSON: Thank you. I had
17 asked earlier about this question of the respondents saying
18 there's farms in Iran, farmers, small farmers in Iran cannot
19 produce export to OECD countries. I guess it's the question
20 they're arguing that because of the testing requirements,
21 the small farmers can't meet those, and so that they have to
22 source with farms that are I guess 50 acres or higher.

23 I was just wondering, do any of you have any
24 comments or how do you respond to their argument, that
25 they're not going to be competitive because they just can't

1 produce?

2 MR. STEINBERGER: May I --

3 COMMISSIONER WILLIAMSON: Because the small
4 farmers, they can't produce to the quality that's needed to
5 export.

6 MR. STEINBERGER: If I could handle that
7 first, and I'm sure there will be a lot of others.

8 COMMISSIONER WILLIAMSON: It's Mr. Casey?

9 MR. STEINBERGER: Steinberger.

10 COMMISSIONER WILLIAMSON: Okay, I'm sorry.

11 MR. STEINBERGER: For APG. If you look in the
12 appendices to our briefs, you'll find some interesting
13 articles from Iranian academics on the structure of the
14 industry. Some of those are a few years old, but
15 essentially they went and surveyed industry numbers in Iran
16 generally in 2011, and from those responses characterized
17 the make-up of the Iranian industry as small farms versus
18 large farms.

19 What they were finding there was that although
20 there had been disintegration of the industry in Iran so
21 that it became much more heavily concentrated with small
22 farmers, that was coming back together and the large farmers
23 were grouping together to combine resources, both marketing
24 and equipment and so on, and it was roughly a half and half
25 or a 60-40 mix between the two.

1 Now the supposed restriction on being able to
2 produce OECD quality nuts, which is a term that doesn't
3 exist anywhere except in the Respondent's brief as far as I
4 know, came from supposedly data from the IPA, Iran Pistachio
5 Association, about which we know almost nothing.

6 Now some of the IPA data, it's very tempting
7 because it's on a website and you think oh, it's Iran
8 Pistachio Association. It must be important it must be good
9 data. Well, you can look at their production data and
10 compare it to Government of Iran data, and they seem to be
11 roughly the same, and for that reason Mr. Matoian, who
12 provided some of our estimates of production, said okay, for
13 that purpose IPA data are okay.

14 But the limitation on -- the supposed
15 limitation on being able to produce these nuts from Arman
16 Pegah's brief is from IPA data that we have not seen that's
17 cited as such, but it has to do with their processing
18 capacity. That's not on their website, unless it's in
19 Farsi. It's not anywhere there. We don't know how that
20 data or how those numbers were generated, who provided them.
21 We don't even know who belongs to the IPA because they
22 wouldn't tell us and wouldn't tell you. So you have to be
23 very cautious about that characterization.

24 COMMISSIONER WILLIAMSON: But isn't it the
25 size of the -- the capacity to process, isn't that different

1 than the question of whether or not the growers are too
2 small to provide quality?

3 MR. STEINBERGER: In Iran, the processing
4 capacity is distributed a little bit differently, as
5 compared to here, and but many of the growers have their own
6 processing equipment and what I'm saying is they are pulling
7 that together, and they obviously have enough to supply that
8 30 percent market share in the EU. So they've certainly got
9 enough to supply that demand.

10 MR. CONNELLY: Could I add to that, Warren
11 Connelly.

12 COMMISSIONER WILLIAMSON: Sure.

13 MR. CONNELLY: What you've got in the Armand
14 Pegah brief is a discussion of how that company does
15 business. So we know how one processor does business, and
16 we know that that processor won't buy from small farms. But
17 that can't be the case for the rest of the Iranian industry,
18 because all you have to do is look at the volume that they
19 are exporting to the EU and China.

20 Those are export quality products. We don't
21 buy the OECD quality label, because we don't know what it
22 means. But those are export quality products that are
23 satisfying aflatoxin standards. So we think the complete
24 refutation to the notion of small farms can't produce
25 so-called OECD quality nuts is the volume that's being

1 export.

2 MR. HOHMANN: And if I may add, part of my job is
3 I travel around the world to meet the customers and go to
4 trade shows. And at every single trade show that I go to in
5 Dubai, or Celle in Paris, or some of the Chinese trade
6 shows, there's always Iranian exhibitors offering
7 high-quality product, and they advertise it as high-quality
8 product.

9 In addition to that, we have many of our
10 customers who are saying they can buy equivalently
11 high-quality Iranian product. In particular, all the major
12 retailer in Germany, one of the largest retailers in the
13 world, they were considering purchasing Iranian product for
14 their private-label pistachios, and they had vetted the
15 supply, whole supply chain for that product.

16 So we have every reason to believe that there is
17 plenty of high-quality Iranian product out in the
18 marketplace.

19 COMMISSIONER WILLIAMSON: Which also means there's
20 the infrastructure to get that to market.

21 MR. HOHMANN: Absolutely. We see the end result
22 of it at a trade show. I am routinely shown high-quality
23 Iranian product at multiple booths that exhibit at trade
24 shows.

25 COMMISSIONER WILLIAMSON: Okay. Okay, thank you.

1 I can ask some more about that this afternoon.

2 The Respondents argue in their brief that pricing
3 in third-country markets show that under-selling is
4 unlikely. And I was wondering how you respond to that. I
5 know Mr. Klett has already somewhat addressed that, but-

6 MR. KLETT: Commissioner Williamson, this is Dan
7 Klett. I forget which exhibit it was in their brief, but
8 they put a lot of emphasis on comparing prices of roasted
9 pistachios at the retail level to show that Iran did not
10 under-sell.

11 Well that's completely irrelevant to comparative
12 prices at wholesale for raw in-shell pistachios. I mean a
13 retailer could purchase the Iranian product for less than
14 the domestic product, roast it, put it on retail, and why
15 not get a higher profit margin for the Iranian product? I
16 mean, if you could charge them at the same price, or sell
17 them at the same price.

18 So those--that information in terms of an
19 indicator of under-selling or over-selling is just
20 completely irrelevant to price comparisons for raw in-shell.

21 And one of the things I did when I--in my
22 presentation, when I looked at average import unit values
23 into the EU and Hong Kong, I looked at relative prices. And
24 on that basis, imports from Iran were generally lower
25 priced, especially in the most recent years.

1 Now I asked our clients yesterday, is there a
2 potential product mix problem with that kind of comparison?
3 And they said--and maybe I'll paraphrase what they said, and
4 maybe they can jump in to confirm the accuracy of my
5 paraphrasing, and that is that for the most part the largest
6 sizes of what the U.S. producers export are comparable to
7 the volume of the sizes--the largest volume of what Iran
8 exports.

9 So that there's probably not that much of a
10 likelihood of product mix difference just because of the
11 main volume that the U.S. producers export to Europe. The
12 main volume of what Iran exports to Europe are comparable.
13 I think they said maybe 80 percent on either side.

14 COMMISSIONER WILLIAMSON: That's in terms of size
15 and quality? What's the overlap?

16 MR. KLETT: The overlap is in terms of the
17 predominant size exported by the U.S. to Europe versus what
18 Iran exports to Europe.

19 MR. STEINBERGER: And I would like to add to that,
20 speaking not as an attorney but as a stupid consumer, I've
21 been eating--

22 (Simultaneous laughter and comment.)

23 MR. STEINBERGER: I've been eating pistachios from
24 the U.S. industry for a long time because they're very nice
25 clients and they send Christmas gifts. And I have not had

1 that many opportunities to see the Iranian product. Now
2 you've got the samples up there. I didn't see them until
3 yesterday, and I'm looking at these packages. I'll be
4 darned if I can tell the difference. I mean it's like a bag
5 of popcorn versus another bag of popcorn. And the taste was
6 fine by me.

7 There is one bag up there, at least one, with
8 product from Turkey. With that I think you'll be able to
9 see very clearly the difference in especially the color and
10 the shape and size of the nuts. But Iran versus U.S. in
11 those packages, the experts know the difference but as a
12 gourmand I was not able to tell.

13 COMMISSIONER WILLIAMSON: Okay, thank you. Thank
14 you for those answers.

15 CHAIRMAN SCHMIDTLEIN: Alright. Good afternoon.
16 Commissioner Broadbent?

17 COMMISSIONER BROADBENT: When the embargo was
18 lifted after the agreement on Iran's nuclear program under
19 the Joint Comprehensive Plan of Action in 2016, did the
20 Europeans release their embargo? Was it a similar embargo?
21 Or were they not under embargo in Europe in terms of
22 pistachios from Iran to Europe prior to 2016?

23 (Pause.)

24 Does anybody know, by any chance?

25 MR. KEENAN: There was no embargo of Iranian

1 pistachios being exported to the EU. It was just a U.S.
2 embargo.

3 COMMISSIONER BROADBENT: So during all that time
4 you were trying to get the Europeans to work with us, they
5 didn't embargo the Iranian pistachios. Okay.

6 And then one of the witnesses early on had
7 mentioned that there was a lot of money that flowed to Iran
8 as a result of this comprehensive plan of action, and that
9 the Iranian secretary of agriculture had committed \$31
10 billion or something--I'm not sure what the number was--but
11 to the Iranian pistachio industry.

12 Can anybody tell me what that--was that related
13 to the money they got from the U.S.? Or where did this
14 influx of money for the Iranian pistachio industry come
15 from?

16 MR. STEINBERGER: I think I can respond to that
17 with just saying money is fungible, and the idea is that
18 since Iran got a lot of funds released that they would not
19 otherwise have had, then that helps let us some of their
20 budget concerns.

21 We provided some information in our appendices to
22 the brief of APG regarding the specific programs that had
23 been announced in Iran for pistachio promotion. I remember
24 one in particular had to do with promoting better irrigation
25 methods, which would be a way that they could dramatically

1 improve their yields.

2 There's a sort of amusing but sad article from
3 The New York Times about how Iran tends to do its irrigation
4 that talks about a traditional farmer emptying an 8-inch
5 water pipe to flood his parched fields in the middle of the
6 day, and where it's all going to evaporate.

7 A fellow down the road from him invested \$600,000
8 in drip-irrigation and his field was green. Everybody
9 laughed at him when he did it, but he's probably selling a
10 lot. So the new money that would focus on drip irrigation
11 would help the Iranians out a lot by making the most of what
12 they have.

13 I don't recall which appendix that was, but it
14 was included in the brief.

15 COMMISSIONER BROADBENT: Okay, thank you very
16 much. These are on pricing, these questions. While the
17 pricing data themselves are confidential, the Commission did
18 not receive much pricing data for products three and four,
19 the medium- and small-sized products. Are these products
20 still present in the U.S. market? And does the U.S.
21 industry produce them?

22 MR. KLETT: Commissioner Broadbent, this is Dan
23 Klett. I would have to go back and look at the specific
24 sizes for those products where you did not get as much
25 information. I mean I suspect that those probably are still

1 sold, but they're not the dominant sizes sold, which is why
2 you got, you know, less information from processors. But we
3 can go back and ask, or check that further.

4 COMMISSIONER BROADBENT: Ms. Cohen?

5 MS. COHEN: Just to add to that, I concur as well.
6 It is a small percentage that are smaller than the
7 predominant 21-25 size that Mr. Hohmann explained earlier.
8 And some of those are converted into kernels. So for the
9 kernel market, which is also quite small. But it's not the
10 size that you see predominantly in the U.S.

11 COMMISSIONER BROADBENT: Sorry? What's the kernel
12 market?

13 MS. COHEN: That would just be the pistachios that
14 are no longer in their shells. So it's just the meat, or
15 the kernel inside that is sold for trail mixes, or for other
16 ingredient purposes.

17 COMMISSIONER BROADBENT: Got it. Okay. And
18 again, the pricing data is confidential, but has the
19 California drought affected pistachio prices? And if so,
20 can we see it in the Commission's pricing data?

21 MR. HOHMANN: If I may answer, the pricing is
22 really--is linked to the supply. So to the extent that the
23 supply has been reduced because of the drought, you do see
24 higher prices in those cases. And the year that we
25 mentioned in particular was crop year '15 that had the

1 dramatically lower crop. We saw a price increase during
2 that time period. It's more linked to the lower supplies
3 because of the drought.

4 MR. COLEMAN: If I could just make a comment on
5 the drought and how it relates to the grower, the price we
6 receive for crop may not fluctuate but the costs that we
7 incur for producing that are enormously high.

8 COMMISSIONER BROADBENT: Okay. I think that's all
9 the questions I have at the moment. Thank you.

10 CHAIRMAN SCHMIDTLEIN: Okay. Thank you. Good
11 afternoon. I want to apologize for missing the morning
12 session and your direct testimony, but I will review it in
13 the transcript after the hearing.

14 So I am going to try not to repeat any of the
15 questions that have already been asked, hopefully. I
16 apologize if we, you know, branch off into something that's
17 already been discussed, but let me ask a couple.

18 One was, and I think you might have touched on
19 this, but I'm not sure you discussed it directly, and I'm
20 not sure if this is--I guess maybe an industry witness would
21 be the best to answer this, if not Mr. Connelly maybe you
22 could jump in--if I understand one of the arguments of the
23 Iranian processor it is that they have maintained a fairly
24 consistent market share in the EU over the past so many
25 years of around 30 percent, or slightly less than 30

1 percent.

2 And that, in their view, demonstrates that they
3 are short on capacity to supply what they call the OECD
4 countries, or OECD sort of grade of pistachio. I was
5 wondering if someone could respond to that. And in terms of
6 why haven't they been able to increase their market share in
7 the EU?

8 MR. HOHMANN: If I may respond?

9 CHAIRMAN SCHMIDTLEIN: Sure. I can't see your
10 name tag, so--

11 MR. HOHMANN: Sorry. Michael Hohmann from The
12 Wonderful Group.

13 CHAIRMAN SCHMIDTLEIN: Okay.

14 MR. HOHMANN: The EU, we talked a little bit
15 earlier, is a very specific market that has a restrictive
16 aflatoxin standard, and also has extremely strict aflatoxin
17 enforcement. And there's a certain number of required
18 testing at the border for Iranian product. It used to be in
19 the 50 percent range. So there's not only a lower, more
20 restrictive limit, but there's also very restrictive
21 testing.

22 So the EU market is more limited by a food safety
23 concern than a price. And we had mentioned earlier the U.S.
24 has both a higher level, a less restrictive level, and also
25 less strict enforcement of aflatoxin.

1 Go ahead.

2 CHAIRMAN SCHMIDTLEIN: Mr. Klett?

3 MR. KLETT: Commissioner Schmidtlein, this is Dan
4 Klett. I think there is also a data issue. If you look at
5 Exhibit 6 to my handout, this is from Eurostat Import
6 Statistics, and it does show increased import volume into
7 the EU from Iran.

8 If you look at Iranian export statistics, you'll
9 see some quite different numbers. And that is because when
10 Iran exports to Hong Kong, that's listed as an export to
11 Hong Kong. But Hong Kong may be a trans-shipment point that
12 ultimately ends up in the EU.

13 So that the EU, when it reports imports from Iran
14 that are trans-shipped through Hong Kong, it actually lists
15 that as Iran as the country of origin. Whereas Iran will
16 just list that as an export to Hong Kong.

17 So when you're looking at maybe the numbers in
18 Arman Pagah's brief versus the numbers in ours, I think the
19 Eurostat data are more accurate with respect to reflecting
20 imports into Europe from Iran.

21 CHAIRMAN SCHMIDTLEIN: So do you think--so does
22 this chart take into account that product that's going
23 through Hong Kong?

24 MR. KLETT: Yes, it does.

25 CHAIRMAN SCHMIDTLEIN: It does? Okay.

1 MR. KLETT: It does, because the EU would capture
2 Iranian exports through Hong Kong, but categorize them as
3 imports from Iran.

4 CHAIRMAN SCHMIDTLEIN: Okay, so--go ahead.

5 MR. HOHMANN: I would also like to add, we've
6 focused the discussion on the European market. The Chinese
7 market that is a recipient of an enormous amount of Iranian
8 product, the Chinese market also demands a very high quality
9 product, as well. So I'm responsible for the Chinese
10 market. I go there three times a year. And the Chinese
11 market has become extremely sophisticated, and they demand
12 high quality product as well.

13 And I visited many grocery stores, many wholesale
14 markets, and the type of quality that you see in those
15 markets is similar to the quality that we have in our
16 Wonderful bag that we showed you.

17 So we also have to include the volume in China as
18 a very, call it, acceptable grade to U.S. consumers as well.

19 CHAIRMAN SCHMIDTLEIN: So notwithstanding the
20 food safety procedures that you have to undergo, they have
21 been able to increase their volume into th EU, it looks
22 like, according to your graph over the last three or four
23 years, from '13--well, starting in '12, really, it's gone up
24 more or less every year.

25 MR. KLETT: Commissioner Schmidtlein, this is Dan

1 Klett. I mean I think, not withstanding the more strict
2 requirements into the EU, I mean I think this reflects that
3 they've made progress on meeting those requirements.

4 CHAIRMAN SCHMIDTLEIN: So is it your position that
5 they're going to divert shipments from the EU here? Or is
6 it additional capacity that's going to come on that's going
7 to supply the U.S. market?

8 MR. HOHMANN: Is that question for me?

9 CHAIRMAN SCHMIDTLEIN: Sure.

10 MR. HOHMANN: It could be both. It could be both.
11 We know that the Iranian industry is growing, and the U.S.
12 market offers a higher price in many cases, as well. So
13 there's multiple reasons why they could begin to sell in the
14 U.S. market.

15 CHAIRMAN SCHMIDTLEIN: The U.S. price is usually
16 higher than the EU prices?

17 MR. HOHMANN: It depends. The U.S. market
18 generally has an attractive price.

19 CHAIRMAN SCHMIDTLEIN: Okay.

20 MR. MATOIAN: Commissioner Schmidtlein, Richard
21 Matoian, American Pistachio Growers. I would also add the
22 fact that what the EU aflatoxin standards and testing that
23 they have, in the higher incidence of aflatoxin in the
24 Iranian product, when a load is rejected due to being over
25 tolerance in the EU, in some cases that product is simply

1 rejected and sent back to its origin.

2 In other cases, where they may find a very high
3 level of aflatoxin, that particular product is actually
4 confiscated and destroyed. Whereas, in the United States,
5 if you are over tolerance on aflatoxin--and to begin with,
6 we have a more lenient standard--but when it's found over
7 tolerance in the United States, that product can be
8 reworked.

9 So for those reasons, we feel that more Iranian
10 product that could be destined for the EU would find a home
11 in the United States because of our less stringent standard,
12 and the ability to rework the load as opposed to it being
13 simply rejected and sent back.

14 CHAIRMAN SCHMIDTLEIN: Okay. I want to switch
15 gears quickly before my time runs out.

16 In terms of pricing in the market, so I
17 understand that '15-'16 was an off-year, and '16-'17 has
18 been an on-year in terms of crop yield, so I would assume
19 that that affects the price in the market. Is that correct,
20 Mr. Hohmann?

21 MR. HOHMANN: Yes, it does. Yes, it does.

22 CHAIRMAN SCHMIDTLEIN: It does. So in '15-'16 you
23 all saw prices go up quite a bit.

24 MR. HOHMANN: So--Correct. So U.S. pistachio
25 prices were higher in what we call crop year '15-'16 than

1 they were in the previous years because of a shorter supply,
2 a less supply.

3 CHAIRMAN SCHMIDTLEIN: And prices are dropping
4 now, I guess?

5 MR. HOHMANN: Prices have decreased because of
6 more supply this year, yes.

7 CHAIRMAN SCHMIDTLEIN: But I guess that wasn't
8 enough to make up for the lower volume in terms of the
9 average grower return in '15-'16? That's why we see that
10 drop so much?

11 MR. HOHMANN: That's correct.

12 CHAIRMAN SCHMIDTLEIN: Okay.

13 MR. HOHMANN: In addition, the lower crop was, as
14 Mr. Coleman said, happened at a time during the drought
15 where water costs were extremely high. So grower costs also
16 went up during that same period of time.

17 CHAIRMAN SCHMIDTLEIN: I see. Okay. One last
18 thing I was curious about is the cooperative that's
19 mentioned in the Iranian brief, the RPPC. And they make the
20 argument that during the 2005 administrative review, or
21 sunset review, I mean, they controlled about 50 percent of
22 Iran's total exports, and that now that is no longer the
23 case. The market is highly fragmented. I'm just curious
24 whether anyone on this panel has any knowledge of that, and
25 whether you think that type of market dynamic in Iran is

1 relevant for our analysis.

2 MR. HOHMANN: Well I can comment on that. We have
3 heard that the RPPC is no longer in existence, and we've
4 seen evidence of that, of many more Iranian processors
5 offering, and that fragmentation we believe is, along with
6 the lack of carry-out, the high fragmentation in the Iranian
7 industry is going to lead to severe price competition. And
8 that would injure the domestic market.

9 CHAIRMAN SCHMIDTLEIN: You think that will lead to
10 more price competition than if it was being controlled by
11 this cooperative?

12 MR. HOHMANN: Absolutely, yes.

13 CHAIRMAN SCHMIDTLEIN: Okay. Alright, well I
14 don't have any further questions. I guess we go back to
15 Commissioner Williamson. Do you have additional questions?
16 Oh, I'm sorry, Vice Chairman Johanson, you're next. I'm
17 sorry.

18 VICE CHAIRMAN JOHANSON: Thank you, Chairman
19 Schmidtlein.

20 My last questions concluded with a discussion of
21 the decline in consumption in the U.S. market recently.
22 Along those same lines, why is demand for pistachios falling
23 in China and the European Union in recent years?

24 MR. HOHMANN: If I may answer, it's the similar
25 reason. If you look, we talked about the California--the

1 U.S. supply having decreased. In addition, during those
2 years the Iranian supply was moderate. And the overall
3 world supply decreased, and as a result the overall world
4 price increased. And it's just a lack of supply that led to
5 lower consumption.

6 VICE CHAIRMAN JOHANSON: Okay, so I guess the U.S.
7 is, what, half the market in the European Union, something
8 along those lines, that is going to bring down the prices if
9 you all are having a harder time producing. That makes
10 sense.

11 On page 2 of Wonderful's brief, Wonderful asserts
12 that U.S. prices are higher than in either the European
13 Union or China. What accounts for this? Is this due to the
14 U.S. trade remedies in place, or some other factors?

15 MR. HOHMANN: If I answer that, there's a
16 number of factors that make the U.S. market higher. One of
17 them is the fact that there's a high degree of service and
18 reliability that the U.S. suppliers give the U.S. market.
19 This is one, and then the other one is all of the, you know,
20 the marketing and high demand for pistachios. So there's a
21 high demand for our product in this market.

22 VICE CHAIRMAN JOHANSON: Okay, thank you Mr.
23 Hohmann. Have there been or are there now U.S. imports of
24 out of scope pistachios or pistachio products from Iran,
25 such as roasted or shelled pistachios? Mr. Mataoin?

1 MR. MATAOIN: In I think it was two years ago,
2 kernels or shelled product from Iran came into the U.S.
3 somewhere around a million pounds. So they're not subject
4 to the order. So that amount can vary greatly, but a couple
5 of years ago it did reach a million pounds.

6 VICE CHAIRMAN JOHANSON: Did it have any
7 impact on the U.S. market?

8 MR. MATAOIN: I would have to defer to our
9 marketers and processors regarding that. But I can tell you
10 overall that kernalled or shelled product represent a small
11 portion of overall sales.

12 VICE CHAIRMAN JOHANSON: Is anyone else aware
13 of that situation? Mr. Hohmann?

14 MR. MATAOIN: It wasn't a significant amount
15 of volume so I don't, I was not personally aware of that. I
16 would also like to go back to the answer I gave before, is
17 in the -- our answer to the question in the brief was in the
18 context of raw product, and this is where when we saw raw
19 product in the U.S., it's a limited amount but the price is
20 higher, and then our concern is that if raw product were to
21 be imported, it would then go into this distribution
22 network, which would be the roasters and rebaggers, and then
23 significantly undercut the California and domestic industry.

24 VICE CHAIRMAN JOHANSON: Okay. Thanks for
25 your responses there. On pages 5 and 25 of Iranian brief,

1 it is asserted that the U.S. industry is four times as
2 productive at the Iranian industry. That seems like a large
3 difference. Does the domestic industry agree with this
4 assessment?

5 MR. KLETT: Commissioner Johanson, this is Dan
6 Klett. I think I can take a first stab at that anyway.
7 When I looked at those numbers, I believe they were
8 comparing yields in the U.S. versus yields on average in
9 Iran. If you -- there's quite a bit of difference though in
10 Iran between yields of Kerman province and yields in
11 provinces where more capacity is coming online.

12 So basically if you look at average capacity
13 in Iran, when you take those two things together, the yields
14 are actually increasing as production in some of the
15 non-Kerman higher yield areas is increasing. So in a static
16 way, maybe that comparison is correct. But I think it's
17 also worthwhile to note that yields in Iran are increasing
18 as more production is moving outside Kerman province.

19 VICE CHAIRMAN JOHANSON: All right. Thank
20 you, Mr. Klett. Now I have a question very much for the
21 lawyers, so the rest of you probably don't really -- are not
22 as interested in this subject as the lawyers might be. I
23 would like to ask counsel for the domestic industry parties
24 to analyze the Commission's views in the old sunset review
25 from mid-2000, which is Stainless Steel Wire Rod from

1 Brazil, France, India and Spain. In this discussion of
2 cumulation in those reviews, the Commission found no
3 discernible adverse impact from revocation of the
4 countervailing duty order on Spain, because there was a
5 separate anti-dumping duty order on Spain already in place
6 that was not being reviewed.

7 The Commission stated that as the '80 order
8 would continue to restrict imports from Spain, revocation of
9 the countervailing duty order would not result in increased
10 imports from Spain. Please distinguish that decision from
11 the situation that faces us today here in this
12 investigation, of a separate countervailing duty order on
13 Iran that we are not reviewing.

14 MR. CONNELLY: Okay, I can do that.

15 VICE CHAIRMAN JOHANSON: Okay. Thank you, Mr.
16 Steinberger.

17 MR. CONNELLY: At least I'll give it my
18 initial shot, because we did address this in the brief. The
19 question is, as I understand it, we've got two orders, CVD
20 and AD. The question is if you revoke the AD order, won't
21 the CVD order protect, continue to protect the domestic
22 industry? Our view of that is there is no basis to make
23 that conclusion. Why?

24 The CVD order is 30 years old. It was issued
25 in 1986. So the CVD order looked at programs that are 30

1 years old. I think we can say as a general matter most
2 subsidy programs around the world don't continue to remain
3 in effect for 30 years. That's number one, and two, we have
4 the evidence that that's the case.

5 The evidence that that is the case is there
6 were a couple of administrative reviews at the Commerce
7 Department of the subsidy order during the time the embargo
8 was not in effect, and there were findings by the Commerce
9 Department that several of the programs, and I can't
10 enumerate them here but we'll get into that in the
11 post-hearing, several of the programs either didn't provide
12 benefits or no longer existed.

13 Finally, I believe it is in the 30-day
14 submission of the IPA, the Iran Pistachio Association, they
15 themselves said that the eight programs that were
16 countervailed in 1986 either no longer existed or didn't
17 provide benefits and really had no effect. So our view of
18 it is there would be no basis for the Commission to find
19 that the CVD order, 30 years down the road, would have a
20 disciplining effect if the anti-dumping order was revoked.

21 MR. STEINBERGER: If I could add to that,
22 because we actually were participating in the CVD reviews to
23 which he was just referring. It's actually even more of a
24 contrast because the Iranians didn't show up in that CVD
25 case, which was -- which produced an order before the

1 anti-dumping order in this case. That is, the Commission
2 when it issued its original decision in this anti-dumping
3 case, knew that there would be a CVD order with 99 percent
4 rate, based mainly on the best information available at
5 that time.

6 Now since then, there have been an awful lot
7 of changes in Iran, and those programs which were all
8 researched prior to the petition and the information came
9 out of the petition, have fallen by the wayside and the
10 Respondents when they get reviewed will say the program no
11 longer exists. If it does exist, we don't use it, and the
12 margins are -- or the rates actually end up being very
13 small.

14 Also in the previous review in this case, that
15 99 percent rate was still out there, but nothing really has
16 changed since then. The Commission in the previous review
17 understood that it was not really effective at keeping
18 anything out.

19 VICE CHAIRMAN JOHANSON: Thank you Mr.
20 Steinberger and Mr. Connelly. My time is about to expire.

21 CHAIRMAN SCHMIDTLEIN: All right. Now
22 Commissioner Williamson.

23 COMMISSIONER WILLIAMSON: Okay, thanks.
24 Continuing on Vice Chairman Johanson's question, were there
25 firms that received zero margins in the reviews under the

1 CVD order, and if there were, what did those firms do during
2 non-embargo periods? Did they export to the U.S. or what
3 happened?

4 MR. STEINBERGER: I missed the first part of
5 your question.

6 COMMISSIONER WILLIAMSON: Were there firms
7 that received zero margins when -- under those CVD orders?

8 MR. STEINBERGER: I believe that's true. If
9 it wasn't zero, it was awfully close, and they did not
10 subsequently ship, even though they got their zero. But
11 that's kind of a -- that's an unusual circumstance. The
12 gentleman who was bringing those cases on behalf of the
13 Iranians, according to his public statements, then went
14 through a divorce and had his hands full with that problem.

15 COMMISSIONER WILLIAMSON: You mean they didn't
16 know that they could ship in a --

17 MR. STEINBERGER: It was -- he had a special
18 relationship with the company involved. So I'm not sure
19 that's terribly representative.

20 (Simultaneous speaking.)

21 COMMISSIONER WILLIAMSON: --can learn about
22 how they behave from that situation?

23 MR. STEINBERGER: They were small companies.

24 MR. CONNELLY: Commissioner Williamson, the
25 dumping order was still out there.

1 COMMISSIONER WILLIAMSON: Okay.

2 MR. CONNELLY: He got through Step 1, and
3 that's really our point. He got through Step 1. There was
4 no disciplining effect from the CVD order, but the dumping
5 order was still there.

6 COMMISSIONER WILLIAMSON: Thank you.

7 MR. CONNELLY: And for whatever reason,
8 whether it was personal or whatever, he chose not to get the
9 dumping order reviewed.

10 COMMISSIONER WILLIAMSON: Okay, thanks.

11 Always looking for what can we learn. Let's go to another
12 question. You argue that Kerman suffered water shortages
13 and their production shifted to other provinces. Now the
14 IPA data in Exhibit 15 of Wonderful's brief shows that
15 Kerman's share of estimated production in 2016 probably are
16 similar to that in past years except for 2015, when I guess
17 Kerman's share dipped.

18 Do you have further information on the change
19 in distribution of production in Iran? I mean you somewhat
20 addressed that, but the data seem to show that, you know.

21 MR. KLETT: Commissioner Williamson, this is
22 Dan Klett. I mean I actually have a slide that I didn't
23 present that has some data from the Ministry of Agriculture.
24 If we can put that up Mora, and so this is a different
25 source. This is not IPA. This is actually from the

1 Ministry of Agriculture. We found it on their website and
2 we translated or I, somebody from Mr. Schramm's office
3 translated it to English. So this has production. It also
4 has non-bearing acreage and bearing acreage and the yields
5 in the Kerman and non-Kerman provinces.

6 So this does show production in I think it's
7 the column, second column from the right shows production,
8 and you can see that Kerman is fairly static. You can see
9 the other Iran production actually going up from 2011 to
10 2015. So that at least so that the production actually is
11 shifting from Kerman to other provinces.

12 What's even more important in terms of
13 projecting into the future, the new acreage, you know, the
14 non-bearing, which is the third column from the right, the
15 non-bearing acreage in non-Kerman is actually increasing at
16 a faster rate, which would indicate that, you know,
17 production in the non-Kerman provinces will continue to
18 increase as a share of total Iranian production.

19 So this is a different source from IPA, that
20 actually has some additional detail.

21 COMMISSIONER WILLIAMSON: Okay, thank you.
22 That's helpful. Do you anticipate that U.S. exports will
23 continue to increase? Does anybody have any forecasts on
24 U.S. exports that they can share now? You can do in
25 post-hearing if you want.

1 MR. HOHMANN: This is -- we always answer
2 these questions with "it depends on the supply." So the
3 supply, you know, was quite large in crop year '16. We're
4 anticipating a reduction in crop year '17. It really, it
5 really depends on the supply to start with, and then it also
6 depends on the Iranian supply and where they compete. So
7 it's a difficult question to answer.

8 We have been successful in growing because of
9 our high quality product, the service that we offer and the
10 growing demand for pistachios. So we hope it continues, but
11 it's really contingent on those several factors.

12 COMMISSIONER WILLIAMSON: Okay, thank you. A
13 question for the lawyers. Given what people said about, you
14 know, how long it takes for a tree to bear and some of the
15 long term questions, should we be looking at a longer
16 reasonable period of time? I'm thinking about what's going
17 to happen here, in trying to decide whether or not to
18 continue the orders?

19 MR. CONNELLY: Yeah. I think that's a fair
20 and reasonable thing to do, and one of the points that we
21 made in the testimony was the fact that during the embargo
22 period, a number of new acres were planted that have yet to
23 become bearing. All of those plantings, with the cost of
24 both the land and development of the orchards is at risk.

25 So it's not simply the existing acreage that

1 is bearing now, but it's the future acreage that is at risk,
2 and there is a substantial dollar investment in that. So we
3 think from looking down the road, for an orchard that takes
4 six to eight years to even begin and then 10 to 15 more to
5 start to bear commercially, it's worth looking at that
6 certainly.

7 COMMISSIONER WILLIAMSON: Okay. Without going
8 into a lot of work, is there any precedent for this or --

9 MR. CONNELLY: That one I'm not sure about
10 Commissioner. I'll have to take a look at that one.

11 COMMISSIONER WILLIAMSON: Sure, go ahead.

12 MR. STEINBERGER: I believe there is
13 precedent, and I think it was the previous sunset review,
14 because I do recall the same question being asked. I don't
15 know if it made its way specifically into the decision, but
16 there was discussion of the fact that the statute expects
17 you to evaluate the reasonably foreseeable time, in terms
18 that are appropriate to the conditions of competition toward
19 that industry.

20 So my answer would be yes, that's something
21 that you ought to do. I believe it's something that you
22 have done in the past in this very case, and in that regard,
23 I would also refer to our Exhibit 11, which was Ed Michon's
24 projection of Iranian production in the future. He took
25 that out to 2021, which to him an economist who has been in

1 this area for quite a long time with USDA, seemed like a
2 reasonable time to look at if you're trying to figure out
3 where things are going.

4 COMMISSIONER WILLIAMSON: Yeah. I saw that
5 2021 figure. That's why I asked this question. Good, thank
6 you. Well I have no further questions, although after the
7 hearing, everyone tells me that I should be eating
8 pistachios at home, and so I'll be glad to --

9 MS. RODEN: Mr. Williamson, Sharon Roden. I'd
10 be happy to answer that question for you.

11 COMMISSIONER WILLIAMSON: Good. Okay, thanks.

12 MS. RODEN: Now you have to understand a lot
13 of people won't answer it because many pistachio growers are
14 also almond growers. I'm not. So I can definitively tell
15 you that pistachios are healthier and tastier. I can tell
16 you they're healthier because they're the only nut that have
17 soluble fiber. Good for you heart and also good for
18 diabetes. They'll be later studies released this year to
19 back that up.

20 COMMISSIONER WILLIAMSON: Thank you for that.
21 I also noticed that the basket that was here disappeared.

22 CHAIRMAN SCHMIDTLEIN: All right, thank you.
23 Commissioner Broadbent?

24 COMMISSIONER BROADBENT: No questions.

25 CHAIRMAN SCHMIDTLEIN: No more questions, all

1 right. And then so back to me. I just had two more
2 questions. One is in the staff report at page 2-16, there
3 is a table, Table 2-9, which includes the results of the
4 questionnaire responses asking whether or not pistachios
5 produced in the United States are interchangeable with
6 Iranian pistachios.

7 In that response, the purchasers who
8 responded, five said sometimes they are interchangeable, and
9 none said they are frequently, none said they are always and
10 none said they are never. So I wonder if you could respond
11 to that and how we should consider that in terms of whether
12 or not U.S.-produced pistachios are competing, would be
13 competing directly with Iranian pistachios. Why would
14 purchasers say they're only sometimes interchangeable?

15 MR. STEINBERGER: Commissioner, I can answer that.
16 A quick answer is because they are not familiar with Iranian
17 pistachios anymore. But it would not take very long, if you
18 remember not long ago if someone would have suggested the
19 idea of buying a Korean car, that caused people to laugh.
20 And now Kia and Hyundai have something like three percent of
21 the U.S. market. So it's lack of exposure for one thing.

22 But nothing really has changed about these
23 products since the previous sunset review or for that
24 matter, going back to the original investigation because
25 nuts are nuts. It's the same species, same variety. There

1 are differences in the preparation though, and the Iranians
2 over time have gotten much better at cleaning up their
3 product.

4 There was a trade show that was mentioned
5 recently that happens every two years in Germany called
6 Anuga, and we were going to bring the video but decided not
7 to. But someone was there, an Iranian hawking his product
8 to a reporter at that trade show, and he said in Iran, the
9 quality is improving every year and many investments in the
10 industry have brought the standards at a higher level every
11 year. Some companies in Iran can now match easily the U.S.
12 pistachio industry with respect to food safety, quality
13 standards, reliability.

14 Therefore, there is a switchback. In
15 difficult markets, there's a switchback to genuine
16 competition between California and Iran, and because now the
17 distribution is often putting U.S. or Iran as a
18 specification. So we can offer both. So the competition
19 becomes more normal, and that person was Dennis Ketabi with
20 Arman Pegah. These products and you can see it in the
21 European data, they are competing head to head.

22 CHAIRMAN SCHMIDTLEIN: Mr. Hohmann.

23 MR. HOHMANN: Yeah, to build on Mr.
24 Steinberger is in the international markets where we compete
25 head to head, our customers tell us all the time that the

1 two products are interchangeable, and we also see that in
2 the marketplace, where the products look very similar and
3 depending on a variety of things people switch back and
4 forth in these markets.

5 CHAIRMAN SCHMIDTLEIN: Okay. In terms of sort
6 of falling on this theme of interchangeability, for the
7 pricing products, Pricing Product 1 and 2 are large and very
8 large. Do those pricing products compete with each other?

9 MR. HOHMANN: I'm sorry, could you repeat the
10 question?

11 CHAIRMAN SCHMIDTLEIN: The Pricing Products 1
12 and 2 are divided between large and very large sizes.

13 MR. HOHMANN: Let me look at that.

14 CHAIRMAN SCHMIDTLEIN: So my question is do
15 the various sizes compete with each other?

16 MR. HOHMANN: Well so typically, a larger size
17 commands a premium over the medium-sized product. And so
18 when we think about competition, it's the same size compete
19 against each other directly, and then the larger size would
20 compete against each other directly. Then the larger sized
21 nuts are typically used in more of a premium product. So if
22 you see a very large nut, that's typically in a premium
23 product.

24 CHAIRMAN SCHMIDTLEIN: And what would be a
25 premium product?

1 MR. HOHMANN: So for example, a retailer in
2 Europe may have a select private label or something like
3 that. They may want to differentiate themselves slightly.

4 CHAIRMAN SCHMIDTLEIN: And would the price,
5 though, of the different sizes affect each other? So if the
6 gap between those two prices became so large at a certain
7 point that --

8 MR. HOHMANN: The gap between a large, the
9 largest product, largest-sized product and the medium
10 product, that gap tends to be a fairly standard gap. Mother
11 Nature generally gives us more or less a consistent
12 distribution of larger-sized nuts and medium-sized nuts. So
13 they generally stay the same each year.

14 CHAIRMAN SCHMIDTLEIN: Okay. But if you
15 decided to try to sell more medium-sized nuts and you
16 dropped the price, would that at some point affect the price
17 of the larger size?

18 MR. HOHMANN: Yes, it would. Yes, it would.

19 CHAIRMAN SCHMIDTLEIN: That's what I would
20 expect.

21 MR. HOHMANN: Yeah. They're in lock step.
22 The difference is more or less in lock step.

23 CHAIRMAN SCHMIDTLEIN: Okay.

24 MS. COHEN: And if I may additionally add to
25 that.

1 CHAIRMAN SCHMIDTLEIN: Sure.

2 MS. COHEN: I just wanted to add that the
3 larger size is also there's a very small quantity of that
4 larger size. So the price differential is also based upon
5 the lower availability of that larger size.

6 CHAIRMAN SCHMIDTLEIN: I see. That's why --
7 that's why they command a higher price, I see. They're
8 scarcer. Okay. I don't have any further questions. Vice
9 Chairman Johanson.

10 VICE CHAIRMAN JOHANSON: Yes. I have just one
11 more question, and I want to get back to the whole aflatoxin
12 issue. I was hoping you all could clarify something for us.
13 On page 25 of Wonderful's brief, it states that the
14 aflatoxin limit in the United States is 20 parts per
15 billion, whereas the Iranian brief states at pages 19 to 20
16 that the U.S. level has been lowered to 15 parts per
17 billion.

18 The American Pistachio Grower's brief at page
19 34 seems to indicate that the lower limit is associated with
20 USDA's marketing order. Would anyone like to explain these
21 regulations on aflatoxins and what the actual level is at
22 this time?

23 MR. ANZALDO: Mr. Johanson, I can comment on
24 that. So the 20 is in reference to the FDA aflatoxin level.
25 The industry, through the federal marketing order, started a

1 program where all domestic shipments have to meet 15 parts
2 per billion. So the industry is mandating itself to a level
3 below what the FDA is.

4 MR. STEINBERGER: And if I could add to that,
5 that would mean that Iranian product coming in would have to
6 meet the marketing order. But the FDA standard would apply
7 to FDA enforcement actions for product that is out there.
8 Their threshold for acting would be 20 instead of the 15.

9 VICE CHAIRMAN JOHANSON: Okay, I understand.
10 I appreciate you all clarifying that, and I would like to
11 thank all of you for appearing here today. I found it very
12 informative. That concludes my questions.

13 COMMISSIONER WILLIAMSON: I just have one
14 question.

15 CHAIRMAN SCHMIDTLEIN: Sure.

16 COMMISSIONER WILLIAMSON: That does raise a
17 question. What role does the marketing order play in this?
18 You're saying that the Iranian imports, if they were to come
19 in, would have to meet the marketing order standards?

20 MR. ANZALDO: So the industry right now has
21 what's called a 608E that was adopted I believe last year,
22 and what would happen is all pistachio imports would have to
23 meet the 15 parts per billion.

24 COMMISSIONER WILLIAMSON: Are there other
25 provisions in the marketing order that they would also have

1 to meet?

2 MR. ANZALDO: At this time, no.

3 COMMISSIONER WILLIAMSON: Okay. No, because I
4 just -- I know marketing orders are out there. I just
5 didn't understand.

6 MR. ANZALDO: Yeah. We're pistachio farmers.
7 We're single focused.

8 COMMISSIONER WILLIAMSON: Okay, thank you.
9 Yeah, because we -- that hadn't come up before as to what
10 role that plays in the U.S. Okay good. Thank you.

11 CHAIRMAN SCHMIDTLEIN: Okay. I think that
12 concludes questions from the Commissioners. Do the staff
13 have any questions for this panel?

14 MS. HAINES: Elizabeth Haines. Staff has no
15 questions.

16 CHAIRMAN SCHMIDTLEIN: All right. Do
17 Respondents have any questions for this panel?

18 STATEMENT OF HOSSEIN DENIS KETABI

19 MR. KETABI: Yes, hello. I'm Denis Ketabi
20 and I'm here on behalf of Arman Pegah. First thank you for
21 the opportunity to speak. Yes, I have many questions and I
22 don't know from where to start, because the lack of
23 knowledge of what's going on in Iran from the people around
24 the table is bringing me to hear some false information,
25 just not voluntary, but just because of lack of knowledge.

1 I don't know, and I'm not familiar with the process and
2 when I can make some corrections, if I should do that after
3 our own --

4 CHAIRMAN SCHMIDTLEIN: Yeah. I think you will
5 have a full hour for your direct, and then there will be
6 several rounds of questions from the Commissioners at that
7 time, and many of them will be asking you to respond to some
8 of the statements you've heard this morning.

9 MR. KETABI: Yes, yeah, because many of those
10 questions I would have loved to answer, and I would have
11 given of course some different, some different things.
12 Nevertheless, I have a question. I'm sorry, Mr. Klett on
13 his statistical analysis on the pricing, comparing prices.

14 As a benchmark to compare prices coming from
15 Iran per region in Europe, in Asia, in whatever different
16 regions, you have taken the Iranian Customs declaration on
17 value globally, because that's what the GTI information is
18 coming from, and taking the average value of total --
19 correct me if I'm wrong -- the average value of total export
20 declared by the Iranian Customs and divided by the volume
21 coming to the price. The first question is is this correct?

22 MR. KLETT: It's not exactly correct. I mean
23 I used official trade statistics not only from Iranian
24 Customs, but also from Eurostat Customs, and also from Hong
25 Kong Customs. But in general, I did use total, the value of

1 total imports divided by the volume of total imports from
2 official trade statistics, whether it was Iranian official
3 trade statistics or Eurostat or Hong Kong.

4 MR. KETABI: Okay. Could you explain why,
5 because there's two sources which are -- which differ or
6 come to the same, should come to the same conclusion. One
7 is Eurostat, which is a very reliable source of information.
8 Those are based on the values that importers in Europe
9 declare to Customs the product that they are importing,
10 which is a true number which we recognize as well.

11 However, in your analysis in Europe, when you
12 make a comparison and we've made the comparison, we find a
13 huge difference in resulting on the average price, and that
14 result is on the Europe and just on Europe. So your
15 analysis and when you make exactly the same calculation with
16 the European statistics, and we find an 18 percent
17 difference on value. Can you explain why there is such
18 huge difference?

19 MR. KLETT: So Mr. Ketabi, just so I
20 understand, you're saying that you used exactly the same
21 statistics I did and you're getting widely different
22 results?

23 MR. KETABI: No. I am saying that you have
24 used to monitor the price of Iranian product from Iranian
25 Customs or trade information, etcetera, and then we have

1 done exactly the same job using Eurostat information. So
2 two different source of information, and we find a huge
3 difference and this is related in the presentation that will
4 be later on, and I just would like for you to comment on how
5 there could be such a huge difference?

6 MR. KLETT: I don't know. I mean I used
7 Eurostat trade statistics and I'm fairly confident in the
8 reliability of my numbers when I looked at average unit
9 values from Iran into Europe using Eurostat versus imports
10 into Europe using, you know, from the United States. It's
11 reflected in -- I think it's slides -- Slide 9 is on annual
12 average basis. Slide 10 is on a monthly basis, and I can go
13 back and double-check my numbers.

14 If you use the same source and came to
15 different results, I mean all I can say is that I can't
16 explain the difference, other than go back and check the
17 reliability of my calculations.

18 MR. KETABI: Let me make my question clear
19 because by fact I know I'm under trade and I'm on as an
20 importer and I'm a producer.

21 CHAIRMAN SCHMIDTLEIN: Mr. Ketabi, can I
22 interrupt you just for a second. It might be more helpful
23 if we hear your presentation in the afternoon.

24 MR. KETABI: That's great, I apologize.

25 CHAIRMAN SCHMIDTLEIN: Because at that point,

1 we can ask both sides for follow-up in post-hearing briefs.

2 MR. KETABI: All right.

3 CHAIRMAN SCHMIDTLEIN: So once Mr. Klett sees
4 your presentation and we see it, one of the things we could
5 ask, given that you're pointing out potential inconsistency
6 or question, is for Mr. Klett to follow up in the
7 post-hearing and respond to that after he's been able to
8 hear what you have to say. That might --

9 MR. KETABI: I have one more question with
10 respect to the U.S. legislation in regards to import and
11 aflatoxins. We can read -- I'm not a lawyer or specialist
12 on U.S. legislation. However, I read in the USDA law that
13 the level of 15 PPB, and that was confirmed here by the
14 people testifying, while in the report it's talking about
15 20.

16 The second thing which is not mentioned is
17 that the systematic control, meaning that the 100 percent of
18 the lots coming imported, regardless of the origin, this is
19 not linked to Iran, to whether, whenever they're coming from
20 should be tested by the USDA. Is that a correct
21 understanding from us, that everything coming in will be
22 sampled and tested by the USDA accredited laboratory?

23 MR. ANZALDO: So it's my understanding the
24 import regulation is -- covers all imports, whether it's
25 Iran or any other country, and 100 percent testing will be

1 done by the USDA.

2 MR. KETABI: Thank you.

3 MR. STEINBERGER: Actually, there's a 5,000
4 pound threshold. If it's under 5,000 pounds it's not
5 subject to the testing. But most things that would come in
6 would be 5,000 pounds or more.

7 CHAIRMAN SCHMIDTLEIN: Okay, all right.
8 Great. Thank you very much. All right. Well this brings
9 us to our lunch hour. Let me remind you that the hearing
10 room is not secure, so please take with you any confidential
11 papers and we will come back and begin this afternoon's
12 session at 1:35. We stand in recess.

13 (Whereupon, at 12:39 p.m., a luncheon recess
14 was taken.)

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1 AFTERNOON SESSION

2 (1:39 p.m.)

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

4 CHAIRMAN SCHMIDTLEIN: Alright. Good afternoon.

5 Mr. Secretary, are there any preliminary matters?

6 MR. BISHOP: Madam Chairman, I would note that the
7 panel in opposition to the continuation of the Antidumping
8 Duty Order have been seated.9 CHAIRMAN SCHMIDTLEIN: Alright, Mr. Ketabi, you
10 may begin when you're ready.

11 (Pause.)

12 STATEMENT OF HOSSEIN DENIS KETABI

13 MR. KETABI: I'm waiting for my lawyer to be
14 here.;15 Okay, good morning, Mrs. Chairman, members of the
16 Commission. It is my honor to be given the opportunity to
17 address your Commission and to contribute an objective view
18 of the pistachio industry to our investigation--to your
19 investigation.20 Unfortunately, it was not possible to bring any
21 Iranian growers to this table, considering the visa
22 situation for Iranian passport holders. Not so many people
23 in this room is as deeply familiar with the Iranian industry
24 as I am, so I will be at your disposal for any question
25 after that.

1 One statement is repeated over and over, year
2 after year. It becomes common belief, not necessarily the
3 truth: Iran pistachio are of lower quality. Iran undersell
4 U.S. to gain market shares. Iran dumps prices. Iran
5 government supports exports of pistachios. This is what's
6 commonly being said for the past at least 20 years I've been
7 in this industry in California.

8 On the other side, U.S. pistachios have no
9 flavor. U.S. government supports industry with
10 protectionist measures and political pressure on other
11 countries. U.S. is bleaching its pistachios to make it look
12 whiter.

13 None of those statements are true. And I will be
14 using my time to demonstrate this.

15 Next slide, please. We are prepared a slide to
16 go over the different topics in order to demonstrate what
17 was discussed. We start with the state of play, Marie?

18 MS. DIDIERLAURENT: Okay, so we'll start with the
19 background of Mr. Ketabi. Go ahead, and I will present the
20 rest of the presentation following your description.

21 MR. KETABI: Okay. In the 1970s and '80s, Iran
22 was producing luxury items sold in luxury shops next to
23 caviar. After 1978 revolution, people in Kerman state, in
24 Kerman state planted many acres, and these orchards came
25 slowly into production in the late '80s, feeding mostly EU

1 markets and U.S. to some extent.

2 I was introduced into this industry at this time.
3 As production was becoming available, consumption was
4 growing in the same path. And this has continued ever
5 since. In 1996, Iran was supplying nearly 100 percent of EU
6 demand, with a consumption that reached nearly 200 million
7 pounds.

8 In the spring of '96, Iran crop was hit by a
9 severe frost which led me to go to California urgently to
10 buy as many U.S. pistachios as I could. I turned to a
11 company called Gold Coast Pistachios in Colinga, California,
12 as it was mostly owned by a successful Iranian family in
13 California. And I committed to buy all their production of
14 small pistachios, 26-30 count, while they were insisting to
15 sell the large ones, 21-25.

16 I was not interested in the 21-25 as the size was
17 not demanded by the European market. The 1996 crop was
18 harvested, and Iran production was cut by two-thirds due to
19 the frost damage.

20 Gold Coast Pistachio harvested about 10 to 15
21 percent of its crop as 26-30 and shipped the majority of its
22 contract as 26-30, and the rest as 21-25, large size.

23 As I am the first to import California pistachios
24 into Europe, I was alone in the market. However, it took me
25 nearly 12 months to sell this little quantity of 26-30, and

1 over 18 months to get rid of the larger size, as product was
2 not responding to consumer expectations.

3 Indeed, the European consumer at this time was
4 used to the Iranian origin. I was facing strong market
5 resistance despite the price of U.S. pistachios which was
6 much lower than Iranian at that time in the market.

7 In September '97, several months after mad cow
8 disease crisis in Europe were hit the consumers, which was
9 devastated--which was devastating for consumer confidence on
10 food, some pistachio lots were found in Holland with 200
11 times the authorized limit of aflatoxin. Twelve containers
12 in total were arrested, out of which two were mine.

13 I was then acting as a trader based in France.
14 At the time, I had no industrial operations in Iran. The
15 Dutch health authorities ran an investigation on aflatoxin
16 on Iran pistachios and used a Netherlands-based laboratory
17 very familiar to the pistachio industry called the Ferbebe.

18 They found out that by increasing the number of
19 incremented samples in making slurry out of the samples,
20 nearly 100 percent of incoming goods were above the limit.

21 At this time, every EU country has its own
22 aflatoxin threshold. Contaminated lots could make it
23 through into the EU, absent any legislation in respect to
24 sampling protocol and sampling preparation. Even though
25 aflatoxin threshold were very low. In France the limit was

1 lppb. Like it is the case in China today with 5ppb
2 threshold. The EU digisangol officer, Dr.; Penning, imposed
3 a barrier on pistachios, on Iranian pistachios, I'm sorry.
4 At this time, I was representing the French industry as a
5 member of the committee to discuss the decision of Brussels.

6 Being against Iranian pistachios, the ban was
7 imposed in the fall of '97 against the Iranian origin.
8 Imports stopped for several months until the new legislation
9 was implemented with uniform thresholds within the EU, and
10 harmonized sampling protocol.

11 This new legislation turned out to be very strong
12 barrier to import from Iran and opened the road to the U.S.-
13 -for the U.S. to the EU market. However, things did not
14 happen so simply. U.S. experienced at this time back to
15 back bumper crop in '98 and '99, with a 72 percent
16 production increase in comparison with 1997, from 104
17 million pounds to 179 and 198 million pounds.

18 In 1998, CPC, the California Pistachio
19 Commission, invited most EU buyers to visit the California
20 industry. I was in this delegation. We visited Paramount
21 Farms, wonderful today, and several orchards, and everyone
22 was very impressed by the standard of this industry, already
23 far above Iran's.

24 Today, not much changes and improvement have been
25 made to these standards of production in the U.S.

1 Nevertheless, while Iran was struggling to meet the
2 aflatoxin new rules and its product was no longer available
3 in the EU market, EU consumption of pistachios dropped by
4 half.

5 California was not able to absorb this loss in
6 consumption as product shifting did not happen so easily. I
7 worked to educate EU roasters to U.S. pistachios
8 characteristics. I traveled with Gold Coast plant manager,
9 Mr. Jeff Currie, to assist EU roasters technically and teach
10 them how to process different product.

11 Despite very active times in permitting--to
12 permit product shifting, it took over a decade for the
13 market to accept U.S. origin in place of Iran origin into
14 the main distribution channel and return to previous
15 consumption level.

16 Now we going to go to the state of play.

17 MS. DIDIERLAURENT: Yes. So we prepared
18 presentation which we propose to go through during this
19 hour, and this is at the same time highlighting main points
20 that have been mentioned in our brief, and to also respond
21 to APG and Wonderful's brief on some point that we have
22 identified.

23 So we'll go through a brief state of play of how
24 the industry, the pistachio industry, looks like today.
25 We'll explain why we think it's time to acknowledge change

1 of circumstances. We'll then explain also how we consider
2 that there is no underselling scenario by the Iranian today.
3 And we'll conclude with what can be learned from these past
4 years having screened the Iranian and U.S. industries.

5 MR. KETABI: Okay, the state of play. The U.S.
6 industry is the strongest worldwide those days, on a sharply
7 growing trend, producing 60 percent of the world
8 consumption. The U.S. industry exceeds Iran in terms of
9 production and exports nowadays. It was not the case, but
10 it has turned out to be the case.

11 U.S. industry increasingly dependent on exports,
12 as Iran is, and therefore is exposed to competition outside
13 the EU domestic market. The U.S. actors are as much larger
14 and stronger corporation compared to Iranian companies.
15 Next slide, please.

16 Iran follows a general stagnation pattern. Mr.
17 Matoian reports on the growth of Iranian production,
18 considers a production after six--this is on his
19 presentation--while he should be using ten-leaf. In Iran--

20 In the U.S., sorry, the trees after planting take
21 six years to reach production. In Kerman State, it takes
22 eight years. In Horisan State, which is the new growing
23 area we were talking about earlier, which is nearly 1,000
24 miles north of Kerman State, it takes 10 years to reach
25 production.

1 So in the posthearing brief I will ask that to be
2 taken into consideration, to adjust the trends that are
3 coming out of this.

4 Uncertainty around removal of trees due to water
5 shortage. This is something that is not taken into
6 consideration basically because we don't know. Drought is
7 in such condition that when people have no more water to
8 irrigate, they have no choice. They pull out their trees.
9 And we don't know really when that happens.

10 The U.S. production will grow further considering
11 nonbearing and young age of bearing trees. This is very
12 important to consider, that the last five years new trees
13 have come into production in the U.S., but with yields going
14 from 600, 500, 600 pounds an acre, going to 1,200, in the
15 next two, three years those will reach 3,000 pounds, 3,500
16 pounds, 4,000 pounds an acre. And it will increase the
17 average of the yields.

18 So the trend is very positive. And as they said
19 themselves, the billion pound crop is expected very soon.
20 So there is a growing gap between U.S. and Iran production
21 capacity. Next slide, please.

22 Here we talk about what we call OECD and non-OECD
23 compliant product.

24 MS. DIDIERLAURENT: If you would allow me?

25 MR. KETABI: Yes, please.

1 MS. DIDIERLAURENT: I would just like to take the
2 opportunity to come back to this OECD and non-OECD standard
3 that was discussed earlier.

4 We do not mean here to be referring to an
5 official standard at all. We use this distinction, non-OECD
6 and OECD product, as a pragmatic approach to describe the
7 production in Iran. In our brief, when we refer to OECD
8 product, we refer to those products that are capable of
9 matching strict OECD requirements on food safety and
10 quality. And this represents one portion of the Iranian
11 production.

12 The other portion, which is a lot bigger, is what
13 we call non-OECD products. And those products are incapable
14 of matching the strict standards, and therefore this is the
15 category of product that is shipped to less stringent,
16 non-OECD markets who have less stringent requirements in
17 terms of food safety and quality.

18 MR. KETABI: Thank you for clarification. My
19 factory in Iran is divided in two, the production of what we
20 call OECD and non-OECD does not go to the same processing
21 lines. It's just like two different plants.

22 The distinction between raw material and eligible
23 to OECD markets versus raw material not eligible to OECD
24 market is fundamental to the understanding of the Iranian
25 pistachio industry. Ignoring this distinction would come

1 down to ignoring the reality.

2 The key characteristic of Iranian production,
3 processing facilities and tools in Iran are designed and
4 oriented and organized based on this distinction. The OECD
5 eligible raw material is produced in limited quantity.

6 Contrary to Wonderful statements, the U.S. counts
7 among those OECD markets which--the U.S. market, I mean the
8 U.S. consuming markets, with stringent food safety
9 standards, controls at point of entry, and high expectation
10 customers.

11 Therefore, only OECD compliant product can be
12 eligible to U.S. domestic markets. In that respect, U.S.
13 cannot be compared to China. Iran produces and sells a
14 range of different product, size, variety, at different
15 prices, unlike the U.S. which produces mostly one size and
16 one variety product at one price.

17 It's better to compare for better understanding,
18 it's better to compare Iranian pistachio production to
19 California almond production, for which you have many
20 varieties, many sizes, many qualities. It would make more
21 sense.

22 An update on the food safety requirements, which
23 is a very important parameter. The impact of aflatoxin
24 regulatory barrier is to be assessed against the following
25 four criterias. Aflatoxin threshold, efficiency of sampling

1 method addressing heterogeneity of contamination. This was
2 addressed by Thomas Whitaker from USDA IRS in his
3 presentation which we put in annex 24, I think, appendix
4 24. It's basically the problem of repetition within a lot.
5 The aflatoxin issue is complex because it's not a little bit
6 of aflatoxin everywhere; it's a lot of aflatoxin somewhere.

7 So the size of the sample is a very important
8 matter. Documentation and certification requirements are
9 so, and EU and U.S. markets operate along similar above
10 standards. Contrary to statements earlier, sampling rate by
11 authorities on Iranian pistachios is set to 50 percent, not
12 100 percent, under EU Regulation No. 884, 2014, and to 100
13 percent under U.S. regulation 999.600, annexed to our
14 prehearing brief.

15 So as a professional of this business, it is more
16 complex for me to bring a lot into the U.S. than to bring it
17 into Europe.

18 MS. DIDIERLAURENT: This is a point we want to
19 make here that we think is really important. Contrary to
20 what has been submitted earlier, we consider that the
21 systemisticity of control that takes place at U.S. point of
22 entry is even more stringent barrier for exporter than they
23 have to face in the EU, entering the EU.

24 MR. KETABI: Unlike what is implied by
25 Wonderful's statement at page 40 of the prehearing brief,

1 China by contrast with the U.S. market is the least
2 demanding market in respect to aflatoxin requirements.
3 There is no control--no control is implemented by the
4 authorities, no control by the importers, no certificate of
5 analysis is even requested by the buyers.

6 MS. DIDIERLAURENT: So in this respect, it is not
7 correct to say that competition conditions are the same in
8 the U.S. and in the China market. When an Iranian exporter
9 wants to ship products to China, he's faced with a less,
10 much less stringent regulatory barrier than he has to face
11 having to enter the U.S. market.

12 MR. KETABI: Next slide, please. That one.

13 MS. DIDIERLAURENT: Now we consider it is
14 important for us to make the point that now change of
15 circumstances should be taken into consideration. And we
16 want to point out that the way APG and Wonderful anticipate
17 how much would be shipped from Iran to the U.S. market if
18 the Order were to be revoked, we consider that this
19 approach which will be described is not realistic and is
20 ignoring totally the circumstances that have changed over
21 the past 30 years.

22 MR. KETABI: Thank you. Okay, APG and the
23 Wonderful claim that if Iran exported 20 percent of its
24 production to the U.S. in 1984, it would replicate this
25 ratio today if Order was to be revoked.

1 According to this assumption, Iran would export
2 about 100 million pounds to the U.S., representing over 200
3 percent of what Iran currently ships to Europe. This
4 demonstration gives no credit to any of the changes of
5 circumstances which have occurred in the past 30 years.

6 MR. KETABI: New circumstances. The U.S.
7 industry is now by far, strongest worldwide, we've said
8 that. The U.S. industry controls nearly 100% of the
9 domestic market. And that is for the last three decades.
10 New food safety rules in the U.S., as for the OECD
11 countries, ban most of Iran production from being illegible
12 to the U.S. market.

13 Iran cost of production now exceeds U.S. cost of
14 production. That limits the capacity to compete. And Iran
15 has become a fragmented industry in which the largest actor
16 represents no more than 5% of the market share, while in
17 1984, RPPC, which we talked about earlier, represented over
18 50%. Oh, go ahead.

19 MS. DIDIERLAURENT: Sorry, if we can just make
20 this point as well, regarding how actors were competing
21 earlier under the RPPC time. RPPC was having the power to
22 decide on its pricing policy, almost totally independently
23 from the other actors in the markets. And this is an
24 indication, when an actor has such a power in the market,
25 this is an indication for abusive or unfair pricing

1 proxies.

2 This is much more unlikely to happen when you
3 have a fragmented industry with the loss of actors that do
4 not have such a margin of action and are obliged to take
5 into consideration their costs of production and not have
6 the power as a big actor such as RPPC with 50% of the market
7 had in the past.

8 Now, we come to the demonstration that,
9 according to our approach, there is no underselling scenario
10 today for the following reasons. First of all, we submit
11 that, as was acknowledged in the staff reports, the
12 substitutability of Iran versus U.S. origin in the U.S.
13 domestic markets should be considered as moderate, low to
14 moderate.

15 There is no ability for Iranian exporters today
16 to undersell U.S. origin in the U.S. market. That's what we
17 will expose. There is also no incentive for Iranian
18 exporters to undersell U.S. origin in the U.S. markets. And
19 finally, no real-life example is to be reported of Iranian
20 exporters underselling U.S. origin today in the export
21 market where U.S. and Iran origin product compete.

22 MR. KETABI: We will develop these four points
23 if you may. About first, the underselling scenario and the
24 low substitutability of the Iranian origin versus U.S.
25 origin into the market. There is only a portion of the

1 Iranian production which is capable of matching the OEC
2 standards.

3 We are taking about 20% of the whole Iranian
4 industry production which can compare with the U.S.
5 production. To date, this is an assumption, and this is
6 based on experience, and we can also demonstrate that
7 mathematically, but it's rough. It can be 15, it can 25 and
8 year to year, things are a little bit different.

9 But it gives a rough idea. Most of this OECD
10 allegedly Iranian production consists in small fruits,
11 Fandoghi variety, which is sizing 30/32. By the way, the
12 largest the number, the smaller the fruit, because we're
13 talking about number of fruits per ounce.

14 Whereas most U.S. customers and consumers expect
15 the typical U.S. 21/25, which is a large fruit. U.S.
16 customers buy on specification basis, speak to specific
17 size, variety, origin and quality, whereby small Fandoghi
18 from Iran are unlikely to replace larger sized Kerman
19 variety from the U.S. We experience exactly the same
20 situation, just reverse, the other way around, in Europe at
21 the time of shifting from Iran to U.S. origin.

22 In similar markets such as the EU, U.S. and Iran
23 origin are marketed according to different contractual
24 terms, long-term contracts for U.S. origin versus spot sales
25 for Iran origin. This is a very important parameter because

1 about 70% of the consumption in modern countries such as
2 U.S. and Iran are made in main distribution channel, large
3 supermarkets, and they buy on a yearly basis. They want a
4 fixed price for the year.

5 Iran is incapable of giving such security in
6 fixing prices, and we'll detail that later. U.S. and Iran
7 products belong to different market segments also because
8 the distribution of snack, supermarkets is one item where
9 U.S. is very strong.

10 Iranians are sold mostly in ethnic, because it's
11 spot sales and to some extent, to some brands who, in
12 Europe, which try to differentiate themselves from the U.S.
13 because the U.S. product is very homogeneous. Everybody has
14 the same. It's a brand that wants to differentiate itself.
15 It cannot.

16 I mean everybody has the same product in just a
17 different bag. While Iran origin, they can differentiate
18 themselves, choose a variety of size or quality that match
19 their strategy. U.S. origin is also mostly sold on private
20 label. That's what I mentioned, or you mentioned that,
21 sorry. U.S. origin is benefiting also from a large
22 marketing budget. This was discussed earlier.

23 Allowing for high consumer awareness of U.S.
24 brands and more generally for U.S. origin. Regardless of
25 its marketing comes Wonderful, and Wonderful left the CPC

1 because of the generic branding, and they wanted their brand
2 to be marketed. So it's a Wonderful pistachio advertising,
3 while the APG is a general brand name. It's based on
4 origin.

5 Miss California is used as a person just to
6 bring the origin of the product in front. By contrast,
7 there is no investment into marketing from Iran origin,
8 nothing. Not one penny spent into marketing and advertising
9 of Iran. In conclusion, Iran origin is not capable of
10 matching the U.S. consumer requirements in large scale in
11 the same way that U.S. origin is doing. This will
12 certainly limit its substitutability.

13 Iranian exporters also have no ability to
14 undersell U.S. origin into the market. High cost of
15 production in Iran may lead to strong inflation. This is --
16 in our brief we put some -- no, that was in the
17 questionnaire, shipper questionnaire -- we showed what the
18 inflation goes -- just to realize what it means, at time of
19 revolution, \$1.00 was 70 rial. Today's it's \$37,000 or
20 \$38,000. This is the level of inflation.

21 Financial costs in Iran are at 14%. They're
22 coming down from 28% by the way. Expensive industrial
23 equipment such as laser sorters, uptick sorters, metal
24 detectors, all type of electronics, do not allow for
25 underselling practices. This is also very important.

1 I have spent millions of dollars in equipment.
2 I will not allow our product to be sold at cheap, because
3 we've spent that money on our equipment, on these things, on
4 factories. Iran has to improve the quality of its
5 production to handle increasingly stringent aflatoxin and
6 food safety requirements in more and more jurisdictions.

7 More and more of the world is getting stricter
8 and stricter. This is on food safety. This is one reason
9 why I have been investing so much into food safety. Because
10 I know that slowly more and more countries are gonna get
11 more and more difficult. There is no ability to shift China
12 intended product to the U.S. country to Wonderful's
13 statement.

14 The U.S. food safety barrier and importers
15 expectations would disqualify any China intended product
16 irrespective of the price. There is no ability to ship EU
17 rejected product either to the U.S., as EU legislation
18 imposes those laws to return to the country of origin. And
19 I would like to add this also here, the trans-shipment, the
20 European product going to China and being shipped to
21 somewhere else, to Europe, it is not possible.

22 The law is very, very clear. In order to custom
23 clear the product into EU, product must have a lot number, a
24 container number, and a certificate of aflatoxin issued by
25 Minister of Health. And there is no trans-shipment

1 authorized. The statement previous was just a lack of
2 information and incorrect.

3 MS. DIDIERLAURENT: The statement concerning --
4 right?

5 MR. KETABI: The statement concerning -- no --
6 concerning that in the statistics, there is shipments going
7 to China that comes back to Europe. This is a wrong
8 statement. It cannot be done, it's against the law. It
9 cannot happen because China cannot deliver the certificate
10 that Europe is asking in order to custom clear a product.

11 MS. DIDIERLAURENT: It's about trans-shipment
12 via Hong Kong?

13 MR. KETABI: Yes, back to Europe. Now, about
14 the incentive. There is no incentive for Iranian exporters
15 to undersell U.S. product. We state that there is no
16 absence of spare capacity. Iran crop and, in particular,
17 OECD eligible product is already sold out every year. There
18 is also no end-of-year inventory at the end of the year.
19 And even more so, on the OECD qualities.

20 So there is no perspective -- there is also no
21 perspective of growth of Iranian production capacity. And
22 on this, I have some comments to make. If I was a little
23 bit -- because my statements were confusing earlier, but I
24 will clarify them. There is a stagnant trend of Iranian
25 production versus exponential growth of the U.S.

1 As mentioned, 35% of the U.S. bearing acres have
2 reached production in the past five years. So average age
3 of tree is very young. There is new plantings on their way
4 to maturity, which will increase production exponentially in
5 the U.S. Any speculation on production growth in Iran is
6 hazardous. No one knows how many trees will be removed in
7 the coming years.

8 It is well-acknowledged that the aquifer in
9 Kerman is in a critical situation, and that growers are
10 expecting difficult times to come. Dripping irrigation --
11 discussed earlier. Pressurized irrigation system -- does
12 not increase production capacity. It simply reduces water
13 consumption. It allows growers to spare some years until
14 they are forced to give up their trees due to drought.

15 The government support we talked about earlier,
16 the \$34 million, is true. The government wants to push the
17 growers to switch to dripping irrigation, because it reduces
18 weather consumption from 20 to 30%. However, if one grower
19 does it and his neighbor doesn't, everybody's pulling out of
20 the same aquifer, so either everybody has to do it over one
21 aquifer, or some people will spend the money and some others
22 will take advantage of it.

23 Therefore, this program is not so much
24 successful. And less than 10% of Iranian orchards in Kerman
25 state have gone under dripping irrigation. This \$34

1 million, to clarify, the government pays back two-third of
2 the investment when you switch to dripping irrigation.
3 One-third still is to be borne by the grower.

4 There is also no incentive to shift exports from
5 EU to the U.S. EU and U.S. price are similar. I mean, it's
6 easy to demonstrate. Product is already marketed and
7 channeled into the EU at premium prices. There is no food
8 safety regulatory incentive either because of systematic
9 control, as mentioned in the aflatoxin requirement updates.
10 This is considering existence of systematic control.

11 Then, about real-life example. There is no
12 real-life example of Iran underselling U.S. origin in other
13 export markets at this time. I will not say the same thing
14 in the 1980s, but today is the case. Consumer price reports
15 in the MENA, Middle East, North Africa and EU demonstrate no
16 underselling.

17 I disagree with the statement made earlier
18 saying that the consumer price is not reflective of the
19 price. It is true it is not reflecting of the price, but
20 comparison between origins makes sense. Especially when
21 this is repeated everywhere you make this concern, anywhere
22 in the world you make this comparison, Iran and U.S. are
23 close by. There is no underselling demonstrated there. And
24 pricing assessment by WPNA and APG is not accurate.

25 And for this, this is three points which I would

1 like to develop. The first one, it is an inadequate product
2 comparison basis. Second, there is an irrelevant frame of
3 reference, and third, the source of data is inaccurate.

4 So on the first point, both Wonderful and APG
5 compare prices of U.S. Number One with the average price of
6 a blend of Iranian pistachios. Irrespective of grade, size,
7 characteristic of food safety standard, and while prices are
8 ranging from simple to double. This comparison is no
9 demonstration of dumping.

10 As a buyer and trader of both Iranian and U.S.
11 product, I can testify that same size quality fruits are
12 sold within the same price range, irrespective of the
13 origin. Staff report recognized that comparison is
14 difficult as products are very different for each origin.
15 It's like considering that almonds are sold at one price.

16 Believe me, if you view 30/32, it was half a
17 nonpareil supreme 18/20. Both are almonds. Just look at
18 Food News Magazine. I'll put some example. I have some
19 here. It's a magazine on food, on many different types of
20 food, all type of commodities, very, very recognized in the
21 market, which is showing a list of prices weekly.

22 There is a weekly announcing of prices. And
23 pistachios is a part of this huge list, maybe two hundred
24 different prices. And this magazine is published on a
25 weekly basis and it puts various Iranian prices and one U.S.

1 price. Our own Iran origin price list, which we provided,
2 shows about seventy-two different available price, with a
3 100% spread between the lowest and the highest on a given
4 day.

5 So it's very difficult to compare one price with
6 a blend of seventy different prices. The right approach
7 consists on comparing price within the same product range,
8 size, quality, food safety standards. Neither Wonderful nor
9 APG take this criteria into consideration.

10 Then the second point is the frame of reference.
11 Absent any import of Iran origin into the U.S., pricing
12 assessments should refer to markets with similar
13 characteristics, importer's requirements and consumer
14 behavior.

15 Once again, contrary to Wonderful's submission,
16 China market is not the right benchmark. As opposed to U.S.
17 buyer, Chinese buyers do not require certified suppliers.
18 IFS, BRC, IZO, any type. As opposed to U.S. buyers, Chinese
19 buyers do not require aflatoxin certificates. They do not
20 require long-term contract. And they do not require payment
21 facilities. From China, payments are made in advance.

22 As relevant frame of reference in the EU, EU
23 buyers have similar behavior and expectation as the U.S.
24 buyers. And there is similar consumer behavior in both
25 markets. Whatever conclusion drawn by Wonderful in relation

1 to China is irrelevant.

2 Therefore, inappropriate source of data, this is
3 the third point to justify that we don't agree. Once the
4 relevant frame of reference is identified, pricing behavior
5 must be assessed based on appropriate source of data. This
6 was the purpose of my question earlier.

7 APG price assessment uses wrong data and
8 inappropriate method. Page 32-33 of prehearing brief,
9 Exhibit 16, underselling analysis. Whereas U.S. prices are
10 collected from staff report at the V-5 Table, V-3, sourced
11 in the processors questionnaire, Iran prices are collected
12 from Iran exporters statistics which are collected from Iran
13 customs declaration. Quarterly average of export value
14 divided by export value plus ocean freight.

15 We don't argue the formula. We argue the source
16 of information. Iran prices referred to by APG to this
17 instance do not reflect effective sales price of the subject
18 product for the following reason. First, APG used
19 consignment values declared by exporters on the basis of the
20 price which are pre-established by customs, by Iranian
21 customs, and which do not reflect invoice prices.

22 It's totally irrelevant. Iran customs I have
23 put in the presentation and you have a slide of it. When I
24 read these comments, I went on the website of the Iranian
25 customs, and I printed the page and with a few translations

1 because it's in Farsi, we can make a full translation of
2 this for the post-hearing, but the prices -- there's sixteen
3 different items, and the prices are imposed by
4 administration.

5 It is not the reality of the market. We don't
6 choose at what price we declare our customs for export. So
7 the export figure out of Iran is relevant when it comes to
8 volume. It's not relevant when it comes to value. It's for
9 purely statistical matter, for managing globally their
10 currency at national level. It's got nothing to do with any
11 type of taxation, or whatever. It's just purely, purely
12 informative.

13 MR. KETABI: -- the quarterly average of this
14 consignment value also is actually covers a mix of 15
15 different product, which price range goes from \$6 to \$12 per
16 kilo, irrespective of size, variety, quality, naturally
17 open, artificially open, closed shell, everything. This
18 approach leads APG to conclusion that Iran is underselling
19 U.S. product in all its export markets. This conclusion is
20 neither reliable nor verifiable in the market.

21 Then regarding the correct source of data, the
22 right source of data, which should be taken in
23 consideration, is the invoice price of both origin at EU
24 point of entry on the same incoterm. This data is made
25 available by APG at -- in the Euro Stat statistics.

1 MS. DIDIERLAURENT: Exhibit 15.

2 MR. KETABI: It's Exhibit 15 of APG prehearing
3 brief. As depicted in below table, assessment of pricing
4 behavior based on appropriate data shows that Iran does not
5 understand U.S. prices in Europe. In the country, Iran
6 overpriced U.S. prices for three years out of five years on
7 their assessment. We put this chart, sorry we lost the
8 track on the --

9 MS. DIDIERLAURENT: It's next slide.

10 MR. KETABI: It's this chart, which is in the
11 one, demonstrate the average price with the exactly the same
12 formula that they have taken previously.

13 MS. DIDIERLAURENT: I think you need to --

14 MR. KETABI: You need to go further? Yeah.
15 Yes, this one.

16 MS. DIDIERLAURENT: Yeah.

17 MR. KETABI: Yeah. What is this one? This
18 chart demonstrates, you know, is based on the data provided
19 by APG out of Euro Stats. And you can see on the left, the
20 U.S. price at port of entry in Europe. On the right column,
21 the same data for Iranian product.

22 And you see that in 2012, Iran average import
23 price was \$7.83 per kilo, while U.S. was \$8.24. So U.S. was
24 higher. But in 2013, U.S. was \$8.93, while Iran was \$9.49.
25 2014, \$9.52 versus \$11.11 for Iran. In 2015, \$9.28 for the

1 U.S., \$9.69 for Iran. And 2016, the other way, it turned
2 around again. The U.S. average price was \$10.91, while Iran
3 was \$9.25. 2016 mean the crop year 2015 when there was
4 shortage of product out of the U.S.

5 So those dots are relevant. Then -- there's
6 yes, on the right side of the chart, this is the data that
7 was used to demonstrate the underselling. And we can see
8 for the same time, same months, same years in the same
9 market which is Europe, the two approach using Euro Stat's
10 numbers or using the data they that have used, the GTIS,
11 which is based on Iranian customs, show an average of 18
12 percent difference with the reality, considering that Euro
13 Stat is the reality.

14 So from that, we -- from that assessment, which
15 we consider to be wrong, which rises to an 18 percent
16 average margin of error between relevant data assessment and
17 the Europe Stat's base assessment, this factor of error
18 shall be applied to other regions study in Exhibit 16.

19 MS. DIDIERLAURENT: Do you want to explain maybe
20 in more details why you consider Euro Stat data to be --

21 MR. KETABI: Euro --

22 MS. DIDIERLAURENT: The right data to be taken -
23 -

24 MR. KETABI: Okay, Euro Stat is when -- I'm an
25 importer in Europe. When I import the product, I have to

1 declare the value copy of my invoice because I need pay
2 duties and VAT. This invoice is brought back the -- is
3 based on the delivered EU boarder.

4 So if invoice is on FOB like free on board Iran
5 basis or free on board California basis, the customs bring
6 it -- adjust it back to the EU border, so that the VAT and
7 the duty are paid based on the same standard point of entry
8 into Europe. So whether the U.S. product or the European
9 product, it's the reality of the invoice that is declared to
10 the custom by the importer at point of entry for custom
11 clearing. So it is a relevance data. This can -- there's
12 no argument there.

13 So in order to conclude on this, I would like to
14 address the U.S. price setting mechanism and the break point
15 about the prices. The Commission already noticed a few
16 elements which I will address now, but you have already
17 understood.

18 The U.S. price setting mechanism, U.S.
19 processers compete against the charter to secure sourcing of
20 raw material from the grower. It's fair. This competition
21 for growers pushes price upwards artificially. Process
22 because it does not consider anything about demand. It just
23 they're trying to attract growers among themselves. There's
24 only 7 processers in California.

25 So they need growers to deliver their product to

1 them. And once they deliver at the time of harvest, it's
2 done for the rest of the year. This competition for growth
3 pushes prices upwards artificially as mentioned. Processers
4 assure growers a minimum price for their crop before
5 harvest. This is how the market price threshold is set.

6 Later on at the end of the season, depending if
7 they did a better job, you know, they will pay an extra
8 bonus to the grower based on their marketing success. So it
9 can go up, but it cannot come down. Those vertically
10 integrated strong actors, grower packers, they're grower and
11 packer at the same time, are the first to benefit from this
12 price inflation at the grower level. They have a real
13 incentive to encourage this price inflation.

14 Iranian growers aim to -- aim at adjusting and
15 keeping their prices above this market threshold as well set
16 by the U.S. packers. Iranian prices manage to follow the
17 U.S. trend as long as demand allows it.

18 Now the artificially high prices cause demand to
19 drop. When it goes too high, demand gets hurt. We call it
20 the break point. When price increase above a certain
21 threshold, demand drops. It makes sense. This statement is
22 verified in all export markets, as well as in the U.S.
23 domestic, where no competition takes place with foreign
24 industry.

25 We have -- take care of the two charts. If we

1 can go to the last slide, please.

2 MS. DIDIERLAURENT: This.

3 MR. KETABI: Yes. The chart on the left is
4 showing the domestic shipments is on the U.S. The prices
5 you can see here as well as the prices you can see on the
6 right chart, are coming from Food News weekly declared
7 selling price for years. So it's independent. It's
8 industry, you know, it's not difficult to get what the --
9 you know, the prices, just read the press. It's published.
10 It's really easy.

11 So this is -- the prices in this graph are the
12 yearly average of the other graph. So you can see that why
13 the price was driven up and this price of Euro pistachio on
14 the left graph. When the price was going up as the price
15 was going up starting to go up from 2013, then you see the
16 consumption, both U.S. and domestic starting to coming -- to
17 come down.

18 And this is regardless of the carry over. So
19 they continued to increase prices even though they had
20 enough carry over. So it was not matter of shortage. In --
21 at the end of the 2016, when we are entering into 2017
22 bumper crop, there was still 100 million pounds of product
23 available in California. Even though in the pistachio, you
24 should be aware that we know roughly the crop blooms in
25 April. By May, by end of May, we have a good idea. We

1 don't know, but we have a very good idea, is it going to be
2 big crop, average crop, or small crop. So U.S. prices
3 massively between -- increased massively between 2013 and 15
4 crop years, causing a continuous decline in domestic and
5 export shipment to the extent that the U.S. domestic
6 consumption was damaged, when there was no competition for
7 foreign.

8 The 2015 consumption was damaged to the extent
9 that even though facing short crop, the U.S. was unable to
10 sell its inventory, 100 million pounds carry out.

11 Iranians managed to keep up their prices and
12 this is the other chart until early 2014. While consumption
13 of U.S. pistachio declined by 32 percent in the EU, by 62
14 percent in China, Iran was forced to adjust prices in order
15 to secure its sales, because Iran needs to sell its crop.
16 This supply and demand scenario is not even close to showing
17 an underselling behavior. It is outrageously misleading to
18 benchmark U.S. price against Iranian prices precisely that
19 year when U.S. prices were held at an artificial high level,
20 which was damaging consumption.

21 Based on APG report Exhibit 8 and Euro Stat data
22 on EU import, shipments from Iranian to EU increased from 33
23 million pounds to 38 million pounds next year. And this
24 represent an increase of 5 million pounds.

25 Within the same period, U.S. shipment reduced

1 from 102 million pounds to 69 million pounds. This is a
2 decline of 33 million pounds. So Iran took advantage of
3 only 15 percent of the U.S. decline in volume. This
4 demonstrate low substitutability of OECD type product in the
5 market.

6 So while U.S. declined 38 million pounds, Iran
7 only increased by 3. This really demonstrate we couldn't,
8 because product was not available in OECD quality. This
9 Iranian market share increase was directly linked to the
10 U.S. price inflation and Iran was not even able to take full
11 advantage.

12 U.S. bumper crop caused prices to drop and boost
13 consumption. This is what happened next. During the spring
14 2016, U.S. industry realized that coming crop was up for
15 record. Following imports three year high price strategy,
16 U.S. packer dropped prices by 30 to 35 percent, falling
17 below Iranian prices. This drop in prices happened in the
18 months -- starting months April May.

19 I would like to make it very clear Iranian new
20 crop is not marketed and priced before it's available
21 because growers don't do price on it. U.S. start selling
22 its crop months before its available. So the decline in new
23 crop starting in May while the crop is harvested in
24 September/October is just purely a U.S. initiative.

25 Iran started to market its crop when the crop is

1 available in October. Iran's struggle to compete, but was
2 not able to sustain the price decline.

3 Following a 903 million pound harvest, the U.S.
4 packers maintained their low price policy. By end of March
5 2017, year to date, the U.S. industry, with this price
6 decline, has increased its total shipments to in comparison
7 to previous year for the same period, so we're talking about
8 seven months, from 166 to 409 million pounds. That's 146
9 percent increase. Shipments to China increased by 566
10 percent. Domestic shipments increased by 43 percent and
11 even shipments by 64 percent. That demonstrate the impact
12 of prices on consumption.

13 Iran's shipment to Asia declined at the same
14 time by 15 percent down to 99 million pounds out of which 20
15 percent were closed shell, by the way. Shipment to EU
16 remained roughly stable. Price drop did not boost
17 consumption. However, Iranian industry was lacking spare
18 capacity to take advantage of this demand, right and was
19 unable to follow the domino trend in price to the same
20 extent as to the -- in the U.S.

21 In conclusion, U.S. pricing policy, regardless
22 of upwards or downwards, is in no influenced by Iranian
23 prices on export markets. This would be a force verified in
24 the domestic market where the U.S. industry as incumbent
25 should the order be revoked.

1 At the end of the day, Iran has no other option
2 but to respond to the basics of supply and demand. Thank
3 you.

4 MR. BISHOP: Marie?

5 MS. DIDIERLAURENT: Yeah, happy to answer
6 questions.

7 MR. KETABI: We're happy to answer any question.

8 CHAIRMAN SCHMIDTLEIN: All right, thank you very
9 much. I'd like to thank you all for being here this
10 afternoon.

11 MR. KETABI: It was long travel.

12 CHAIRMAN SCHMIDTLEIN: Yes. I was going to say,
13 we very much appreciate you taking the time to travel all
14 this way to help us understand this case. So we will
15 proceed in the same fashion as this morning where each
16 Commissioner gets a certain amount of time to ask questions,
17 10 minutes each to ask questions. And we will start with
18 Commissioner Broadbent.

19 COMMISSIONER BROADBENT: Thank you, Chairman
20 Schmidtlein. Yeah, thank you very much for coming and
21 putting so much thought and energy into your presentation.

22 MR. KETABI: Thank you.

23 COMMISSIONER BROADBENT: I think it's exciting
24 that you can come and talk and have a discussion with us. I
25 think probably before the embargo would have been -- before

1 the embargo was lifted, if would have been more difficult.
2 And so at least we're making some progress.

3 MR. KETABI: Well, I'm lucky enough to French
4 passport, so.

5 COMMISSIONER BROADBENT: Oh. How long have you
6 been involved in the industry? Where were you in 1986 when
7 they first put the duty --

8 MR. KETABI: Well, I was not involved. In 1986,
9 I was in the university. And I started in 1988 when after,
10 you know, the war, Iran Iraq was finished in 1986. And I
11 was not able to go to -- I grew up in Iran. And I was not
12 able to go back because of anyway it was war. And then it -
13 - I was staying in France. And after I went back for the
14 first time in 1988 after eight or nine years of being away.

15 And I took a car and I drove through the country
16 that I didn't know, because that's my father's country, my
17 father's Iranian, my mother's French. I'm both. And
18 therefore, when I drove through Kerman state, I drove about
19 nearly 10,000 miles through this country. It's a beautiful
20 country, which by the way, I would like to address an
21 official invitation to members of the Commission, because I
22 understood that the Commission was invited to go to
23 California to have a good understanding. Either you are
24 welcome, you are my guest. Believe me, it's a great visit
25 and we can arrange for visa or any representative, U.S.

1 representative I don't know in Geneva or whatever. Because
2 we have an office in Geneva, we can also go there. And you
3 are invited to come and see what -- really with your own
4 eyes what's going on.

5 COMMISSIONER BROADBENT: Thank you.

6 MR. KETABI: Anyway, so I was driving through
7 the Kerman state. And this is when I saw really thousands
8 and thousands of hectares of small trees this big, which
9 were producing nothing. And this is when everything
10 happened. Iran was planting, planting, planting, because
11 after revolution, land was open for agriculture in that
12 region. So people could -- all they could do is plant
13 pistachio and nothing else grows over there.

14 So it went from nowhere. That's why it was a
15 luxury item. I tell you pistachio was sort of very, very
16 high priced next to only -- not in the supermarket, only to
17 luxury shops. And it became a commodity.

18 So I saw that as an opportunity to enter this
19 business. And I start -- I open my company in 1989,
20 starting dealing with pistachios out of Iran. Then I dealt
21 with all type of tree nuts, hazelnuts, almonds, cashews, and
22 California pistachios. And I still buy a lot of California
23 pistachios by doing -- so I know all these people. They're
24 all my friends.

25 Jim Zion, who was here, was my representative in

1 Horizon, because I was part owner in the third largest
2 processor in California. He was my representative. Bob
3 Keenan was my supplier, Setton my supplier. I mean, wonder
4 why I'm here. I wonder why they are here.

5 Competition is healthy. It's good thing. I
6 don't understand this. I understand it 1985. Yeah, sorry,
7 I apologize.

8 COMMISSIONER BROADBENT: No, that's --

9 MR. KETABI: You get to go into.

10 COMMISSIONER BROADBENT: What's the thinking in
11 Iran about I understand you're not a member of the WTO as
12 this point, the country?

13 MR. KETABI: No, Iran is not.

14 COMMISSIONER BROADBENT: Okay.

15 MR. KETABI: U.S. is opposed.

16 COMMISSIONER BROADBENT: Oh, that's right, yeah,
17 good point.

18 MR. KETABI: Yeah.

19 COMMISSIONER BROADBENT: But is there interest
20 in Iran in joining?

21 MR. KETABI: Iran has officially requested.

22 COMMISSIONER BROADBENT: Right.

23 MR. KETABI: But U.S. is opposing.

24 COMMISSIONER BROADBENT: Understood.

25 MR. KETABI: There is big issue in intellectual

1 property. So for the moment, Iran is not member of WTO.

2 COMMISSIONER BROADBENT: All right.

3 MR. KETABI: But it can be.

4 COMMISSIONER BROADBENT: Good. Okay. The -- do
5 you want to kind of just summarize what your concerns are
6 with the data that we're looking at from the petitioners?

7 And maybe you can just help me do this. I mean, I'm getting
8 the point that we should be using Euro Stat data to --

9 MR. KETABI: Euro is their own stat, but they
10 didn't use the correct stat to do -- to come to a
11 conclusion. That's what I'm saying.

12 COMMISSIONER BROADBENT: Okay.

13 MR. KETABI: Euro Stat are correct.

14 COMMISSIONER BROADBENT: Okay.

15 MR. KETABI: There's no discussion about that.
16 What they did not use -- they brought the Euro Stat up.
17 This is on their appendix side, you know, 15 --

18 MS. DIDIERLAURENT: Appendix 15.

19 MR. KETABI: -- to demonstrate shipment by
20 volume. We use this data, which is true data, to
21 demonstrate the volume statement, but when it comes to
22 demonstrating a price, they take GTIS, which is based on
23 Iranian declaration at customs, which is not based on
24 invoice value. It is based on the custom value, which they
25 impose. This is what I put in the presentation here.

1 COMMISSIONER BROADBENT: Right.

2 MR. KETABI: When we go to -- when I want to
3 export an item from Iran, whatever the item, I have to do a
4 customs declaration. This -- I go on the website. I make
5 my declaration. It gives me a quote, which I have to put in
6 all my administrative documentation, but I don't get any
7 value. The system gives me the value.

8 MS. DIDIERLAURENT: This is a purely
9 administrative figure.

10 COMMISSIONER BROADBENT: Okay.

11 MS. DIDIERLAURENT: It does not reflect the
12 invoice price. So and therefore, we think it would be more
13 appropriate to be using the other set of data, which is also
14 provided under the same hearing -- prehearing brief by EPG
15 in Exhibit 15, right?

16 MR. KETABI: Yeah.

17 MS. DIDIERLAURENT: This is the Euro Stat data.

18 COMMISSIONER BROADBENT: Okay.

19 MR. KETABI: What's interesting is that you have
20 -- they did this work with different data. And if they do
21 the same work, the same analysis, I'm not arguing the model,
22 the same model, but with proper data --

23 COMMISSIONER BROADBENT: And proper data being
24 the invoice data?

25 MR. KETABI: Yes.

1 MS. DIDIERLAURENT: Yes.

2 MR. KETABI: Invoice data, so Euro Stat data.

3 COMMISSIONER BROADBENT: Uh-huh.

4 MR. KETABI: And find out an 18 percent
5 difference in the value that they -- the price that they
6 come up with. So the price, they say, oh, Iran undersold?
7 Well, if you use the right data, you will find out that Iran
8 is 18 percent more.

9 COMMISSIONER BROADBENT: Now --

10 MR. KETABI: Actually --

11 COMMISSIONER BROADBENT: -- it's also an issue
12 of product mix, too? You're saying that --

13 MR. KETABI: Yes, the customs from Iran, you
14 know, under the nomenclature, there is 15 different products
15 called pistachio in-shell.

16 COMMISSIONER BROADBENT: Right.

17 MR. KETABI: That includes shell, by the way.
18 Shells are at 60 cents per kilo. You know, so and that's
19 also in there. So if Iran exports some shells, it falls
20 into that data. You know, if -- Iran exports -- you know,
21 China market for example.

22 COMMISSIONER BROADBENT: Uh-huh.

23 MR. KETABI: -- Iran produces more closed shell.
24 U.S. is between 10 and 12 percent closed shell. Iran is
25 between 20 and 25 percent closed shell. And closed shell is

1 cheaper than of course open in-shell.

2 COMMISSIONER BROADBENT: Right.

3 MR. KETABI: And Iran exports about 20 to 30
4 percent of the -- of its shipment to China are closed shell.
5 Definite, so definitely cheaper. What does China -- what do
6 Chinese do with this product? They artificially open them.
7 This is for hard discount. They buy the closed shell, about
8 \$1 a pound cheaper. U.S. is selling it also about \$1 a
9 pound cheaper, right. So there's no big distinction there.
10 And they crack them by hand. And that's a cheaper
11 pistachio. That's -- but --

12 COMMISSIONER BROADBENT: Okay, but your argument
13 on the data is that we're -- the petitioners are comparing a
14 more uniform basket of higher quality product to a more
15 mixed basket --

16 MS. DIDIERLAURENT: Exactly.

17 COMMISSIONER BROADBENT: -- which includes this
18 different type of product?

19 MS. DIDIERLAURENT: Yes.

20 MR. KETABI: Yeah.

21 MS. DIDIERLAURENT: Yes.

22 MR. KETABI: By taking just Europe as a
23 benchmark, so you can have exactly the same data from U.S.
24 and Iran at import. So invoice priced. So it's the same
25 benchmark. It is the same market, meaning that products are

1 close enough to be compared with. There is no close shell
2 being shipped to Europe. You know, there is -- so it's --

3 MS. DIDIERLAURENT: So this is if we take the
4 Exhibit 15, the other set of data, which taking as a
5 comparison basis, as a frame -- as a geographic frame of
6 reference is Europe. And we take this Euro Stat's data as -
7 -

8 MR. KETABI: As to be true, yeah.

9 MS. DIDIERLAURENT: -- as the basis to conduct
10 this calculation, I mean, this price comparison. This is --
11 this comes down to comparing comparable product a lot more
12 than taking the other exhibit, the Exhibit 16, which is
13 based on the Iranian customs information, which as you were
14 saying, it's like a basket of any type of pistachio related
15 items, all taken together, an average.

16 MR. KETABI: And I have checked this Euro Stat
17 data and compared it with our charts, price charts, coming
18 out of the Food News magazine. And they match, meaning,
19 that there is -- it makes sense. First thing I do as a
20 professional in this business is to look does the data make
21 sense?

22 COMMISSIONER BROADBENT: Right.

23 MR. KETABI: I open my books and I look at, okay
24 at this date, what was -- what price was I selling? Does it
25 make sense? That's, you know, and that's how I start by

1 investigating?

2 MS. DIDIERLAURENT: Much more representative of
3 the reality.

4 COMMISSIONER BROADBENT: Okay, well, you
5 basically have to get a sense here that there's really no
6 incentive for you to come to the U.S. market or very little.
7 And you will not divert from how you're successful you're
8 being in Europe to the U.S. market. How can you reassure us
9 that you won't take advantage of the market opening in the
10 U.S.?

11 MR. KETABI: Well, I have --

12 I have heard the word "flooding," provided that
13 this Order would be lifted there would be a flooding of
14 offers. That's true. A lot of Iranians--Iranians love to
15 be considered as exporters. So offers? Plenty. But
16 realistic shipments to the U.S. will be very limited for
17 different reasons that I already discussed.

18 First, it's not available. Iran is already
19 selling its crop this year. And there is no more product
20 coming in, or nothing in a sufficient manner to be
21 dangerous.

22 So if you ask me, what do you think in 10 years
23 what will be the situation? Iran will not grow in the U.S.
24 market more than 10, maybe--if it's very successful, maybe
25 15 percent of the U.S. market, maybe. This is my opinion.

1 It's based on just, you know, 30 years of doing this
2 business. But not more than that.

3 They cannot be more successful than that out of
4 Iran.

5 COMMISSIONER BROADBENT: But as a commodity
6 product, that should--the 15 percent should have an effect
7 on the price in the U.S.

8 MR. KETABI: Well, but you see the product that
9 Iran would sell to the U.S. would probably be sold at higher
10 price than the U.S. price. This is also another point.
11 Because not--everybody thinks, you know, oh, Iran means
12 small, means, no, in Iran there are products which are
13 luxury items called Akabi variety. They are sold in markets
14 where everything is open everywhere else in the world, at
15 premium to the U.S. Not at discount. Why only discount?
16 No. There is also product sold at premium.

17 My processing lines are able to produce product
18 which I sell into the Middle East at higher price than the
19 U.S. price. You can check our price list and compare it the
20 same day with the U.S. price and you will see that.

21 COMMISSIONER BROADBENT: So my time is expired,
22 but thank you very much.

23 CHAIRMAN SCHMIDTLEIN: Well just following up on
24 that, Mr. Ketabi, so where do you think the market will be
25 in say three years?

1 MR. KETABI: In terms of what? In terms of price?

2 CHAIRMAN SCHMIDTLEIN: In terms of how much
3 Iranian product would come in if the Order were lifted. You
4 say maybe in 10 years it could be 10 to 15 percent of the
5 U.S. market. Where do you think--

6 MR. KETABI: It's just a feeling. It's not based
7 on any--it's just my opinion here.

8 CHAIRMAN SCHMIDTLEIN: Sure.

9 MR. KETABI: Well in three years it would be in
10 hundreds of pounds, not even in thousands of pounds.

11 CHAIRMAN SCHMIDTLEIN: And why is that? What
12 would the difference be?

13 MR. KETABI: I went through this experience in the
14 European market where we had to ship to the U.S., to the
15 U.S. origin, by force. You see, we were not able to buy--I
16 was not producer in Leon at that time. We were not able to
17 buy Iranian pistachios because they were not making it--so
18 we were forced to buy U.S. product, to switch to U.S.

19 And even with this constraint, the consumption
20 collapsed because people didn't want to buy it. People did
21 not want to buy. So the same thing will happen here. You
22 see, in the distribution channel, 70, 80 percent of
23 pistachios are sold into supermarkets. This is the main
24 distribution channel.

25 To change the specification in a supermarket

1 takes years. Just to do that. Because they have
2 specifications. They call it the U.S. Extra Number one, 21,
3 25, blah, blah, blah, et cetera. Iran cannot match. So
4 Iranians, we have to sample, develop, come, visit, spend
5 years to convince buyers of supermarket to add a new
6 specification to their product list. This is gonna take a
7 lot of time.

8 It took a lot of time in Europe. We did
9 constraint. We had no other option.

10 CHAIRMAN SCHMIDTLEIN: So do you--go ahead.

11 MS. DIDIERLAURENT: Yes. So I think to add to
12 that, the other thing we really need to be taking into
13 consideration is the portion of OECD compliant product that
14 is produced in Iran is limited. It's not like if we were
15 looking at the whole Iranian crop and say this could all be
16 shipped. This could all be shipped to the U.S., or to the
17 EU.

18 And if we take the portion, and if we take the
19 market share of the Iranian industry into Europe, how much
20 the Iranian industry is shipping into Europe, it might be--
21 in general terms, it is limited. The capacity, the Iranian
22 capacity to ship to OECD, stringent requirement markets, is
23 limited.

24 CHAIRMAN SCHMIDTLEIN: So I'm just trying to get
25 an idea, though, since you're here. You obvious care about

1 whether the Order is listed. I mean, you've spent a
2 considerable amount of money to get here. You've hired an
3 attorney--

4 MR. KETABI: I have talked about this issue for
5 numerous years. Yes, I've talked about this issue for
6 numerous years.

7 CHAIRMAN SCHMIDTLEIN: So I'm trying to get a
8 sense of, you know, in the next three years, or three to
9 five years, how much do you think is going to come? And
10 from where will it come? Since you've made the point that
11 only 20 percent of all Iranian production is sort of of the
12 quality that would be shipped to an OECD country, or OECD
13 country, put it in quotes, and that you don't foresee an
14 increase incapacity due to water problems--

15 MR. KETABI: And the time it takes to do that.

16 CHAIRMAN SCHMIDTLEIN: And the time it takes to do
17 that. So in the next three--but, you're here. So you must
18 have an idea that there is some product that is going to
19 come here, and where is that going to come from? Are you
20 going to divert from what you would have otherwise sent to
21 the EU? Are you--because you've made the point, everything
22 seems to be accounted for--

23 MR. KETABI: Yes.

24 CHAIRMAN SCHMIDTLEIN: --right now in terms of
25 the production that is suitable for a market like the United

1 States, so where is it going to come from in the next three
2 years?

3 MR. KETABI: Well the numbers that we are
4 expecting to see come into the U.S. are so small, and as I
5 said, in hundreds of tons, not in thousands of tons, is
6 something that is, you know, feasible. Like we talked,
7 1,000, 2 million pounds, is one percent of the U.S.
8 consumption.

9 So it will be less than one percent of the U.S.
10 consumption. And that kind of numbers are feasible because
11 the market is quite big. So we can grow this type of small
12 numbers.

13 Also let me at this point--

14 CHAIRMAN SCHMIDTLEIN: So let me just finish that.
15 So then over time where do you see--since you see that
16 growing over time, where would that come from? Would that
17 come from increased capacity in Iran, like say from year
18 three to five out to year ten?

19 MR. KETABI: I hope we are trying to do our best
20 to improve the quality of agriculture in Iran. So maybe the
21 20 percent will grow and become 25 percent. This is the
22 energy we put into educating growers, making better product.
23 So there will be hopefully--but again there's a "hopefully"
24 in there. There will be, hopefully, for the sake of not
25 only U.S. market but the rest of the planet.

1 Because regardless of U.S. or no U.S., Iran needs
2 to improve. There's no--it has improved a lot, but, you
3 know, we went from thousands of ppb contamination in the
4 '80s. Now it's a two-digit contamination, sometimes three.
5 So it's lots of improvements that have been done by
6 mechanically drying, by a lot of things have been done.

7 But still these stringent controls here, in
8 Europe, in Japan, in Korea, in Canada, in Australia, in
9 those countries, I deliver those countries. Every one of
10 them. And I find, you know, difficult to produce for these
11 countries. But definitely there is value to do that. We
12 need the return on investments. We have invested to be able
13 to do that.

14 We are asking that trade should be fair. My
15 next--so that you understand--my next target, which I have
16 started on almonds, is I consider that American pistachios
17 should be able to enter Iran as well. This is another topic
18 I'm working on.

19 CHAIRMAN SCHMIDTLEIN: I guess President Trump
20 agrees with you.

21 (Laughter.)

22 MR. KETABI: No, President Trump agrees with that,
23 exporting agriculture commodity to Iran is legal today.
24 There is no--actually it is happening. Iran is buying
25 agriculture commodity from the U.S., and that is OFEC

1 compliant. There is product: wheat, rice, a lot of
2 agricultural product from U.S. are going to Iran.

3 Almonds are coming to Iran, your California
4 almonds. No pistachios. Not because it's forbidden,
5 because nobody buys them over there. But I think it should
6 happen. And I will work on that.

7 CHAIRMAN SCHMIDTLEIN: Okay. We appreciate it.
8 Alright, well let me switch gears just a little bit before
9 my time runs out.

10 You talked a lot about the pricing data. And I've
11 looked at your exhibit here with the France prices and so
12 forth. And so my question is--and, you know, some of them
13 it's hard for me to--I mean obviously I can see the
14 Wonderful bag there and read that--

15 MR. KETABI: Which number? Oh, okay.

16 CHAIRMAN SCHMIDTLEIN: I'm looking at annex 21.
17 My question is, I guess--

18 MR. KETABI: That's a chart that takes back--

19 CHAIRMAN SCHMIDTLEIN: That summarizes--

20 MR. KETABI: --that summarizes.

21 CHAIRMAN SCHMIDTLEIN: You've compared all of
22 these prices. Are these parts competing against each other
23 in France?

24 MR. KETABI: In the pictures, they're in the same
25 shop on the same shelf. But actually, this is not exactly

1 true. Because American pistachio is used mostly for private
2 label. So they are in supermarkets in private label. The
3 Iranian pistachio is mostly on ethnic market. To some
4 extent, in brands in supermarkets.

5 Why brands? Because there is no private label in
6 Iran pistachios at this date, still today in Europe, as far
7 as I know, or American. Private label is 70 percent of the
8 pistachio consumption in Europe, just to give you an idea.
9 That's U.S. only. That's a protected market for the U.S. I
10 supply it so I can tell you what it is.

11 Iranian is basically--so ethnic market is more
12 Iran oriented in bulk--

13 CHAIRMAN SCHMIDTLEIN: Okay, you've offered these
14 price comparisons, and so my question is: Are these products
15 competing? Are consumers, when they look at these products,
16 do they view them as competing with each other?

17 MR. KETABI: Well they are competing to some
18 extent. Of course they are competing to some extent. In
19 the supermarket, for example, private label is only U.S.
20 brand, U.S. and Iran. And, or so on discounts, when you go
21 lower on the shelf, you have lower quality product,
22 Artificial Open . You have both U.S. Artificial Open, Iran
23 Artificial Open competing against each other. Yes, there is
24 competition.

25 CHAIRMAN SCHMIDTLEIN: Okay. Well I guess my

1 question is then if the Iranian product was going to come to
2 the U.S., why wouldn't that competition be the same in terms
3 of how that Iranian product is competing against the U.S.
4 product in another country?

5 MR. KETABI: I'm not saying that Iran would not
6 compete.

7 CHAIRMAN SCHMIDTLEIN: Oh, you're not?

8 MR. KETABI: No. I'm not saying Iran will not
9 compete. I think competition is good.

10 CHAIRMAN SCHMIDTLEIN: Okay.

11 MR. KETABI: Because if there is a level of
12 competition, what I say is the quantities that Iran will be
13 capable of sending to this market is definitely not going to
14 bother this industry.

15 CHAIRMAN SCHMIDTLEIN: You're just saying they
16 wouldn't be materially injured.

17 MR. KETABI: Absolutely not. But there will be to
18 some extent a little bit of competition, of course. And it
19 will, you know, Wonderful is a huge company. Very
20 successful. Very large corporation. The other companies
21 which are not grower of pistachio but they have snack like
22 San Fillipo, like some other brands, et cetera, have to buy
23 from their competitors, independent process roasters,
24 independent roasters. They have to buy from their
25 competitors. On the shelf they're competing, but they are

1 the suppliers.

2 It is a little strange, you know, to see that.
3 But at the end of the day, those people who are--you know,
4 pistachio is a small number for these people compared to the
5 Wonderfals, et cetera. Well they will be I'm sure curious
6 to see, to be able to benchmark to say, hey, you know, to
7 use competition as a positive tool.

8 All of this will only improve the industry, the
9 American industry. Growers don't hear me when I say that in
10 California, but I've been saying it for years. It's not
11 new. I've been saying it for 20 years in California and I
12 can tell you I've had this discussion many times, and the
13 competition is good.

14 For the past 10 years, 15 years, U.S. industry
15 has grown by size. Nothing has changed, because no
16 competition. Nothing has changed. Equipment's the same.
17 Production's the same. Packaging is the same. Some
18 marketing? Yeah, some marketing is done, lot of work, spend
19 money, but everything's the same. No change. Roasting's
20 the same. Flavoring's the same. Everything's the same.

21 No improvement. Competition enhances people to
22 invest in new technology, into new processing, into getting
23 better. And this is not happening. It's just getting
24 bigger, not getting better.

25 CHAIRMAN SCHMIDTLEIN: Okay. Alright, thank you.

1 My time is up, so let me give the floor to Vice Chairman
2 Johanson.

3 VICE CHAIRMAN JOHANSON: Thank you, Chairman
4 Schmidtlein. And I would like to thank all of you for being
5 here today. Mr. Ketabi, Ms. Didierlaurent, and Mr. Schober,
6 we appreciate you all coming a very long way to be here and
7 educating us further on this subject.

8 And, Mr. Ketabi, it seems like you're very
9 passionate about your work.

10 MR. KETABI: It's my life.

11 VICE CHAIRMAN JOHANSON: It's your life, and I
12 understand from the folks this morning on the U.S. side
13 they're very passionate, as well. So I think it's in part
14 because you have such a good product.

15 MR. KETABI: Thank you.

16 VICE CHAIRMAN JOHANSON: Let me ask you, Mr.
17 Ketabi. I had a question for you from something you stated
18 a moment ago. You stated that production in Iran did not
19 really start taking off until after the Iran-Iraq War? Is
20 that correct?

21 MR. KETABI: Well plantings happened after the
22 revolution.

23 VICE CHAIRMAN JOHANSON: The revolution? Okay.

24 MR. KETABI: That's 1978 to 1980. That was a big
25 mess. And in 1980, they started plantings. There was

1 40,000 hectares before, before revolution. And they went
2 from 40,000 hectares to 300,000 hectares, roughly. I'm just
3 giving you roughly number. In nearly-in ten years. So from
4 1980 to 1990, there was a huge amount of plantings. So
5 those trees takes 10 years, 8 years to 10 years to start
6 producing. That brings you to, you know, if I take the
7 mid-'80s as average, so mid-'90s. When I entered this
8 industry, it was maybe 90 percent--only 10 percent was
9 bearing, 90 percent was nonbearing at that time. And things
10 switched the other way.

11 All these trees arrive into production. So let's
12 say in the year 2000 there was 300,000 hectares planted.
13 Today it's about the same. So very little planting, or at
14 least what's been planting is replacing what's being
15 removed, but it's not really growing. Very small, either
16 small like this, or small like this. I mean, depending
17 assumptions you take, you will demonstrate slow increase or
18 slow decrease.

19 The number they came up with, Mr. Zion, which I
20 know because I have here exactly same job he did by the
21 California pistachio in 2004, I was there at the CPC when he
22 made his presentation, exactly the same job. And honorable
23 person. Does good job.

24 But his assumption of six years for growing
25 bearing to nonbearing--from nonbearing to bearing is

1 incorrect. He hasn't been there to--nobody told him that
2 this is the U.S. agricultural practice until production
3 after six years.

4 In Iran it's 8 years. And the new ones it's 10
5 years, new province is 10 years. Soil, weather, latitude.
6 You know, Mother Nature. So it was--you need to consider
7 this time difference between planting and harvesting.

8 VICE CHAIRMAN JOHANSON: I was wondering, why was
9 there such a dramatic increase in plantings after the
10 revolution? Was there land ownership changes?

11 MR. KETABI: A lot of land was owned by, at the
12 time of the Shah, there were these people who had thousands
13 and thousands of hectares of land because linked to the
14 royal family and things like this, and do nothing with it.
15 Desert. And the revolution took these lands from these big
16 landowners and distributed to people. And once a grower who
17 had nothing suddenly finds himself with a small piece of
18 land, but all he could do is to plant pistachio, pistachio
19 or cumin seeds. That's the only thing that grows there.

20 VICE CHAIRMAN JOHANSON: This is all interesting,
21 because you had a similar situation, not similar politically
22 but somewhat of a similar situation involved in plantings in
23 California in the 1980s where it took off from very little
24 to a large amount.

25 So who was providing the market prior to that

1 time?

2 MR. KETABI: The market was very small. As I
3 said, pistachios was a luxury item. It was not in
4 supermarkets.

5 VICE CHAIRMAN JOHANSON: Okay, I thought you were
6 just referring to Iran, but in other parts of the world as
7 well?

8 MR. KETABI: Yeah, it was not available. You
9 know, what's magical, that's why people are passionate about
10 it. I'm passionate about this item. I don't know why it's
11 like this. The thing is, the demand has no limits. This is
12 what my experience is demonstrating to me. It's the same
13 with almonds.

14 When we saw the one billion pound almond crop
15 coming, oh, my God, what are we going to do with that?
16 Today we're over 2 billion and we're like, plant more. We
17 need more. These nuts are healthy, are good for you, and
18 the thing is, supply drives demand.

19 The more you have, the more you consume. Nobody
20 is afraid of planting pistachios or almonds today. The only
21 thing that can slow down demand is over-pricing. Otherwise,
22 it goes. And it's not pistachio against pistachio. It's
23 pistachio against almond. It's pistachio against walnut.
24 It's pistachio against--you know, it's the same scenario.
25 The almond industry in California grew and succeeded. The

1 walnut industry grew and succeeded. Pistachio industry--
2 without orders. There was no protection.

3 They were in the free trade. California wins.
4 No reason to be afraid. That's my opinion. That's what I'm
5 advocating.

6 VICE CHAIRMAN JOHANSON: Alright. Thank you. And
7 I want to get back to kind of the early days of plantings of
8 this product.

9 On page 32 of Wonderful's brief, Wonderful
10 presents data on the increase in the imports from Iran into
11 the United States in 1984 which led to a decline in U.S.
12 producers' market share by about 35 percentage points over
13 the Period of Investigation.

14 Based on my experience here at the Commission,
15 that is indeed a large market share shift. Why shouldn't
16 the Commission conclude that the Iranian industry is capable
17 of doing this again, especially with production in Iran
18 having increased several-fold since 1984?

19 MR. KETABI: Well first of all, in 1984 I was not
20 involved in the pistachio industry. I was still a student.
21 I think to understand it's important to notice that the
22 pistachio industry in California--in the U.S., excuse me, as
23 consumption was really--was started by the Iranians, by
24 imports.

25 After the Iranian sending product over here and

1 start selling it, some local people, you know, and there's
2 actually show--we provided a video into the--I don't know if
3 you noticed it, it's interesting to see, with our
4 questionnaire which was on Swiss TV. Richard, who was
5 sitting here, was interviewed and he said, yeah, U.S. person
6 from somewhere went to Iran and brought the pistachio here
7 to study it. And so the product came from Iran at first.
8 So I am not able to comment, but I know that depending how
9 you present numbers, you can make them say the way you want.
10 I am not sure. I'm not saying it's not the case. I'm just
11 saying I'm not sure that it's because of Iranian increase in
12 shipment that the Americans experienced a decline in price
13 or anything like this. Because today, what this industry is
14 claiming demonstrate to me--I know it's not true, based on
15 my knowledge--and it demonstrate to me that the way you
16 present numbers, you can make them say what you want. You
17 understand?

18 So it's not because in that one year something
19 happened. I don't know what happened. Honestly, I don't
20 know. But I can investigate. I can find all the guys in
21 Iran and let them tell me the story. But my experience in
22 other market is when products coming, you know, when there's
23 big crops, consumption is absorbing them. We can see it
24 right now. Price went from \$5.40 to \$2.60, driven by
25 America? Consumption, boom, goes up immediately.

1 So for me it's a surprise to see in 32 years ago,
2 or 54 years ago, but more product can offer a cheaper price
3 and consumption came down? No, this cannot be. So there's
4 something else behind that needs to be investigated. I can
5 run and study that, but honestly I don't know if it makes
6 any sense. If it brings anything to today's situation.

7 Also, you know, the first ones to bring
8 pistachios in California were Iranians. They started that.
9 And then there was tax and incentive for California
10 agriculture to plant these trees.

11 So I mean A&P Growers, which is a cooperative in
12 California, made out of 3,000 growers, they are dentists,
13 doctors, all invested as a tax incentive. That's how it
14 started. What shall we plant? Almonds? Pistachios? There
15 was tax incentives when they came into it.

16 Also, they really enjoyed huge benefits of
17 investments into water. The states, the federal, and the
18 California State invested billions to bring water to
19 agriculture, aqueduct, all these investments made this land
20 which was once into land that's worth \$10,000 an acre, now
21 \$20,000 an acre. You know, great job.

22 But it's got nothing to do with the fact of some
23 competition can jeopardize this industry. I don't believe
24 it at all.

25 VICE CHAIRMAN JOHANSON: Alright.

1 Thank you, Mr. Ketabi, my time has expired.

2 CHAIRMAN SCHMIDTLEIN: Commissioner Williamson.

3 COMMISSIONER WILLIAMSON: Thank you. And I,
4 too, I express my appreciation for y'all coming today. This
5 morning I raised the question about the production of Kerman
6 state and what percentage of total Iranian production it
7 counts for and that, you know, how it had seemed to be --
8 the IPA data would suggest that it would have been a
9 consistent share of total production, except for 2015. And
10 so I was wondering if you have any further information on
11 this, and do you also agree that as going forward, as the
12 planning areas come onstream, that the Kerman's data would
13 become a smaller percentage in total production?

14 MR. KETABI: Yes. I cannot answer to this
15 question in respect to timing. Because we don't. We don't
16 know -- I mean, you know, what's magic about the pistachio
17 trees, once you plant it, it takes a long time, but when it
18 gets to production, it can produce forever. In Kerman,
19 there are trees which are 700 years old, 800 years old, so
20 it just never stops, that's the beauty of it, so yes, it's
21 long to come, but once it's there, it's, like, a little bit
22 like a olive tree. It's really a magical tree for that.

23 Then, in respect to Kerman state, the only
24 reason why we talked about the climbing in production is
25 because there's no more water. Today, to reach water in

1 Kerman state, in most -- the average, what I'm telling you
2 is an average -- is about 1,000 feet deep to get to water.
3 So 1,000 feet is a long way down. Water gets hard and salty
4 and salty water reduces yield. It's dramatic. The trees
5 are suffering. It's really problematic.

6 So therefore, yes, the production in Kerman
7 state, which is representing today about 60%, it depends on
8 the year, because you know, many regions--and there's on and
9 off years--but all regions are not off one year and on one
10 year. It depends, you try to cover up that by planting
11 every year, and the Khorasan state, which is the
12 second-largest state for pistachio, is a 1,000 mile away.
13 So the weather pattern there is 1,000 miles, long way for
14 weather.

15 So in our questionnaire, we put on Appendix 8,
16 there was a document, because we were asked to give
17 Appendices and actually, we didn't know how to fill up this
18 questionnaires, by the way. I apologize. We went with as
19 much data as we could to fill the investigators with data.
20 Nobody that I know of, which was brought to my attention,
21 that we were the only ones to bring Appendix to these
22 questionnaires.

23 And on Appendix 8, there is the history of
24 plantings, which answers your question and it's here and it
25 shows -- sorry, I need my eyes --

1 COMMISSIONER WILLIAMSON: Now, we can look at it
2 post-hearing. I think as long as you pointed to where it
3 is.

4 MR. KETABI: Excuse me?

5 COMMISSIONER WILLIAMSON: Yeah, we can get the
6 details later.

7 MR. KETABI: Yeah, OK. But just to answer your
8 answer, it just -- from 1920 to 1980, there was 40,000
9 hectares. From 1980 to 1990, just after revolution, we went
10 to 180,000 hectares in Kerman states. While the other
11 states were nothing, were, you know, 5,000, 20,000, you
12 know, 25,000 versus 180,000. So that was -- Kerman was
13 maybe, if my math is correct, roughly 90%. And this has
14 slowly, through time, came down today to 200,000 hectares
15 out of Kerman and 140,000 hectares out of the rest --

16 COMMISSIONER WILLIAMSON: Okay.

17 MR. KETABI: -- but out of which, there's
18 nonbearing trees in other states.

19 COMMISSIONER WILLIAMSON: Okay. I got it.

20 MR. KETABI: But it's very important to say
21 that, as a company, exporting to the OECD market, I have not
22 been able to ship one single container out of these new
23 states that meet aflatoxin standards.

24 This is a reality. Not one container. And
25 we're shipping hundreds and thousands -- we can produce a

1 lot of quantity -- not one. Because from this region, it's
2 even more -- first, they don't have the history that Kerman
3 growers have. Their growing practices are not good in terms
4 of food safety. And it's very broken into pieces.

5 So another point to be made, the statistics of
6 the Minister of Agriculture, which gives numbers, include
7 all pistachios. All pistachios includes people, taxi
8 drivers, small guys that put three trees, five trees in
9 their garden. They have to go buy the fungicide, the
10 pesticide, etcetera, and this is how they gather their
11 statistics.

12 So the statistic is correct. But those trees
13 are not commercial. It's like if you have some, I don't
14 know, walnut tree, a few walnut trees in your garden for
15 your own consumption --

16 COMMISSIONER WILLIAMSON: Okay. I got it.

17 MR. KETABI: It's not going to reach the market.
18 So that's why there is this disparity between IPA and
19 Ministry of Agriculture in their numbers.

20 COMMISSIONER WILLIAMSON: Okay, understood.

21 MR. KETABI: Did I answer your question?

22 COMMISSIONER WILLIAMSON: Yes. Also, when you
23 talk about the trees with 700 year life --

24 MR. KETABI: Yeah.

25 COMMISSIONER WILLIAMSON: -- what's gonna happen

1 in the next two years doesn't -- okay. Let me go to another
2 question on --

3 I was gonna ask. Why doesn't the Iranian
4 industry not have much carry-over between crop years? And
5 this question, is this a function of the availability of
6 crop? Is it price of storage or other factors?

7 MR. KETABI: That's a very good question. You
8 know, the organization of the industry in Iran is totally
9 different than here in California. In California, grower
10 delivers his crop, decides to who he's gonna deliver, split
11 between some processors or go to one processor, and then
12 finish. Then once it's delivered, it's the story goes,
13 continues with the processor.

14 In Iran, it's not like this. The pistachio is
15 like the bank. They harvest their pistachio, they bring
16 into the hauler either they're big enough to have their own
17 hauler which is small operations, not like here. It's like
18 small operation. The investment involved in a small hauler
19 dryer is not much, so they do their own hulling or they
20 bring it to outside, and they take the product back.
21 Average is four-acre, five-acre per grower, so that's two
22 tons, that's 5,000 pounds.

23 That's in average, that's what they got. That's
24 their money for the year. So they have this product, they
25 bring it back home. And when they need money, their

1 daughter's getting married, they need to buy a fridge, this
2 is not an image, it's true. They go and sell one bag. So
3 they bring product slowly to the market as they need money.

4 You know, Iranian pistachio industry represent
5 \$600-, \$800 million roughly, you know, it depends, the
6 numbers. Whatever the number. The number is not relevant
7 here. The thing is, 300,000 people live directly on that
8 number, plus the total value of the industry, the indirect
9 economy that goes behind, make one million people live.

10 So one million people are involved directly and
11 indirectly from the Iranian pistachio industry. If you take
12 the same number on the U.S. industry, you can take many
13 zeros away. It's not all the same parameters. So they need
14 to sell their crop and they are. They are.

15 Whatever happens, they need to turn this product
16 into money slowly. And we, as processors, cannot buy the
17 crop of one grower at the beginning of the season. The
18 growers don't give it to us regardless the price. Because
19 if tomorrow's more expensive, they want that money.

20 So believe me, the Iranian grower is no
21 different than the California grower. They want the highest
22 price. So it's very hard to say to a grower, "Give me your
23 pistachio for less money because I'm gonna bring it to the
24 U.S.A." He goes, "I don't care. If somebody pays more for
25 the domestic, I will sell it to domestic." They go to the

1 best bidder. They don't go to the lowest bidder because
2 it's America. You know?

3 COMMISSIONER WILLIAMSON: Okay. I asked the
4 question this morning about the existing countervailing duty
5 order. Do you agree that is no longer having much of any
6 effect?

7 MR. KETABI: Well, the effect, I don't know
8 because I haven't shipped anything to the U.S. I would have
9 loved to bring samples to show you some Iranian pistachios
10 that we produce. But because of the airport issues and we
11 cannot bring those with us, but I --

12 The reality is that in the past twenty years
13 that I've been active as producing, I have never benefited
14 from any type of governmental aid. Never. So definitely, I
15 agree with this statement, even though not to my benefit,
16 but it's true. That the countervailing duty has no reason
17 to be. Because there is no governmental -- there is no
18 subsidies in Iran whatsoever. That I know of.

19 COMMISSIONER WILLIAMSON: Okay. Just one other
20 question. You argued that, you know, the only OEC-eligible
21 pistachios -- and this is only from farms that have fifty
22 acres or more -- and that's the practice of your company.

23 MR. KETABI: Yes, that's our -- our procedure,
24 yes.

25 COMMISSIONER WILLIAMSON: Yeah. Is there any

1 evidence you can provide that other processors or exporters
2 follow a similar protocol?

3 MR. KETABI: They have no choice. They have no
4 choice. They might not do it in a scientific way as we do.
5 But they have no choice. You see, the problem of aflatoxin
6 is a matter of heterogeneity. It's repeating the same
7 result as you go along. So when you test and, you know, you
8 processed. You test in Iran, you have a result. It's good.
9 Okay, let's ship to the market, to Europe, because it's a
10 good result.

11 It goes to Europe, once it reaches Europe, it's
12 tested again. It needs to be good again. The problem is
13 when you're mixing lots together, you're not sampling the
14 same lot and you're gonna get a different result. And
15 rejections are very expensive. So people that ship, you
16 know, no -- there is even an Iranian name for that.

17 We call them arbabi. We put it in the
18 questionnaire. The arbabi loads means the loads for the big
19 growers because the contamination will be homogeneous in one
20 field. Because in that one field is the same soil,
21 harvested the same day, got the same sun, you know,
22 everything's the same. So regardless the contamination, it
23 will be homogeneous among the field.

24 So wherever you take that sample, coming from
25 that field, you're gonna get the same results. If you mix

1 fields together which have different parameters of
2 contamination and it's complex because you have two type of
3 parameters, number of fruit contaminated, one every 100, one
4 every 1,000, one every 10,000, is one parameter.

5 And the level of that contamination, 1, 10, 100,
6 1,000 ppb, so it makes a very complex arithmetic and
7 statistic issue. So the answer to your question is, if you
8 don't ship a homogeneous lot, you're gonna fail, and it's
9 gonna cost you fortunes. So just people don't do it
10 anymore. It costs them too much.

11 COMMISSIONER WILLIAMSON: Okay. Thank you.

12 MS. DIDIERLAURENT: That's what makes it
13 restricted portion of the Iranian production that is shipped
14 to this stringent requirement countries.

15 COMMISSIONER WILLIAMSON: Are there any studies,
16 Ministry of Agriculture put out any guidance or anything
17 like that --

18 MR. KETABI: There was FAO. FAO came to Iran to
19 help. It was somebody -- I don't remember in which one, but
20 in -- they said they consider that as a aid, as a help.
21 Yeah, FAO came one year to help.

22 COMMISSIONER WILLIAMSON: Did they put a study
23 or something like that?

24 MR. KETABI: Yeah, there is a study from FAO
25 that I can look into and bring it to the post-brief if

1 necessary. Which came and assist Iranians to find out the
2 way to answer this problem. And it end up to be, it end up
3 to something called the Green Corridor.

4 And the Green Corridor was almost our protocol.
5 Basically it says the problem is heterogeneity. You need to
6 have larger parcel, and a lot of little things also.
7 Harvest earlier, don't -- no product on the ground, lots of
8 little things.

9 COMMISSIONER WILLIAMSON: How long ago was that
10 study?

11 MR. KETABI: The Green Corridor was after the
12 review, after the Sunset Review --

13 COMMISSIONER WILLIAMSON: Okay. No, it would be
14 helpful to just have that study, did you reference how -- if
15 we can get it?

16 MR. KETABI: The Green Corridor? When was it?
17 2000, maybe '08, '10, '12.

18 COMMISSIONER WILLIAMSON: That would be helpful.

19 MR. KETABI: Okay. I'll provide that.

20 COMMISSIONER WILLIAMSON: Good.

21 CHAIRMAN SCHMIDTLEIN: Commissioner Broadbent.

22 COMMISSIONER BROADBENT: Thank you. I just had
23 one question. The Commission reviewed this order, I think,
24 in 2005, 2006 time period when it was reaffirmed and
25 extended. And I wonder if you could just take a look at the

1 conditions at that point and see if there's pieces of our
2 analysis then that you agree or disagree with. There's a
3 report and we can point you in that direction. Feel free to
4 respond post-hearing, but I'd like just to get your reaction
5 to the results of that review.

6 MR. KETABI: What I can tell you now, but the
7 big difference between 2005 and 2017 is that there is one
8 main actor which is not here anymore. It's the Cooperative,
9 RPPC.

10 COMMISSIONER BROADBENT: Oh, okay.

11 MR. KETABI: That's a big, big point. Because
12 RPPC was able to make decisions unilaterally. It was too
13 big, it was too huge that it really could make -- I called
14 it the that time, the paramount of Iran at the time, because
15 it was same type of size versus, you know, market share,
16 etcetera, and therefore, they were able to literally what
17 they wanted. They could discount the market if they wanted.
18 And it was improper. Until I started, I entered industrial
19 investment in Iran after RPPC was out of the picture.
20 Before, it did not make any sense.

21 So I started investing in 2009 or '10, something
22 like this. Before that, I didn't do it. Because there was
23 an error for RPPC.

24 COMMISSIONER BROADBENT: What happened to them?

25 MR. KETABI: Well, RPPC means Rafsanjan

1 Pistachio Producers Cooperative. Rafsanjan, if you
2 remember, former president of the country called Rafsanjani.
3 So there was support from Mr. Rafsanjani when he was
4 president. That's true.

5 Then regardless what we think about the person,
6 we had another election coming, other people went by, and
7 then came a certain Mr. Ahmadinejad that's president. Not
8 my cup of tea, but anyway. And internal disputes between
9 some political group and some other political group just
10 took off the advantages that the Cooperative would have by
11 just, you know, friendly, family -- the Chairman of the
12 Board was the cousin of Mr. Rafsanjani. His right-hand was
13 another cousin and his left hand was, again, another
14 cousin, or daughter of a cousin.

15 That's how it was. This collapsed. RPPC left
16 hundreds of millions of dollars of debt. And talking about
17 big numbers, some growers were not paid; therefore, today
18 even if they were to come back, nobody trusts them. They
19 still have debt from fifteen years back or ten years back.
20 Big, big numbers. So this is why, you know.

21 And Mr. Ahmadinejad wanted to kill, you know,
22 I'm talking -- kill might not be the right word -- but
23 wanted to take away his political competition, Mr.
24 Rafsanjani. It was politics. But it was -- RPPC had
25 advantage that we could not compete with. It was very

1 unfair. I understand the 2005, just because of that item,
2 well of that issue.

3 COMMISSIONER BROADBENT: Okay, great. Well,
4 that'll be -- I'll look for that in the post-hearing and
5 just wanna thank you again for making the effort to come be
6 with us today, because it means a lot. Thank you.

7 MR. KETBAI: Thank you.

8 CHAIRMAN SCHMIDTLEIN: Okay. I'd just like to
9 follow-up on the questions that Commissioner Williamson was
10 asking and you were explaining the reason that your company
11 requires that the farms be fifty acres, if I understand
12 right.

13 MR. KETABI: Yes.

14 CHAIRMAN SCHMIDTLEIN: Because of the
15 homogeneous lots --

16 MR. KETABI: 20 hectares, yes.

17 CHAIRMAN SCHMIDTLEIN: 20 hectares, okay. And
18 so I just wanted to understand a little bit more, and the
19 contamination that you were talking about when you mix the
20 two, you know, when you would mix lots from smaller acreage
21 farms, is that aflatoxin? Is that --

22 MR. KETABI: Aflatoxin, yes.

23 CHAIRMAN SCHMIDTLEIN: That's what you're
24 talking about?

25 MR. KETABI: Yes, yes, yes.

1 CHAIRMAN SCHMIDTLEIN: So I was just a little
2 bit confused, so I read your brief and on Page 31, where you
3 talk about 80% of the Iranian crop is mechanically dried at
4 the first stage at a level at which certain fungus or mold
5 cannot grow, and then depending on the export market, it's
6 either mechanically dried at the second stage, or it's dried
7 in the sun, just if, I guess, if some export markets want
8 that labor benefit. So why can't you, I guess, use lots
9 from smaller farms that are using mechanical drying? I
10 guess that's the question, right? Why would there be
11 cross-contamination in that regard?

12 MR. KETABI: As mentioned -- okay. It's a
13 little complex, a little technical matter, but I apologize.
14 If I'm unclear, stop me and I'll get back. As I said, the
15 parameters of contamination differ from one orchard to the
16 other. So there's two parameters. One is, how many nuts
17 are contaminated? Every 1,000 there's one, every 10,000,
18 there's one, okay? And how much contamination on that one
19 nut?

20 But within the fields, that one field, it's
21 homogeneous. Because same sun, same harvesting day, same
22 drying method, everything the same. So as I mentioned
23 earlier, the average level of contamination of Iran crop has
24 reduced a lot. Because of the mechanical drying and the
25 proper time of harvesting. So if we had a 1,000 ppb average

1 contamination, now we have maybe 50 or 100. I don't know --
2 I'm just -- it's roughly -- but those numbers are not far
3 from reality. And because of this mechanical thing.

4 But this does not resolve all the problem.
5 There is then the processing, and you need to go from that,
6 whatever, 50, down to below 5, because in order to reach EU,
7 which is a 10 ppb, we produce still under old 4 ppb
8 standards. But this is our internal decision. Why?
9 Because we cannot stand rejections, you know? Product is
10 tested on arrival whatsoever. In Europe, 50% is tested by
11 the government now. But the other 50%, if we don't test
12 it, nobody's gonna buy it.

13 CHAIRMAN SCHMIDTLEIN: I guess growers don't
14 test their own?

15 MR. KETABI: Growers have no idea.

16 CHAIRMAN SCHMIDTLEIN: Yeah.

17 MR. KETABI: Growers -- understand the -- don't
18 compare a California grower with an Iranian grower. They
19 produce small quantity, they've never left their region,
20 they don't have a passport. You know, it's -- and there's
21 hundreds of thousands of them. It's not at all the same
22 way. So we cannot use these product for our, what we call
23 OECD, because the blend of those creates heterogeneity.

24 And we need to repeat what, every time you test,
25 we have to get the same result. For that, it has to come

1 from one orchard, or maximum two, our process. Because, I
2 would love to say one orchard, but it just, then it would be
3 less than 10% of the crop. So we made it two, to increase
4 the supply a little bit. And there is difference in the
5 result. We tried three and which immediately, you know,
6 quality in terms of heterogeneity went down.

7 There is in our brief at the end, 40-something
8 pages, I hesitated to put it. We did put it, it's in blue.
9 Appendix 27, Sampling in Food for International Markets for
10 my production. It's done by a very, very interesting guy at
11 the USDA ARS. It explains very well the problematic of the
12 heterogeneity. Why sample size has to be big, you know,
13 because of -- and explains very well how it's working.

14 So that's the reason. This is -- it could be
15 used as our Bible for aflatoxin, for understanding the
16 problem. And it is a naturally occurring, you know, fungus,
17 and it is happening in the field. Many people have said a
18 lot of stories about it.

19 Believe my experience on this. It's in the
20 field. Once it's harvested, it goes exponentially, if you
21 don't dry it right away. It needs humidity, time and
22 temperature for the mold to grow. And if you cut one of
23 these three parameters, the mold stops growing. The mold is
24 not dangerous, it's just toxicogenic. It generates a toxin,
25 which is a carcinogenic toxin.

1 So that's why you need to stop the development.
2 So you stop the development, but whatever you had in the
3 field, you had it. If you harvest too late -- you see,
4 before -- I give you an example which makes sense.

5 Fandoghi variety, twenty years ago, in the
6 market was 26/28, it was standard. RPPC was selling 26/28,
7 and if you look in your documentation from 1984, product
8 shipped from Iran to Europe was all 26/28. Because was
9 Fandoghi variety.

10 Now, it's 30/32. So it is smaller. In between,
11 you have two grade. 26/28, 28/30, 30/32. Why? It's
12 lighter. It's the same three. Why? Just because they're
13 harvested earlier. When you harvest them earlier, you have
14 less weight. If you pick up your cherry two days before, it
15 will be, you know, less weight.

16 So now understand there is a 30/32 instead of
17 26/28. Because they would let the, left on the tree as long
18 as they could, more weight, more money. It's not true
19 anymore. More weight, you know, more kilos, probably more
20 pounds. But higher aflatoxin. Therefore, less money.

21 CHAIRMAN SCHMIDTLEIN: That was a question I
22 had, was in terms of the size of the pistachios, is that
23 based on --

24 MR. KETABI: Variety.

25 CHAIRMAN SCHMIDTLEIN: Is it the variety of the

1 tree?

2 MR. KETABI: Yeah, yeah, yeah. It's the variety

3 --

4 CHAIRMAN SCHMIDTLEIN: These are different trees
5 that produce different sizes? Or it's harvesting?

6 MR. KETABI: No, no, no. It's different trees,
7 different varieties.

8 CHAIRMAN SCHMIDTLEIN: Different trees.

9 MR. KETABI: We have an explanation to the
10 Appendix, same Appendix -- I can add it to the --

11 CHAIRMAN SCHMIDTLEIN: Okay.

12 MR. KETABI: You'll see, it's call the investor
13 presentation.

14 CHAIRMAN SCHMIDTLEIN: Yeah, I think I saw a
15 reference in yours.

16 MR. KETABI: Yeah, you have pictures of --

17 MS. DIDIERLAURENT: This was attached to the
18 response to the questionnaire.

19 MR. KETABI: Yeah, sorry, yeah.

20 MS. DIDIERLAURENT: And just for more complete
21 information, in the questionnaire and our response to the
22 questionnaire, on Page 16-17, we have tried to explain in
23 writing this aflatoxin approach we have and the reason why
24 we have to go for lots that are harvested from the same
25 orchard.

1 CHAIRMAN SCHMIDTLEIN: Okay.

2 MR. KETABI: So you figure it out, 50 acres, and
3 28 is 10 tons, one lot is 20 tons, it means maximum 2
4 parcel, 2 orchard in one container.

5 CHAIRMAN SCHMIDTLEIN: I see.

6 MR. KETABI: Otherwise it's too risky. We don't
7 play that game.

8 CHAIRMAN SCHMIDTLEIN: Right.

9 MR. KETABI: And nobody is anymore. People
10 tried.

11 CHAIRMAN SCHMIDTLEIN: Okay alright thank you
12 very much. I don't have any other questions, Vice Chairman
13 Johanson?

14 VICE CHAIRMAN JOHANSON: Thank you. I was
15 wondering do Iranian producers sell their product in Canada
16 and Mexico and if so, do you have an idea of what the
17 numbers are?

18 MR. KETABI: Do they export to where?

19 VICE CHAIRMAN JOHANSON: Export to Canada and
20 Mexico?

21 MR. KETABI: Well Mexico very little. It used to
22 be a lot but now very little. Canada -- yes, it's not such
23 a big number because U.S. is more competitive next door you
24 know. The cost of going from Iran to Canada and the risk
25 and the threshold there are also under control so there is

1 of course, you know, the vast majority goes with the U.S.

2 But there is to Canada -- I ship to Canada.
3 Mexico -- no -- very little number because the Mexicans were
4 importing but under invoicing to bypass the duties in
5 Mexico, the U.S. said come on we have an ally we have the
6 trade agreements and tried to enforce or impose to the
7 Mexican government to enforce that trade agreement which
8 they did.

9 If my memory is correct there is 20% duty on
10 pistachios, 20% in Mexico. The minute that was in place and
11 applied no more Iranian pistachio entered in Mexico because
12 American would be none. So 20% duty stopped immediately the
13 Iranian competition with 20%.

14 So 240-something percent or 199% those numbers --
15 I mean 20% does it.

16 VICE CHAIRMAN JOHANSON: Okay I could see that.
17 On page 23 of the Iranian brief you all discuss some
18 remaining restrictions on financial transactions with Iran?

19 MR. KETABI: Yes.

20 VICE CHAIRMAN JOHANSON: And these are at pages
21 25 and 26 of your brief. You all mentioned the partial
22 lifting of the embargo. What sanctions remain and how did
23 that impact the Iranian pistachio industry?

24 MR. KETABI: That's an interesting question.
25 First there is you know two layers of embargo over Iran I am

1 obliged to make a short presentation of that. So in the
2 U.S. it is called primary sanctions and secondary sanctions.

3 Primary sanctions basically say no U.S. person
4 involved in any Iranian business, that's the law. It is
5 still in place today. So if you want to be involved in the
6 U.S. in the Iranian business you don't have the right to,
7 that's the law in the U.S. subject you are a U.S. person.

8 Then the secondary section was the nuclear
9 related sanctions which were imposing no -- which were
10 financial sanctions.

11 MS. DIDIERLAURENT: They are targeted at non-U.S.
12 person.

13 MR. KETABI: That would target non-U.S. and there
14 was what was it called -- the legislation it was U.S.
15 legislation but could be imposed on non-U.S. person.

16 MS. DIDIERLAURENT: That's extra-territorial.

17 MR. KETABI: Extra-territorial so that secondary
18 sanction was extra-territorial. I saw was because it has
19 been lifted and was extra-territorial means what means a
20 foreign company getting business -- doing business and
21 getting involved financially with Iran could be sanctioned
22 in the U.S. activity bank BMP Paribas which is a French Bank
23 I think 9 billion Euro fine for dealing with Iran in the
24 U.S.

25 Many banks we are fine. So then the nuclear deal

1 with the UA Joint action released that provided that no
2 business is involved with revolutionary guard and provided
3 that --

4 MS. DIERLAURENT: Yeah we say it is partially
5 lifted because the embargo is lifted provided the
6 transaction is not involving a U.S. person, the transaction
7 is not involving a SDN listed person or a revolutionary
8 guard in Iran.

9 MR. KETABI: Special designated nationals is it.

10 MS. DIERLAURENT: And that's why we -- but I
11 think the reason why we refer to the partially lifted
12 embargo in this respect is more to say that even though in
13 principal the sanctions have been lifted subject to some
14 conditions, what happens in Europe is banking and financial
15 community won't accept to re-engage with Iran because of the
16 threats that the U.S. administration could change its
17 approach and in fact could decide to re-impose this
18 country's sanctions that have been lifted in January, 2016.

19 So basically the point we make here is just to
20 say that even though we say embargo has been lifted and so
21 transaction with Iran should pick up again for non-U.S.
22 person is actually not taking place today because the banks
23 won't engage.

24 And if you don't have the bank with you for a
25 transaction it is just as if the ban would remain. So in

1 practice that is the reason why we say -- we talk about
2 partial lifting of the embargo.

3 VICE CHAIRMAN JOHANSON: Oh I'm sorry, just to
4 clarify if you are a U.S. citizen you cannot engage in
5 business?

6 MR. KETABI: Correct.

7 VICE CHAIRMAN JOHANSON: And if you are a foreign
8 bank you can't provide loans or it is very restricted to
9 provide loans?

10 MR. KETABI: Based on law you could but they
11 don't.

12 VICE CHAIRMAN JOHANSON: Okay so how can you ship
13 here?

14 MR. KETABI: Because we are not -- we have a --

15 MS. DIDIERLAURENT: No, no, no okay so this is
16 the principle which we have just exposed but together with
17 this lifting of the embargo in 2016 which was just targeted
18 at the second assumptions. Just the assumptions that were
19 targeted non-U.S. person have been lifted.

20 However, the ban to engage with Iran for U.S.
21 persons is -- it is true still in place subject to some
22 license that are issued by OPAC and the pistachio items
23 belong to the scope of one of the licensed that allows
24 transaction with Iran on pistachios -- that allows
25 importation of Iran pistachio into the U.S.

1 VICE CHAIRMAN JOHANSON: So it can be done if
2 there is an OPAC license?

3 MS. DIDIERLAURENT: Yes.

4 VICE CHAIRMAN JOHANSON: And that's how U.S.
5 agricultural exporters can ship to Iran?

6 MR. KETABI: Correct.

7 VICE CHAIRMAN JOHANSON: Okay that clarifies this.

8 MR. KETABI: But just so that you understand the
9 impact of those sanctions I was living in France with my
10 kids and family. The Burns decided because I was engaged
11 with Iran to stop all operation with my 300 - 400 million
12 dollar company. I had to shut down the company in France.
13 I had to sell my invested interest in California, forced by
14 the banks because I had also Iran related business.

15 I had to move to Dubai with family and everything
16 just because of these sanctions. This will tell you how --
17 it's not just words, it is happening and things continue to
18 be. Nothing has changed in the world of finance,
19 environment at this stage.

20 Only in Switzerland there is some banks. There
21 are more Iran friendly environment, this is why when the
22 sanctions were lifted I was able not to be a submarine
23 anymore and come out with my head out and show myself again,
24 otherwise banks would close my accounts anywhere even in
25 Dubai.

1 And then I was able to incorporate companies
2 again and start dealing and start buying California
3 pistachios again. GCPA was in January, I incorporated in
4 February my first purchases from California was in March,
5 immediately -- before I could not.

6 MS. DIDIERLAURENT: But you could not because of
7 the banks.

8 MR. KETABI: Because of the banks. The banks
9 would not engage with anybody. You know the banks closed
10 accounts of people just because they traveled to Iran. I
11 mean it is very tough. It is still very tough.

12 VICE CHAIRMAN JOHANSON: Okay thanks for your
13 response. I would like to ask about the hearing exhibits
14 that were presented by the domestic interested parties this
15 morning. Am I correct in presuming that all of those
16 exhibits which were roasted pistachios that they were all
17 roasted pistachios including those from Iran?

18 Would it be correct to state that those have been
19 roasted in Iran and exported from Iran as roasted pistachios
20 they would have been out of scope?

21 MR. KETABI: No, very little pistachio are
22 exported as roasted anywhere.

23 VICE CHAIRMAN JOHANSON: But would they be out of
24 scope if they were roasted and brought to the United States?

25 MS. DIDIERLAURENT: Do you mean out of scope?

1 VICE CHAIRMAN JOHANSON: Of the dumping order?

2 MS. DIDIERLAURENT: Yes.

3 MR. KETABI: Yes they would be.

4 VICE CHAIRMAN JOHANSON: So why are they not
5 roasted in Iran and shipped to the United States as roasted?

6 MR. KETABI: Because the market is not so simple.
7 There is still a counterveiling duty first of all.

8 VICE CHAIRMAN JOHANSON: Okay right.

9 MR. KETABI: It could be challenged but that's
10 another story. Because you know there is no incentive.
11 Give me a reason to do that. There is no incentive. There
12 is no economic incentive to do that. So that's why it is
13 not happening.

14 Or technically speaking Iran could ship to the
15 U.S. and roasted pistachios.

16 VICE CHAIRMAN JOHANSON: And be not covered by
17 the dumping order, or the CBD order?

18 MR. KETABI: Correct it is not happening. Very,
19 very small amounts. That is a demonstration that it doesn't
20 make sense you know to sell in a new market it is complex.
21 It takes time, it takes energy, sustainability is not so
22 simple.

23 The reason why also there is no roasted shipment
24 out of Iran is because most of the countries have different
25 duties between raw and roasted. In Europe 1.6% are raw, 9%

1 are roasted. The roasting fee is about that number. It
2 doesn't make sense to ship any roasted in Europe, there is
3 no shipment of roasted in Europe.

4 VICE CHAIRMAN JOHANSON: Does the United States
5 have a differential tariff on roasted verses raw?

6 MR. KETABI: Honestly I don't know.

7 VICE CHAIRMAN JOHANSON: I don't recall from my
8 readings.

9 MR. KETABI: I don't know. There's also
10 quality-wise you see roasted is usually it is roasted and
11 packed in the same line and when you distribute to the local
12 market there are many, many different packaging -- it
13 doesn't make sense to ship from all over the other side of
14 the world. You have so many different items, different
15 volumes, there's no economic sense to do it.

16 VICE CHAIRMAN JOHANSON: Are roasted nuts more
17 perishable?

18 MR. KETABI: Yes.

19 VICE CHAIRMAN JOHANSON: Okay so you can't keep
20 them as long.

21 MR. KETABI: You can but the aging you know
22 starts quicker.

23 VICE CHAIRMAN JOHANSON: Okay.

24 MR. KETABI: So it is better to keep them -- to
25 store them raw. Nobody stores them roasted.

1 VICE CHAIRMAN JOHANSON: Okay well thank you for
2 your responses, the red light is on so I need to stop here.

3 CHAIRMAN SCHMIDTLEIN: Commissioner Williamson?

4 COMMISSIONER WILLIAMSON: Okay thank you. Just
5 some follow-up questions and if you don't have the answer
6 and it is not available it is understandable. Let's first
7 about the extent farms in Iran are increasing in size either
8 through expansion or consolidation or something else.

9 MR. KETABI: Could you repeat that I didn't hear
10 you well.

11 COMMISSIONER WILLIAMSON: To what extent are
12 farms in Iran increasing in size either through expansion or
13 --

14 MR. KETABI: Do you mean the unit size of each
15 farm?

16 COMMISSIONER WILLIAMSON: Right.

17 MR. KETABI: They are not. They are not growing
18 in size unfortunately.

19 COMMISSIONER WILLIAMSON: Okay.

20 MR. KETABI: I wish they were but they are not.
21 The number of growers are growing because new areas, they
22 find out that it is a profitable business so therefore
23 everybody is planting pistachios -- everybody I mean in some
24 areas.

25 They profit a lot -- actually in Horison area --

1 that's why I have not been able to buy a single pound in the
2 city markets out of these new planting areas, not one kilo.
3 They don't answer the parameter.

4 COMMISSIONER WILLIAMSON: Okay it is the
5 privatization.

6 MR. KETABI: There are a few I am not saying
7 there is none but the vast majority let's say maybe 10% of
8 new plantings could comply with our standard, not more.

9 COMMISSIONER WILLIAMSON: Okay this is just to
10 repeat -- did you give an estimate of what percentage of the
11 Iranian production is OECD eligible -- did you say 20%?

12 MR. KETABI: We consider 20% as a number. I
13 cannot give the proof of that number because it is very --
14 we don't have a list of growers, 300,000 of them it is very
15 difficult.

16 COMMISSIONER WILLIAMSON: What's the basis of
17 that?

18 MR. KETABI: There are a few basis. First my
19 experience were that's roughly two. Second, when you look
20 at the quantity exported in the OECD markets already it
21 comes out to about 20%.

22 And when there -- when the U.S. stops shipping
23 for some reason -- no crop, too high prices, whatever we
24 can't find the product. At the end of the season we are
25 already out of product we can't deliver.

1 Now I have demand for OECD I cannot produce
2 anymore, I don't have raw material to do that.

3 COMMISSIONER WILLIAMSON: Okay.

4 MR. KETABI: So it roughly shows the limit.

5 COMMISSIONER WILLIAMSON: Well informed educated
6 guess. Is there any information to provide regarding
7 non-bearing acreage in Iran?

8 MR. KETABI: On the numbering -- okay there is
9 dispute on the number. First the reality is that nobody
10 really knows because when you plant pistachios you don't
11 need to declare it so it is not like in California where
12 everybody goes and declare.

13 But IPA which is 2 million the most realistic and
14 close to reality association that comes up with number
15 declares 10% -- I believe in this number. At about 10%,
16 about 30,000 hectares are non-bearing maybe 40 maximum are
17 non-bearing.

18 Agriculture likes to give big, big numbers for
19 the reason I told you earlier. They add as many as they can
20 to show that they are the biggest agriculture country in the
21 world. If you look at statistics Iranians Minister of
22 Agriculture on many other items Iran is the largest apple
23 producer in the world. Iran is the largest pear producer in
24 the world, cherry -- I mean.

25 COMMISSIONER WILLIAMSON: I got it.

1 MR. KETABI: It's silly, the politicians --

2 COMMISSIONER WILLIAMSON: Issues everywhere, okay
3 thank you. In California what I call the agriculture
4 infrastructure there, extension services, the financing --

5 MR. KETABI: Yes.

6 COMMISSIONER WILLIAMSON: All of that -- to what
7 extent is that beginning to develop in Iran? In other words
8 is there agriculture infrastructure there improving?

9 MR. KETABI: Improving yes. So the tendency is
10 good it is on the right direction. Maybe in 50 years we
11 will reach California level. It goes so slow. Things don't
12 move very fast but the Minister of Agriculture has put some
13 local offices in the agriculture regions new -- just to give
14 support, technical support to growers.

15 But in Iran you know it is a third world country
16 when it comes to agriculture so we are still way, way, way
17 behind. We are doing more work to educate the growers we
18 work with than the Ministry of Agriculture and we are just a
19 processor.

20 It's not our job to do that but we have to. I
21 translated in forestry the GAP's, it didn't exist. The
22 Group Agricultural Practice Principles they were not even
23 available so you know it is not compatible, it is centuries
24 behind but it is growing. The trend is good and I am
25 optimistic because I am half Iranian -- if you don't have

1 optimism.

2 COMMISSIONER WILLIAMSON: Okay good, anyway has
3 the question been asked why demand in the EU and China is
4 falling?

5 MR. KETABI: Of course.

6 COMMISSIONER WILLIAMSON: If you have already
7 answered us, you have already addressed that that's okay.

8 MR. KETABI: No, because of this chart.

9 COMMISSIONER WILLIAMSON: Okay.

10 MR. KETABI: This chart, the price you know it
11 went too high, it went too high.

12 COMMISSIONER WILLIAMSON: Okay.

13 MR. KETABI: And California drives the prices.
14 This is very clear. California is in the driver's seat and
15 we just follow and we sit in the bus. And within the
16 California wonderful considering their size, they make
17 decisions which everybody has to follow whether good
18 decision, bad decisions, this is only the story tells us
19 whether they were good or bad.

20 The reality is they make decisions and then
21 everybody has to follow and then the Iranians have to follow
22 on the back.

23 COMMISSIONER WILLIAMSON: Okay good, well I want
24 to thank you very much for all of your answers, thank you
25 they are very helpful.

1 CHAIRMAN SCHMIDTLEIN: Commissioner Broadbent do
2 you have any other questions, alright -- Vice-Chairman
3 Johanson -- no? No, okay, staff do you have any questions
4 for this panel?

5 MS. MESSER: Mary Messer, Office of
6 Investigations, no staff has no questions, thank you.

7 CHAIRMAN SCHMIDTLEIN: Okay do Petitioners have
8 any questions for this panel?

9 MR. STEINBERGER: Actually we do thank you.

10 CHAIRMAN SCHMIDTLEIN: Okay.

11 MR. STEINBERGER: John Steinberger for APG I do
12 have a question for Mr. Ketabi or anyone at the table.
13 APG's Appendix A-3 is an article -- there are several
14 academic articles there that describe the structure of the
15 Iranian industry in more recent years including the demise
16 of RPPC and so on.

17 There's an article there by a gentleman named
18 Federico from 2011 that said in 2011 about 40% of Iran's
19 production of pistachios was by big farm owners who were
20 capable of exporting to the EU, what you would call your
21 OECD suitable nuts.

22 And I am wondering if you think that number would
23 be higher now or lower now?

24 MR. KETABI: Well by fact there is an evolution
25 in the average size it should be lower. Now whether this

1 40% number is correct or not I don't know how anybody --
2 because I have tried with the Iranian administration,
3 Minister of Agriculture.

4 I have tried in many, many different manners to
5 come up just because of our own needs -- nothing to do with
6 this review, to find out what's the really -- who are the
7 owners of larger farms because we need those pistachios
8 because we know how to sort them.

9 And there was no means, no way to find out. We
10 went to the tax office -- the Tax Administration, the
11 Ministry of Commerce, the Ministry of Agriculture, nobody
12 really has this data. So we came up with our 20% as
13 assumption based on facts.

14 It is not based on data and if that number was
15 bigger I would presume that the volumes of Iranian
16 pistachios being shipped to Europe would be more available
17 while they are not unfortunately.

18 MR. STEINBERGER: Well in this case the academic
19 researcher went out and interviewed members of the industry,
20 interviewed people who were traders, people who were farmers
21 and that's how he came up with the 40%.

22 There was another research article which was
23 included in that Appendix -- I think it was Zomerodi around
24 2011 also using the same numbers -- about 60% small farms
25 and 40% larger farms who were coming together but that was

1 2011 also, roughly and I just wondered if there is something
2 that has changed since 2011 that would make it less than
3 40%?

4 MR. KETABI: Maybe first the largest producing
5 area within Kerman -- there's Kerman states and then there
6 is Kerman region which is you know as a growing region, not
7 to make confusion. Within Kerman states you have a region,
8 one of which the largest one is a region within Kerman
9 state.

10 In that region of Ralph St. John the average is
11 probably the highest in the country -- the average size of
12 all. And this -- Iran took years in the past to account for
13 more than 60% of the national production, it's not anymore
14 the case because of the water.

15 They are the ones that have suffered the most of
16 the water and the production has come down drastically. But
17 maybe if you look at the Kerman state of Iran it would have
18 Ralph St. John area in particular, those numbers are
19 definitely possible.

20 But with 22:30 coming into the question with you
21 know big number of hector's acres being planted it brings
22 the average national down.

23 MR. STEINBERGER: Okay do I have time for another
24 question?

25 MR. BISHOP: You have one and a half minutes

1 remaining.

2 MR. STEINBERGER: Okay thank you. In our
3 Appendix A-4 there's an article by a gentleman named
4 Settigot also in 2011 and at page 29 he ranks the responses
5 of Iranian pistachio exporters as to what they see as their
6 biggest problems in selling product.

7 And access to foreign financing was far down on
8 the list something like number 6 -- why do you think that
9 was not ranked higher if the sanctions are such a big
10 problem and would it be higher or lower in 2017?

11 MR. KETABI: For the very simple reason that the
12 Iranian exporters which have no food outside of the country
13 have always used the local banks for their financing. They
14 have never looked at outside so they have no problem getting
15 their financing because they are getting it domestically.

16 So we are a different type of company. We are
17 looking at it you know with an international view and in
18 comparison with the cost of financing for the you know -- in
19 the U.S. and this is where our statement comes from, stands
20 for.

21 But definitely if you speak to a local Iranian
22 whose just in Iran and needs Reals financing is just I need
23 to put my land as security and the bank gives me loans.

24 MR. STEINBERGER: So you are not representative
25 of the typical Iranian exporter?

1 MR. KETABI: I'm saying the cost of financing.
2 I'm not saying availability of financing. I'm saying
3 Iranians because you see one Iranian compares to another
4 Iranian. So it costs me 20% to get my financing and my
5 neighbor's cost is 20% okay we would all have the same cost
6 and we put it in our price and that's it.

7 Here we are comparing a different story. We are
8 comparing Iranian's cost of financing versus the U.S. cost
9 of financing. That's a total different approach so you know
10 one Iranian versus another Iranian it is not an important
11 topic the cost is the same.

12 MR. STEINBERGER: Okay thank you.

13 CHAIRMAN SCHMIDTLEIN: Alright, thank you very
14 much. It is now time for us to move to closing statements.
15 Mr. Secretary how much time does each side have?

16 MR. BISHOP: Madame Chairman I note that those in
17 support of continuation have one minute remaining from their
18 direct testimony and five minutes from closing for a total
19 of six minutes.

20 Those in opposition to the continuation also have
21 one minute remaining from their direct and five minutes for
22 closing, also for a total of six minutes.

23 CHAIRMAN SCHMIDTLEIN: Alright thank you well we
24 will begin with those in support of continuation.

25 MR. STEINBERGER: Thank you since we opened

1 here --

2 MR. BISHOP: Providing closing remarks on behalf
3 of those in support of continuation of the Order will be
4 given by Will E. Leonard and John C. Steinberger of Adduci,
5 Mastriani & Schaumberg.

6 CLOSING REMARKS OF JOHN C. STEINBERGER

7 MR. STEINBERGER: Thank you. We
8 opened here so I wanted to see you all closer. We do seem
9 to live in an age where so much is taken for granted.
10 People forget that it is the easiest thing in the world to
11 destroy something and very hard to create it and very hard
12 to rebuild it.

13 People jeer about Washington being built on a
14 swamp and it was but what a marvelous accomplishment that
15 was. I was coming through Union Station yesterday and at
16 the entrance I saw this 18 foot high statute of Thales of
17 Miletus and he is holding lightning bolts in his hands and
18 the inscription reads, "Electricity -- carrier of light and
19 power, devourer of time and space, bearer of human speech
20 over land and sea, greatest servant of man itself unknown."

21 And all around me people were using their
22 electrical devices, their cell phones and IPADS and they
23 were too busy to look up. On the other side of the entrance
24 there is a statute of Ceres holding a sickle, she's
25 agriculture. And the inscription that says, "The farm --

1 best home of the family, main source of national wealth,
2 foundation of civilized society, the national providence."

3 People who etched that in the stone were mindful
4 of the value of things and how hard it is to build things.
5 Down at the bottom of that one it said, "The desert shall
6 rejoice and blossom as the rose" which is from Isiah I
7 looked it up.

8 The people on our panel today on the domestic
9 side are people who took risks and worked very hard to make
10 the desert bloom figuratively and sometimes literally and it
11 is a tremendous accomplishment. We should not take it for
12 granted but like all of our creations it is also easy to
13 destroy.

14 And this Commission has recognized that fact
15 twice before in unanimous, unanimous 6-0 decisions. Why was
16 it 6-0 each time? Because of these fundamentals that are
17 still there. One, the subject merchandise and the domestic
18 like product are highly substitutable.

19 Two, Iran produces enormous quantities of this
20 product. Three, Iran competes on the basis of price, cannot
21 sell here without dumping and consistently undersells the
22 U.S. product.

23 The first time around we saw this directly in the United
24 States. Last review and this review we see it in the
25 evidence in third countries.

1 Number four, the U.S. industry especially the
2 grower portion of it is especially susceptible to injury
3 from this behavior. So you have heard lots of facts and
4 there are lots of hypothesis and theories and blind alleys
5 and side roads and dead ends but I like to always bring it
6 back to the fundamentals. Material injury means harm that
7 is not inconsequential, immaterial or unimportant.

8 So ask yourself first how many pounds of Iranian
9 product would it take to meet that threshold or how many
10 points of market share would the U.S. have to lose? Exactly
11 and that's the number from where it goes from being
12 inconsequential to being consequential.

13 Once you have that number then ask yourself are
14 they going to stay under it? Is it reasonable to think they
15 might go over it? The answer has been clear before twice
16 and we think it is equally clear now.

17 Thank you so much. If we have time Mr. Leonard
18 has additional remarks.

19 MR. BISHOP: You have one and one half minutes
20 remaining.

21 CLOSING REMARKS OF WILL E. LEONARD

22 MR. LEONARD: Well as I said I am Willy Leonard
23 or sometimes called Bill Leonard, I won't tell you the other
24 things that I am called. What was said almost 12 years ago
25 in the first 5 year review is as applicable today as then.

1 So with your indulgence I repeat with minor
2 changes how I concluded the 2005 Sunset Review. What a
3 nutty proceeding this would seem to be. There are precious
4 few imports for one to see, only one to represent the dark
5 side of the Sunset Review, only one to claim that the end of
6 the Order is overdue.

7 Yet there are issues worthy of discourse,
8 hopefully they have been discussed before us. Iran grows
9 pistachios in an extraordinarily abundant amount. Were
10 there no dumping order then there would be more nuts from
11 Iran than one could count.

12 With the EU giving Iran a relatively cold
13 shoulder in the U.S. Iran might well become much bolder.
14 Iran would send its product, good quality or not to this
15 country to underprice and sell or to rot. The dumping order
16 has given our industry a lease on life. Take away that
17 order and the industry again will face strife.

18 Remember with this crop there is no quick
19 turnaround. Growers and processors stick with what is in
20 the ground. The dumping order has provided consummate
21 stability. That revocation would harm is a real
22 possibility.

23 That unless the pistachio industry might lose its
24 women and men or kids and land for it could not compete with
25 the dumping price of raw and shelled pistachios from Iran.

1 I can only add now it would not be good for nukes Iran to
2 use.

3 No doubt not as bad, but if you were to choose to
4 revoke the current anti-dumping measure it would bring pain
5 to the U.S. to Iran pleasure. Please do not the
6 anti-dumping order drop. Do not the rightful assistance it
7 gives stop. U.S. processors and growers of the crop, their
8 valiant efforts would be destined to flop.

9 It would seem to be the perfect storm --

10 CHAIRMAN SCHMIDTLEIN: Mr. Leonard I am sorry to
11 interrupt we are almost 2 minutes past so if you could get
12 to the conclusion.

13 MR. LEONARD: One line -- It would seem to be the
14 perfect storm to do the industry fatal harm. To conclude no
15 ifs, no ands, no buts, dropping the dumping order is nuts.

16 CHAIRMAN SCHMIDTLEIN: Alright thank you very
17 much and we will add additional time for you Mr. Ketabi.

18 MR. BISHOP: Closing remarks on behalf of those
19 in opposition to continuation of the order will be given by
20 Marie Didierlaurent of Didierlaurent Avocats. Miss
21 Didierlaurent you have eight minutes.

22 CLOSING REMARKS OF MARIE DIDIERLAURENT

23 MS. DIDIERLAURENT: Thank you very much for
24 listening to us this afternoon and giving us the
25 opportunity to voice our opinion and our approach of the

1 situation. I will close this session just by repeating what
2 has been said already.

3 We think that as we speak today this Commission
4 should definitely take into consideration those changes that
5 have a reason in the course of the last years. And the
6 changes of these years it is undisputable that the U.S.
7 industry is now by far the strongest far in front of Iran
8 industry.

9 Iran production is no longer increasing and there
10 is a clear gap which is getting wider and wider between both
11 industries. The U.S. industry controls to nearly 100% of
12 its domestic markets. It is also not to be disputed that
13 the new safety rules that have been put in place by the U.S.
14 for imports of products at points of entry are as stringent
15 as what exist in the European Union.

16 We also want to point that Iran costs of
17 production today exceeds U.S. cost of production and finally
18 that as wasn't the case at the time of the last review in
19 2005 the Iranian industry today is a really fragmented
20 market.

21 We don't have this RPPC playing a very important
22 role anymore. We don't have this actor which had the power
23 to decide its price and policy totally independently from
24 the other actors on the market and made unfair pricing
25 policy possible.

1 And finally we do believe that letting Iranian
2 pistachio be sold into the U.S. industry would revitalize
3 competition into the U.S. markets. The imports of Iranian
4 origin into the U.S. market would bring a new diversified
5 offer with new sizes and varieties and different flavors to
6 the domestic markets and in turn would boost domestic
7 consumption.

8 It would certainly turn the industry into a more
9 dynamic market where the different varieties compete against
10 each other and where market actors have a material incentive
11 to improve the quality of their product and more generally
12 of their offer.

13 We think that in our today world where
14 competition low principles are very important standards, we
15 think that Iranian pistachios should be let a chance to
16 compete with the U.S. origin into this vast market and that
17 this would definitely turn in favor of the consumer and of
18 the industry generally. Thank you.

19 CHAIRMAN SCHMIDTLEIN: Alright thank you Miss
20 Didierlaurent. That brings us to the end of our hearing.
21 Post-hearing briefs, statements responsive to questions and
22 requests of the Commission and corrections to the transcript
23 must be filed by May 8th, 2017.

24 Closing of the record and the final release of
25 data to parties will be May 26th, 2017 and final comments

1 are due May 31, 2017. I would like to thank everyone again
2 for their participation today. It has been very informative
3 for us all and with that we stand adjourned.

4 (Whereupon at 4:13 p.m., the meeting was
5 adjourned.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Raw In-Shell Pistachios from Iran

INVESTIGATION NOS.: 731-TA-287

HEARING DATE: 4-27-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Second Review

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: 4-27-17

SIGNED: Mark A. Jagan

Signature of the Contractor or the
Authorized Contractor's Representative

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

SIGNED: Duane Rice
Proofreader

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

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