

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
LAMINATED WOVEN SACKS) 701-TA-601 AND 731-TA-1411
FROM VIETNAM) (FINAL)

REVISED AND CORRECTED

Pages: 1 - 166
Place: Washington, D.C.
Date: Thursday, April 4, 2019



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UNITED STATES OF AMERICA
BEFORE THE
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:) Investigation Nos.:
LAMINATED WOVEN SACKS) 701-TA-601 AND 731-TA-1411
FROM VIETNAM) (FINAL)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, April 4, 2019

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

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Chairman David S. Johanson (presiding)

5 Commissioner Irving A. Williamson

6 Commissioner Meredith M. Broadbent

7 Commissioner Rhonda K. Schmidtlein

8 Commissioner Jason E. Kearns

9

10

11

12 Staff:

13 William R. Bishop, Supervisory Hearings and Information

14 Officer

15 Tyrell Burch, Program Support Specialist

16 Sharon Bellamy, Records Management Specialist

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18 Kristina Lara, Investigator

19 Mary Roop, International Trade Analyst

20 John Benedetto, International Economist

21 Emily Kim, Accountant/Auditor

22 Roop Bhatti, Attorney/Advisor

23 Elizabeth Haines, Supervisory Investigator

24

25

1 APPEARANCES:

2 Opening Remarks:

3 Petitioner (Stephen A. Jones, King & Spalding, LLP)

4 Respondent (Roy Goldberg, Stinson Leonard Street LLP)

5

6 In Support of the Imposition of Antidumping and

7 Countervailing Duty Orders:

8 King & Spalding LLP

9 Washington, DC

10 on behalf of

11 Laminated Woven Sacks Fair Trade Coalition

12 Polytex Fibers Corporation and

13 ProAmpac Holdings Inc.

14 Isaac Bazbaz, President, Polytex Fibers Corporation

15 Louann Mueller, Vice President, Product Development,

16 ProAmpac Holdings, Inc.

17 Arthur Bucci, Executive Vice President, Sales,

18 U.S. Flexibles, ProAmpac Holdings, Inc.

19 Andrew Szamosszegi, Principal, Capital Trade, Inc.

20 Stephen A. Jones, Neal J. Reynolds and Patrick J. Togni

21 - Of Counsel

22

23

24

25

1 APPEARANCES (Continued):

2 In Opposition to the Imposition of Antidumping and

3 Countervailing Duty Orders:

4 Stinson Leonard Street LLP

5 Washington, DC

6 on behalf of

7 Central Bag Company

8 Roy Goldberg and Denyse Zosa - Of Counsel

9

10 Rebuttal/Closing Remarks:

11 Petitioner (Stephen A. Jones, King & Spalding, LLP)

12 Respondent (Roy Goldberg, Stinson Leonard Street LLP)

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9	ProAmpac Holdings, Inc.	25
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9:38 a.m.

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

CHAIRMAN JOHANSON: Good morning. On behalf of the U.S. International Trade Commission, I welcome you to this hearing on the final phase of Investigation Nos. 701-TA-601 and 731-TA-1411 concerning Laminated Woven Sacks from Vietnam. The purpose of these investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of imports of Laminated Oven Sacks from Vietnam.

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

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

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

3 If you will be submitting documents that contain
4 information you wish classified as business confidential
5 your requests should comply with Commission Rule 201.6. Mr.
6 Secretary, are there any preliminary 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 CHAIRMAN JOHANSON: Very well. Let us begin with
11 opening remarks.

12 MR. BISHOP: Opening remarks on behalf of those
13 in support of the Petition will be given by Stephen A. Jones
14 of King & Spalding. Mr. Jones, you have five minutes.

15 OPENING STATEMENT OF STEPHEN A. JONES

16 MR. JONES: Thank you. Good morning, Chairman
17 Johanson and members of the Commission. I'm Steve Jones
18 from King & Spalding, representing the Petitioner, the
19 Laminated Woven Sacks Fair Trade Coalition and its member
20 companies, Polytex Fibers Corporation and ProAmpac Holdings,
21 Inc.

22 This case is about dumped and subsidized imports
23 of laminated woven sacks from Vietnam that have caused
24 material injury and threatened further material injury to
25 the Domestic Industry. This is the second set of AD and CVD

1 investigations against imports of laminated woven sacks.

2 The first against imports from China in 2008
3 involved a scope definition that is essentially the same as
4 in these investigations and the Commission determined that
5 the domestic like product is laminated woven sacks as
6 defined by the scope. The Commission previously
7 considered whether the domestic like product should include
8 multi-walled paper sacks and non-laminated woven sacks and
9 it determined that laminated woven sacks are not like
10 either of these products. The Commission should make the
11 same determination in these investigations. Based on this
12 like product definition, Polytex and ProAmpac combined
13 account for a substantial majority of domestic production.

14 As the Commission found in the 2014 Sunset Review
15 of the China orders, those orders have been effective and
16 have benefitted the Domestic Industry. After the China orders
17 were imposed, however, several Chinese producers shifted
18 production to Vietnam to avoid duties on exports to the
19 United States and their know-how jumpstarted the industry
20 there.

21 Ever since Vietnamese exports have exploded in
22 the United States. It is by far the largest export
23 destination. The record evidence collected by the
24 Commission demonstrates overwhelmingly that imports of
25 laminated woven sacks from Vietnam are causing material

1 injury to the Domestic Industry. The record shows that
2 imports from Vietnam are significant and have increased
3 significantly during the Period of Investigation (POI), increasing
4 by 38 percent from 2015 to 2017.

5 Moreover, the Subject Imports increased their
6 market share, growing from 28 percent of apparent domestic
7 consumption in 2015 to 37 percent in 2017. This 9-point
8 increase in Subject Imports market share came at the direct
9 expense of the Domestic Industry, which lost 8 points of
10 share.

11 In addition, the record shows significant adverse
12 price effects including import prices that undersold U.S.
13 production in every instance investigated by the Commission
14 Staff, depressing U.S. prices throughout the Period of
15 Investigation. In fact, import prices and U.S. prices
16 declined at a time when demand for laminated woven sacks
17 increased in the market.

18 In addition, due to extremely low Subject Imports
19 prices, Domestic Producers could not raise prices to cover
20 their increasing costs suffering a cost-price squeeze. The
21 severe price depression and suppression caused by Subject
22 Imports had a very predictable impact, a significant decline
23 in the industry's profitability.

24 The conditions of competition intensified the
25 adverse impacts suffered by the Domestic Industry. Lost

1 sales and lost revenues were confirmed by several producers
2 who candidly admitted that lower prices were the reason why
3 they purchased Subject Imports instead of Domestic
4 Production. Almost all purchasers reported that price is
5 very important in this market and almost all purchasers
6 reported that no foreign or domestic supplier had failed to
7 qualify during the POI.

8 Because acceptable quality is essentially a given
9 among the major U.S. and Vietnamese competitors, price is
10 the determinative factor in the market. Low prices are the
11 means by which Subject Imports have gained market share and
12 displaced Domestic Production. In some cases, the import
13 pricing has been so low that some U.S. purchasers have
14 refused even to consider domestic production and have
15 refused even to allow the Domestic Producers to compete for
16 their business.

17 Based on this record, there is no doubt that
18 Subject Imports are a significant cause of the industry's
19 deteriorating condition. Polytex and ProAmpac are doing
20 everything they can to compete with Subject Imports,
21 including upgrading their machinery to increase their
22 efficiency and cost competitiveness. The Domestic
23 Industry has plenty of unused capacity to supply the market,
24 but the rising Subject Import volume and declining prices
25 have made it very difficult to compete, and the viability of

1 domestic production is at risk. Vietnam's production
2 capacity is huge and growing with the help of government
3 subsidies, and the Vietnamese producers' import channels
4 are well-developed and effective.

5 There is no question that the industry is also
6 threatened with additional imminent material injury if
7 relief is not imposed. Accordingly, Polytex and ProAmpac
8 respectfully request that the Commission reach an
9 affirmative determination and allow antidumping and
10 countervailing duty orders to be imposed. Thank you.

11 MR. BISHOP: Thank you, Mr. Jones. Opening
12 remarks on behalf of Respondents will be given by Roy
13 Goldberg of Stinson, Leonard and Street. Mr. Goldberg, you
14 have five minutes.

15 OPENING STATEMENT OF ROY GOLDBERG

16 MR. GOLDBERG: Thank you, Chairman and Members of
17 the Commission. For the reason set forth in the pre-hearing
18 brief that we filed last week, Central Bag Company
19 respectfully maintains that this case falls on the side of
20 negative determination.

21 The evidence before the Commission demonstrates
22 that the industry in market before the Commission is not as
23 simple as Petitioners would have the Commissioners believe.
24 Petitioners seek to present a universe in which an efficient
25 commodity the Domestic Industry has been hit with dumped and

1 subsidized imports. So it's a clean open-and-shut case.

2 But the facts that we can thank the Staff for
3 painstakingly developing in this case tell a very different
4 story. The facts demonstrate that the Subject Imports were
5 purchased because of need for the practical characteristics
6 of those imports and the limitations on the domestic source.

7 The Petitioners focus their case on statutory
8 considerations in their favor. Every case has some cases in
9 their favor such as the price underselling. Yes, in many
10 cases imports cost less. That's because, as we will get to
11 their costs have decreased. But this case, from a
12 Petitioner's point of view suffers from the facts that they
13 frankly choose not to deal with in their brief because they
14 try to ignore those facts.

15 Number one; if the imports are so harmful where
16 is the evidence that we see in so many cases of lost sales,
17 price suppression, and price depression? We know that
18 anecdotal evidence is not going to change one way or another
19 but what is striking from the record in this case is the
20 lack of that evidence that is in the record.

21 Why do Petitioners insist that the lower prices
22 of the key cost item could not have resulted in lower import
23 prices? When the Staff Report on page 5-1 and then the
24 table at 5-1 very clearly state that the overall decline
25 from January 2015 to September 2018 was 12.6 percent in the

1 polypropylene resin cost that the exporters would have had.
2 It's even more dramatic for the 2015-2017 time period, page
3 5-1; forty-three percent decrease.

4 So, yes, if you're an exporter of this product to
5 the United States you can engage in lower prices when your
6 major cost of goods sold has gone down so far. Based on
7 these facts and the facts that are in our brief and we will
8 talk about in our presentation today, this is one of those
9 cases when in fact the evidence will show that the harm that
10 is being claimed and even documented by the industry,
11 self-inflicted.

12 It has to do with changes in technology but
13 ultimately we are talking about products that aren't classic
14 commodity products. They do have specific natures to them
15 and characteristics that the importers are able to meet and
16 because of that fact in this case there is not the
17 connection that is needed for harm being caused by the
18 Subject Imports or threat. Thank you.

19 MR. BISHOP: Thank you, Mr. Goldberg.

20 Would the panel in support of the Imposition of
21 the Antidumping and Countervailing Duty Orders please come
22 forward and be seated.

23 Mr. Chairman, this panel has 60 minutes for the
24 direct testimony.

25 CHAIRMAN JOHANSON: You may begin whenever you're

1 ready.

2 MR. JONES: Thank you, Mr. Chairman. Good
3 morning, again. For the record, I'm Steve Jones from King
4 & Spalding, accompanied by colleagues Neal Reynolds and Pat
5 Togni. Also accompanied by our economic consultant from
6 Capital Trade, Andrew Szamosszegi.

7 Before we commence with testimony, I would like
8 to hand up some sample products for you to review. We
9 thought about how best to do this, and we decided just to do
10 it at the beginning rather than interrupt the flow of our
11 presentation. So I have two things I want to hand up to you.
12 In this white folder here we have pieces of fabric. One is
13 laminated woven sack fabric. You will be able to see that
14 by the woven texture. The other is a quad seal bag fabric.

15 These are very different, as you will see. And
16 as Mr. Bazbaz will get into in his testimony, the
17 performance characteristics of these types of fabric are
18 very different. And so the bags that are made using these
19 two types of fabric are also very different. There's also
20 in here an example of a quad seal bag for you to look at.

21 We would also like to hand up some examples of
22 domestic production and imports from Vietnam, the subject
23 imports. And we chose these samples to demonstrate for you
24 the high degree of substitutability between the subject
25 imports and the domestic production. We've labeled the bags

1 clearly so that you know where they were produced, and I
2 think it is quite striking how very similar they are, almost
3 identical. The artwork on these bags are not quite
4 identical, but they're very similar.

5 And you'll see how it's possible, as we'll
6 testify, for domestic purchasers to start out with domestic
7 products, purchase domestic products for the launch of a
8 product, until the imports have time to get produced and
9 sent to the United States, and then switch to the imports.
10 And that's happened repeatedly during the Period of
11 Investigation.

12 So with that brief introduction, I'll hand these
13 up to you. Thank you, Mr. Secretary. And we'll commence
14 with our prepared testimony.

15 Our first witness is Mr. Bazbaz from Polytex.

16 STATEMENT OF ISAAC BAZBAZ

17 MR. BAZBAZ: I'm sorry to make a slight
18 correction. There are in that folder two structures. One
19 is woven, and for that we refer to that as "fabric"
20 laminated with BOPP. And the other structure is blown
21 fiber attached to P-18. So it's a nonwoven structure and,
22 you know, we would not--it would not be woven in weaving
23 equipment.

24 So I'd like to start, with your permission. Good
25 morning. My name is Isaac Bazbaz. I am the President of

1 Polytex Fibers Corporation. Polytex has operated production
2 facilities in the United States since 1982, and I have been
3 its President since 1989.

4 In 1982, Polytex was the first integrated
5 manufacturer of circular woven polypropylene bags for export
6 shipments of commodities like rice and sugar. In the early
7 1990s, we began manufacturing coated bags for industrial
8 use, also for the export market.

9 Around 2003, a new type of woven sack first began
10 to appear in the U.S. market. This new product had an outer
11 ply of biaxially oriented polypropylene, which we refer to
12 as "BOPP." It was reverse printed, meaning that the ink
13 would become trapped between the outer surface of the fabric
14 and the inner surface of the film during the lamination
15 process. This protected the graphics from flaking,
16 scratching, and rubbing off.

17 In 2004, we were approached by Nestle Purina.
18 The company was looking for a U.S. manufacturer to produce
19 laminated woven sacks. Because this was a new product, we
20 had to develop a process for laminating a reverse printed
21 film to our woven fabric. We sought the advice of the
22 manufacturer of our lamination equipment, but they were
23 unable to offer a solution.

24 It took us over six months of research and
25 development and numerous trials to come up with a successful

1 lamination process. We began commercial production of the
2 sacks in late 2004.

3 In 2007, we joined with Coating Excellence
4 International, which is now ProAmpac, and other companies
5 and filed an antidumping and countervailing duty petition to
6 address the increasing imports of laminated woven sacks from
7 China.

8 That case was successful, and the China orders
9 were imposed in 2008 and continued in 2014. The success of
10 the China Orders has, however, resulted in a shift of
11 production of laminated woven sacks from China to Vietnam.

12 Imports from Vietnam started coming into the
13 United States years ago and have increased significantly
14 over time. In the last few years, we have seen a
15 significant adverse impact of these imports on the market
16 for laminated woven sacks and on our business. We are here
17 to ask the Commission to help us address this unfair
18 competition from the Vietnamese imports.

19 Let me first, however, discuss the product and
20 our production process. Laminated woven sacks are a
21 distinct product that combine the strength and light weight
22 of a woven bag with the high-quality print graphics of
23 reverse printed BOPP film.

24 Polytex is an integrated producer of laminated
25 woven sacks. We manufacture the polypropylene fabric used

1 to produce laminated woven sacks and then convert this
2 fabric into the sacks. Because we produce our own fabric,
3 our manufacturing process begins with the production of
4 polypropylene strips which are then woven into fabric.

5 As you can see from the slide called "Extrusion
6 Tape Line," in order to manufacture polypropylene strips we
7 start by melting polypropylene and additives in pellet form.
8 These resin pellets are fed into an extruder where the resin
9 is melted, compressed, and blended, producing a film. The
10 film is then cut into unstretched strips, or tapes, of equal
11 width.

12 And the tapes are then run through a hot-air
13 stretching oven and a stretching unit. Stretching the tapes
14 adds strength and stability. As shown on the slide entitled
15 "Winding of Bobbins," the tapes are individually wound by
16 precision winders onto aluminum cores. Controlled residual
17 shrinkage of the tape is very important for the extrusion
18 coating/lamination process.

19 As shown in the slide called "Circular Loom," the
20 weaving looms are specially designed to weave continuous
21 tubular or flat fabric from polypropylene.

22 The tapes are drawn into the loom, which ensures
23 uniform warp tension and excellent fabric quality. Just prior
24 to being wound onto the fabric winder, the fabric is slit
25 open to make a single ply flat fabric. Even though the

1 fabrics for laminated woven sacks have certain standard
2 structures that are widely used, the density of the tapes
3 and the fabric weights can easily be changed.

4 As shown on the slide called "Lamination Line,"
5 the lamination machine is specially designed to extrusion
6 coat and laminate flat or circular woven fabric in one
7 operation. The printed BOPP film and the woven
8 polypropylene fabric are bonded in a lamination process.

9 During this critical process, the film and the
10 fabric are drawn from opposite directions to meet directly
11 below a die of the laminating extruder. A curtain of
12 liquid polypropylene is extruded between the film and the
13 fabric, immediately forming a bonding center layer.

14 As shown on the next slide "Lamination Process,"
15 the material is then wound onto rolls for further
16 processing. This process ensures that the printed surface
17 cannot be separated or otherwise blemished, because it is
18 sealed underneath the BOPP film which gives it protection.

19 It is important to note that this coating and
20 laminating process creates a material that is resistant to
21 liquid, oil, and grease, and it is perfect for packaging
22 food products that are sold at retail markets.

23 Our printing press is shown on the next slide
24 called "Printing Press." We purchase the rolls of unprinted
25 polypropylene film and reverse print the film according to

1 our customers' design suitable for use in consumer
2 packaging.

3 As shown in the slide called "Tubing Machine,"
4 the rolls are then sent to a tuber where the fabric is
5 formed into a continuous tube with or without gussets from
6 the flat fabric. The longitudinal and overlapping back seam
7 is formed by a melted resin produced by an extruder. After
8 the back seam is made, the tube can be cut into individual
9 pieces and finished on bag conversion lines.

10 Finally, as shown on the slide called "Finishing
11 Process," the bags are finished either by sewing the bottom
12 and applying closure tape and the pull tape for easy opening
13 or by hot-air closure. After the finishing process is
14 complete, we inspect the bags and package them for shipment.

15 As a result of this process, the laminated woven
16 sack is a distinct product that combines the strength, tear
17 resistance, and light weight qualities of woven
18 polypropylene fabric with the glossy, high-quality print
19 graphics of BOPP film. Because of this, laminated woven
20 sacks are different from, and not interchangeable with,
21 other types of packaging products.

22 For example, laminated woven sacks are not like quad seal
23 bags. In particular:

24 Quad seal bags are made from different raw
25 materials than laminated woven sacks. Quad seal bags are

1 typically made from laminated plies of PET and PE, but
2 laminated woven sacks are generally made from polypropylene.

3 Laminated woven sacks and quad seal bags are
4 produced using different--production processes on
5 entirely different equipment and by different employees.
6 For example, quad seal bags are adhesive laminated, so our
7 extrusion lamination machines are never used to produce quad
8 seal bags. Nor are our tape extruders or weaving looms used
9 in the production of quad seal bags. Further, quad seal
10 bags are produced using a sealant layer of blown-extruded
11 polyethylene. Different equipment is used to convert
12 laminated woven sacks and quad seal bags.

13 Laminated woven sacks and quad seal bags have
14 different physical structures. Laminated woven sacks
15 consist of woven threads, but quad seal bags consist of
16 nonwoven film.

17 Laminated woven sacks are also stronger than quad
18 seal bags. Laminated woven sacks are four times stronger
19 than quad seal bags with the same weight structure. This
20 difference in strength means that the quad seal bags are not
21 interchangeable with laminated woven sacks for the same end
22 uses.

23 Quad seal bag are generally smaller in size than
24 laminated woven sacks, which means that they are used for
25 different content weights. Laminated woven sacks are

1 generally used for products weighing over 12 pounds, while
2 quad seal bags are generally used for goods weighing between
3 3 and 8 pounds.

4 Laminated woven sacks are typically displayed
5 laying down while quad seal bags are generally displayed
6 standing up, which ensures a better display of the
7 customer's brand.

8 Customers also do not use the same filling and
9 closing equipment for these two products.

10 Finally, the cost of the quad seal bags is
11 substantially higher than the cost of laminated woven sacks,
12 which makes them a less attractive substitute for laminated
13 woven sacks in uses where cost considerations are important.

14 In sum, quad seal bags are not interchangeable
15 with laminated woven sacks, which means that they have no
16 impact on demand and pricing in the laminated woven sack
17 market.

18 Laminated woven sacks are also not
19 interchangeable with multi-walled paper sacks.
20 Multi-walled paper sacks are made from an entirely different
21 raw material--paper. Moreover, laminated woven sacks and
22 paper sacks are typically not made using the same production
23 processes.

24 For example, paper bags are never laminated to
25 reverse-printed plastic film, so our lamination equipment is

1 never used in the production of paper sacks. Moreover,
2 different equipment is used to close the bottoms of
3 laminated woven sacks and multi-walled paper sacks.

4 Laminated woven sacks have fewer plies, weigh
5 less, and occupy less space when empty than paper sacks,
6 which makes them less expensive to ship and store. They are
7 much less likely to break during shipping of the packaged
8 product to the end user.

9 Laminated woven sacks are strongly preferred over
10 multi-walled paper sacks for uses where breakage or tearing
11 is a concern, or where moisture resistance is desired. They
12 are also more durable than multi-walled paper sacks and are
13 able to keep contents fresher. Because laminated woven
14 sacks are an attractive and practically indestructible sack,
15 they represent the most efficient way to preserve the
16 product and minimize losses throughout the distribution
17 chain.

18 Our customers of laminated woven sacks are almost
19 always manufacturers of consumer goods that are sold and
20 displayed in retail stores such as pet foods and animal feed
21 products. Multi-walled paper sacks are used primarily to
22 package a wide variety of non-consumer industrial and
23 agricultural goods.

24 Finally, our customers typically have closing
25 equipment at the filling stations that is specific either to

1 multi-walled paper sacks or to laminated woven sacks. In
2 other words, like quad seal bags, paper sacks are not
3 interchangeable with laminated woven sacks and have no
4 impact on pricing and demand in the market for laminated
5 woven sacks.

6 Finally, and most importantly, I want to
7 emphasize how important this case is to Polytex. Although
8 there is strong demand for laminated woven sacks in the U.S.
9 market, we have been unable to achieve acceptable levels of
10 profitability because of the extremely low prices of
11 Vietnamese imports.

12 Polytex has been in operation since 1982 and is
13 an experienced and highly efficient business. Despite our
14 efficient production model and advanced production
15 machinery, the prices of Vietnamese imports are lower than
16 our cost or production.

17 As a result, we have been unable to achieve
18 adequate prices for our sacks because our customers can
19 readily obtain a comparable product at a lower price from
20 imports from Vietnam. Because of this, we have been forced
21 to use only a fraction of our available capacity to produce
22 laminated woven sacks.

23 While we have the production capacity to fulfill
24 large orders of any specification, we simply cannot compete
25 with Vietnamese import prices that remain lower than our

1 cost of production.

2 We cannot utilize our capacity and achieve
3 sustainable operations as long as the dumped and subsidized
4 Vietnamese imports continue without a remedy. We request
5 your help in stopping this unfair competition from
6 Vietnamese imports.

7 Thank you for your time. I will be happy to
8 answer any questions.

9 STATEMENT OF LOUANN MUELLER

10 MS. MUELLER: Good morning. My name is Louann
11 Mueller, and I am Vice President of Product Development --

12 MR. BISHOP: Pull your mic a little closer
13 Louann please. Pull your mic a little closer. There you
14 go, thank you.

15 MS. MUELLER: Better? Okay, thank you. Good
16 morning. My name is Louann Mueller, and I am Vice President
17 of Product Development for ProAmpac Holdings, Incorporated.
18 I have been in this position for six years. Prior to that,
19 I was Vice President of Manufacturing at Coating Excellence
20 International or CEI from 2008 to 2013. Before that, I held
21 various technical and operations positions at CEI starting
22 in 1997.

23 Altogether, I have 22 years of experience in
24 operations and manufacturing in the packaging industry. Our
25 company has undergone some changes since 2014, when we were

1 last before the Commission in the sunset review of this
2 China AD and CVD orders. ProAmpac was formed by New
3 York-based Wellspring Capital in August of 2015, after
4 Prolamina Corporation merged with Ampac Packaging, LLC.
5 ProAmpac then acquired CEI in late 2015.

6 A combined business provides several innovation
7 solutions and flexible packaging for the food, pet food,
8 industrial and medical markets along with retail packaging.
9 Altogether, ProAmpac employs approximately 4,500 people.
10 Like Mr. Bazbaz, I was there at the beginning of the
11 development of laminated woven sacks. Multi-walled paper
12 sacks can be damaged easily, resulting in leakage or
13 spoilage of the contents, and this led customers to seek a
14 better product.

15 Laminated woven sacks quickly gained customer
16 acceptance because they have a combination of durability and
17 printability that multi-walled paper sacks cannot match.
18 Although imports from China threatened to destroy the U.S.
19 industry before it could even get started, the imposition of
20 anti-dumping and countervailing duty orders on imports from
21 China in 2008 leveled the playing field, and enabled the
22 industry to get firmly established and grow.

23 After those orders were put in place, the
24 response of some of the Chinese producers was to establish
25 laminated woven sack manufacturing facilities in Vietnam.

1 The industry in Vietnam has grown rapidly and its products
2 have gained acceptance in the United States. In the last
3 few years, imports from Vietnam increased to an injurious
4 level, just like the imports from China did before.

5 Laminated woven sacks today are characterized by
6 photo quality print graphics and a variety of types of
7 closure options, from sewn closures to pinched closures
8 using either glue or heat to seal the ends. Sewn closures
9 are the most common form of closure in the market, and
10 imports from Vietnam typically offer that type of closure.
11 While we offer other types of closures too, sewn closures
12 are still the choice of a substantial majority of U.S.
13 purchasers. This makes us very vulnerable to imports from
14 Vietnam.

15 Print quality has improved significantly in the
16 last few years. Many producers, including ProAmpac, now use
17 high definition printing plates in their printing process.
18 There is no difference in print quality between domestic
19 production, which uses flexographic printing, and the
20 imports from Vietnam, which use rotogravure printing.

21 As a result, the imports from Vietnam and sacks
22 produced in the United States are highly substitutable. In
23 fact, purchasers sometimes start with a U.S. producer for a
24 few runs of product, and then switch to imports from Vietnam
25 to produce the majority of the volume of the same product.

1 This could not happen if the print quality of U.S. and
2 Vietnamese production were different.

3 At this point, I'd like to refer to the samples
4 that Mr. Jones submitted before we began. Our ability to
5 grow our business with both existing and new customers has
6 been negatively impacted due to the aggressively low prices
7 offered for imports from Vietnam.

8 As it became clear over the past few years that
9 low-priced imports from Vietnam were hurting us, we took
10 several steps to make our manufacturing operations more
11 efficient and productive, including installation of a new
12 product line and a more efficient bag extruder. Contrary to
13 Central Bag's arguments, these investments have made our
14 core laminated woven sack production for pet food and animal
15 feed markets, the bread and butter of our business, more
16 competitive.

17 These investments were not in machinery to make
18 products not yet accepted by the market. Unfortunately, due
19 to the unfair pricing of imports from Vietnam, we have been
20 unable to realize an adequate return on these investments.
21 Installing new equipment has not helped, because we have
22 lost so much volume to subject imports that we cannot run
23 the new machines continuously as they were designed to do,
24 and realize the efficiencies required to be competitive.

25 The more volume we can run, the lower per unit

1 fixed costs will be. Long production runs produced in
2 significant volume is the most profitable way we can do
3 business. Losing out on large volume opportunities has
4 forced us to rely on smaller niche markets, where the
5 production runs are shorter and less profitable.

6 Let me emphasize that we can and do seek the
7 business of smaller volume customers. The arguments by the
8 Respondents during the preliminary investigation that the
9 domestic industry has abandoned smaller customers and
10 created a void filled by subject imports is just not true.

11 But there is also no question that we seek out
12 high volume customers for both pet food and animal feed, and
13 we have the capacities to supply them. In addition, our
14 customers are not coming to us with new product requests as
15 frequently as in the past, due to the pricing of imports
16 from Vietnam. The reduction of requests for the new product
17 trials is also a strong indication that imports from Vietnam
18 are reducing our opportunities and hurting our business.

19 Given our inability to grow our core laminated
20 woven sack business for the pet food and animal feed sectors
21 due to pricing competition from Vietnam, we have invested in
22 R&D to look for opportunities to grow business in smaller
23 segments of the market such as animal nutrition.

24 But these smaller areas offer limited
25 opportunity for growth compared to pet food and animal feed.

1 We are very concerned about our loss of volume and our
2 declining capacity utilization, which increases our costs
3 and makes us less competitive. Without fair pricing in the
4 market, we fear that we will continue to operate less
5 efficiently and less profitably.

6 With fair pricing, however, we believe that
7 opportunities in the large volume pet food and animal feed
8 sectors will return, and we are ready, willing and able to
9 serve those markets. We respectfully request that the
10 Commission reach an affirmative determination, and give us
11 the opportunity to compete on a level playing field. I look
12 forward to answering your questions. Thank you.

13 STATEMENT OF ARTHUR BUCCI

14 MR. BUCCI: Good morning. My name is Art Bucci
15 and I'm Executive Vice President of Sales for Flexibles, a
16 division of ProAmpac. I've been in this job for little over
17 four years. Prior to that I worked for ProAmpac's
18 predecessor, Coating Excellence International, or CEI.

19 As Luann noted, CEI was a Petitioner in the
20 2007/2008 investigations of laminated woven sacks from
21 China. I started working for CEI in 2013, but before that I
22 worked for a company that supplied closures solutions to the
23 woven sack market. I've been involved in the woven sack
24 market for the past 14 years and altogether I have 29 years
25 of experience in the plastic and packaging industries.

1 ProAmpac has been directly and materially
2 injured by imports of laminated woven sacks from Vietnam.
3 When the Orders were imposed on imposed of laminated woven
4 sacks from China in 2008, several Chinese companies shifted
5 their production to Vietnam; thus, launching the Vietnamese
6 laminated woven sacks manufacturing industry.

7 Imports into the U.S. market steadily increased
8 as the Vietnamese bags improved in quality. Imports from
9 Vietnam are now very large, have gained significant market
10 share and are continuing to grow.

11 Laminated woven sacks are defined in these
12 investigations as made-to-order products. End users specify
13 the type of bag they want, the artwork to be printed on the
14 bag, and the quantity to be produced. Vietnamese producers
15 make the laminated woven sacks that are highly substitutable
16 with the merchandise produced in the United States. This
17 high degree of substitutability means that price is the most
18 important factor in the market.

19 Imports from Vietnam have used aggressive
20 pricing and underselling to gain market share at the expense
21 of domestic producers. Our primary customers for laminated
22 woven sacks are large pet food and animal feed companies.
23 We sell directly to these customers, who do their own
24 filling and distribution. We also sell to end users through
25 co-packers and fillers, which do the filling and

1 distribution for private label and smaller brands.
2 Sometimes the co-packers do the filling for larger brands as
3 well.

4 We've seen the competition from Vietnam across
5 all of customer base, but the greatest and most adverse
6 impact has been felt with our largest customers in the pet
7 food and animal feed sectors. Our ability to grow our
8 business with both existing and new customers have been
9 severely impacted due to the inability to compete with the
10 aggressively low prices offered by Vietnamese suppliers.

11 Our customers that purchase laminated woven
12 sacks imported from Vietnam do one of three things. They
13 either, (1) ask us to match their Vietnamese price; (2) use
14 our products for the initial launch of their product to
15 ensure successful execution of the launch, followed by
16 transfer of the business to Vietnam for high volume,
17 long-term supply; or (3) tell us that we are priced too high
18 compared to imports from Vietnam and don't even let us
19 submit a quote; thereby denying the opportunity to compete.

20 The loss of high-volume customers is extremely
21 harmful to our business. Obviously, the loss of sales and
22 revenue is harmful, the harm cannot be mitigated completely
23 simply by finding other customers. There are relatively few
24 high-volume customers in this market and there are not
25 enough small-volume customers available to replace the

1 business if this loss is unavailable to us.

2 Even if they were, as Louann noted, it is the
3 high volume business that enables us to run our production
4 equipment at the rates it was designed to run. Long
5 production runs are the most efficient and profitable for
6 us. Smaller volumes/shorter runs involve more machine downtime
7 from the changing of printing plates and therefore are less
8 efficient and profitable.

9 Our sales to smaller-volume customers also have
10 been adversely impacted. Because these runs are shorter and
11 less profitable, higher prices are necessary to cover our
12 costs. However, imports from Vietnam are targeting the
13 smaller customers as well and this competition prevents us
14 from raising prices to offset higher costs.

15 Subject imports have penetrated all parts of the
16 market. There is no insulation. There's nowhere to hide.
17 For these reasons, we need to keep as much high-volume
18 business as we can. Our customers know this and they use
19 this possibility of shifting their purchases to imports from
20 Vietnam as leverage in their price negotiations. Therefore,
21 even when we are able to keep high-volume business, we
22 usually do so at much lower prices than what we initially
23 offered, resulting in depressed profitability.

24 Another aspect of our competition with imports
25 from Vietnam is that the Vietnamese producers have succeeded

1 in copying some of the product features that U.S. producers
2 have developed, such as pinch bottom, process printing with
3 high definition graphics, and heat sealing. The Vietnamese
4 producers have incorporated some of these features, and yet,
5 they do not pass along the cost of such features to their
6 U.S. customers.

7 They also sometimes offer discounted cost in
8 graphics, such as not requiring the customers to pay for
9 graphics, which is typically an up front cost. In addition,
10 importers from Vietnam offer longer payment terms to the
11 U.S. customers.

12 At ProAmpac, we believe that we make a high
13 quality product and that we offer fair prices that allow us
14 to earn a reasonable profit. We offer competitive lead
15 times, printing quality and consistency, quality control
16 processes and technical support services, but the increase
17 to imports from Vietnam and our lost sales of revenue show
18 that prices that are low enough simply overwhelm these other
19 competitive factors.

20 If the import prices were the same as ours or
21 even if the Vietnamese prices were slightly lower than ours,
22 I think we would win back the business we have lost. But
23 when the import prices are so far below ours, lower than our
24 costs in some instances, there's nothing we can do to
25 compete.

1 As imports from Vietnam continue to use
2 aggressive pricing to grab market share in the United
3 States, ProAmpac will continue to see a decline in sales of
4 laminated woven sacks. This directly impacts our ability to
5 not only grow and invest in our core laminated woven sack
6 business supplying the pet food and animal food markets, but
7 it also negatively impacts our ability to support the U.S.
8 market with innovation and product advancement, such as the
9 use of sustainable materials and improved product
10 functionality.

11 Instead, we will continue to see this product
12 become more and more commoditized as a non-value add product
13 that are sold at prices well below what we can offer based
14 on our U.S. manufacturing capabilities. We will eventually
15 be forced to discontinue production of laminated woven sacks
16 and become an importer of this product ourselves.

17 I look forward to answering your questions.
18 Thank you.

19 STATEMENT OF ANDREW SZAMOSSZEGI

20 MR. SZAMOSSZEGI: Good morning. My name is
21 Andrew Szamosszegi. I'm a principal at Capital Trade. My
22 economic presentation covers conditions of competition,
23 current injury factors, and causation.

24 I'll start with causation -- conditions. Excuse
25 me. The industry before you today exists in its current

1 state because of trade relief provided against unfairly
2 traded imports of laminated sacks from China in 2008. The
3 domestic industry used that relief effectively. In 2007,
4 the U.S. industry's U.S. shipments totaled 51 million sacks.
5 In 2017, its U.S. shipments totaled 312 million sacks, a
6 six-fold increase.

7 In 2017, domestic producers shipped \$172 million
8 worth of laminated woven sacks to U.S. customers, employed
9 almost 800 production workers, and paid \$28 million in
10 wages. That is progress. But this progress is threatened
11 to be undone by subject imports from Vietnam, which totaled
12 approximately 254 million sacks in 2017. That quantity, by
13 the way, exceeds the volume of imports shipped from China in
14 2007.

15 On the demand side, conditions of competition in
16 the U.S. market are similar to those that prevailed in the
17 China investigation. Demand for laminated woven sacks is
18 derived for demand for certain packaged products; primarily,
19 pet food, animal feed, and bird seed.

20 In the China investigation, the Commission found
21 that the price elasticity of demand was inelastic. That has
22 not changed either. Further, the unique attributes of
23 laminated woven sacks, the combination of appearance,
24 durability, and price mean that there is only very limited
25 economic substitutability between laminated woven sacks and

1 potential substitutes, such as multi-walled paper bags and
2 quad-seal bags.

3 Changes in the prices of these substitutes do
4 not affect the price of laminated woven sacks. Competition
5 is price sensitive. Producers of laminated woven sacks
6 compete with each other and with imports largely on the
7 basis of price and pricing terms. Price is not the only
8 factor that is important to purchasers. The record
9 demonstrates that domestic laminated woven sacks are
10 comparable or superior to the Vietnamese product on the
11 other factors considered important by purchasers, such as
12 quality, reliability of supply, and printing quality.

13 Given this fact, price typically becomes the
14 determining factor in a purchase situation. This
15 price-based competition is heightened by the existence of a
16 small number of high-volume customers who account for a
17 substantial majority of purchases and consumption in the
18 U.S. market. Additional demand conditions are shown on Slide
19 4. The domestic industry competes head-to-head with subject
20 imports in all regions of the country, in all major market
21 segments, and for sales to large purchasers. Slide 4
22 illustrates that underlying demand for laminated woven
23 sacks expanded during the POI, but particularly, in 2017.

24 Slide 6 lists supply conditions. First, the
25 laminated woven sacks industry is capital intensive.

1 Machines are designed to run 24/7, longer production runs,
2 maximize efficiency, and reduce production costs. Second,
3 the domestic industry has significant excess capacity that
4 could've been used to supply the growing domestic market.
5 U.S. producers capacity utilization rate was only 58.6
6 percent in 2017. Third, Vietnam is a dominate source of
7 imports, just as China was in the 2007/2008 investigation.
8 In addition, the Vietnamese industry is highly dependent on
9 the U.S. market.

10 Fourth, U.S. producers and subject imports
11 compete across the market. Importers of subject merchandise
12 bid for large orders, the lifeline for the domestic industry
13 and domestic producers and the subject import sell laminated
14 woven sacks to producers in the pet food and animal feed
15 markets.

16 By the time of the first sunset review of the
17 China Order, Vietnam had become the largest source of
18 imports and that remains the case today, as shown in Slide
19 7. The subject imports accounted for approximately 71
20 percent of total laminated woven sack imports in 2017.
21 Slide 8 illustrates that the United States accounted for 87
22 percent of Vietnam's exports of the subject merchandise in
23 2017 -- 87 percent.

24 These U.S. bound exports were critical to the
25 Vietnamese industry. The market for animal feed in Vietnam

1 grew slowly during the POI, relatively to Vietnamese
2 production capacity for laminated woven sacks. Vietnam's
3 capacity utilization would've declined markedly, but for
4 Vietnam's production for the U.S. market. The laminated
5 woven sacks produced by the domestic industry and the
6 subject producers are highly substitutable. The laminated
7 woven sacks industry is a design-to-order business. Both
8 domestic and subject producers are able to produce the same
9 designs, dimensions, and artwork. Their products are sold
10 in the same channels of distribution; primarily, to end
11 users and have the same desirable product attributes.

12 As you heard earlier, some purchasers have used
13 domestic producers to move their new package designs to
14 market quickly and then shifted those orders to Vietnam.
15 Purchasers note that prices is one of the most important
16 factors they consider when making a purchase.

17 Slide 11 shows that purchasers view the U.S.
18 produced and subject imports as comparable in nearly all
19 respects. Price is one of the two exceptions and nine out
20 of eleven rate the U.S. inferior to Vietnam when it comes to
21 price. The right side of Slide 11 shows domestic-like
22 products and subject imports compete head-to-head in the
23 three major end use areas.

24 In the context of these conditions of
25 competition, the domestic industry has been injured by

1 reason of the subject imports. The volume of imports from
2 Vietnam is significant in isolation. They account for
3 approximately two-thirds of import volume over the entire
4 POI, reaching a market share of 37 percent in 2017. Subject
5 imports also increased absolutely relative to consumption
6 and production.

7 Slide 14 shows that imports from Vietnam
8 expanded by 38 percent, a 70 million unit increase from 2015
9 to 2017. Slide 15 shows that the subject imports gained 9.2
10 percent of market share while the U.S. industry lost 8.2
11 percentage points of share. Non-subject imports also lost
12 share. The subject imports rose as a share of domestic
13 production as well.

14 These injurious volume effects coincide with
15 injurious price effect. As an initial matter, the domestic
16 industry is susceptible to price-based industry. Vietnam is
17 a major supplier of laminated woven sacks to the U.S. market
18 and price is a very important purchasing factor. Domestic
19 producers have an incentive to match subject prices in order
20 to limit declines in their utilization rates. Given these
21 dynamics, those subject prices lead to declines in domestic
22 prices or prevent domestic producers from raising prices to
23 reflect their higher costs.

24 There's a reason that Vietnam is a dominant
25 source of imports. Vietnamese prices are low; underselling

1 was evident in all seventy-three head-to-head comparisons.
2 With an underselling volume of 245 million sacks and average
3 underselling margin of 25%. Comparable to the margins in
4 the China investigation.

5 Multiple data points indicate that lower-priced
6 subject imports caused U.S. industry prices to decline.
7 These include the unit values of U.S. shipments and net
8 sales, the pricing database, and variance analysis. Price
9 reductions by the domestic industry led to lost revenues.
10 In some cases, price reductions were not enough, which
11 resulted in lost sales. In other cases, the price
12 differences, as you've heard, are so significant, that U.S.
13 producers were not even asked to bid for the business.

14 The pricing pressure applied by the subject
15 imports caused the cost-price squeeze that eroded
16 profitability. The specifics of this margin compression are
17 not public, but are covered on Pages 41 to 43 of our
18 confidential prehearing brief. This combination of
19 underselling, price depression and a shrinking gross margin
20 represents significant adverse price effects by reason of
21 the subject imports.

22 Slides 19 and 20 describe the adverse impacts
23 from the subject imports on the domestic industry's
24 operational and financial performance. Output capacity
25 utilization, U.S. shipments and market share declined.

1 Domestic producers also collectively experienced declines in
2 net sales, gross profits, operating income, and net income.
3 Cash flow, return on investment and capital expenditures
4 also eroded over the POI.

5 Low-priced subject imports also prevent domestic
6 producers from increasing sales volumes because the low
7 subject prices render certain business off-limits. Domestic
8 producers have also attributed inadequate returns on new
9 investment and lower capital investments due to
10 unfairly-traded subject imports.

11 Slides 22 and 23 cover causation. First, as was
12 the case in the original China investigation, conditions of
13 competition distinctive to the laminated woven sacks
14 industry, make the domestic industry susceptible to injury
15 from unfairly-traded imports. Second, unfairly-traded
16 subject imports caused this injury. Third, potential
17 alternative causes of injury do not explain the injury
18 experience by the domestic industry.

19 The conditions of competition that the Commission
20 found to have facilitated injury by unfairly-traded imports
21 eleven years ago, continue to exist. High substitutability,
22 inelastic demand and price-based competition. Consequently,
23 the low prices charged by the subject imports have led to
24 lost sales and lost revenues by the domestic industry. The
25 resulting decreases in sales volumes and unit values have

1 reduced domestic revenues and profits.

2 For Slide 23, there are no alternative causes
3 that explain the current injury. Nonsubject imports play a
4 smaller role in the market relative to Vietnam, and actually
5 lost market share over the period of investigation.

6 Fluctuating raw materials' costs did not cause the 25%
7 underselling margin or the 245 million sack volume of
8 underselling.

9 The subject imports were not drawn into the
10 market by quality concerns. Domestic producers, we must
11 remember, shipped almost one billion sacks to U.S. customers
12 from 2015 to 2017. And almost all purchasers report that
13 domestic and subject quality is comparable. This is also
14 not a case in which capacity constraints prevented an
15 increase in domestic production. Domestic producers added
16 capacity over the POI and have significant excess capacity,
17 224 million bags' worth in 2017.

18 As Slide 24 illustrates, domestic excess capacity
19 increased every year, along with the subject imports, but
20 for the increase in the unfairly-traded subject imports, the
21 blue bars would've declined. Production, U.S. shipments,
22 and profits would've been greater.

23 This record is clear. Imports of laminated woven
24 sacks from Vietnam have had adverse volume effects, adverse
25 price effects and adverse operational and financial impacts

1 on the domestic industry. These facts support an
2 affirmative determination. Thank you.

3 STATEMENT OF PATRICK J. TOGNI

4 MR. TOGNI: Good morning. I am Patrick Togni
5 from King & Spalding, and I am appearing on behalf of
6 Petitioners. You have heard today from other witnesses
7 about the compelling evidence of present material injury.
8 Turning to threat, applying the statutory criteria to the
9 record of this investigation confirms that an industry in
10 the United States is threatened with material injury by
11 reason of imports of laminated woven sacks from Vietnam.

12 First, imports of the subject merchandise are
13 increasing rapidly, and this increase is likely to continue.
14 Subject imports grew by 38.1% between 2015 and 2017,
15 increasing from 183.8 million sacks in 2015 to 253.8 million
16 sacks in 2017. This led to a 9.2 percentage point increase
17 in the subject imports' share of apparent domestic
18 consumption -- from 28.1% in 2015 to 37.3% in 2017. In
19 fact, in the twelve months preceding the petition, subject
20 imports accounted for 70.9% of total imports. This trend of
21 growing import penetration by subject imports is very likely
22 to continue if AD and CVD orders are not imposed.

23 Second, imports from Vietnam are entering the
24 United States at increasingly lower prices that
25 substantially undersell domestic products. This has

1 significantly depressed or suppressed domestic prices and is
2 almost certain to continue to take market share from U.S.
3 producers. The subject imports undersold U.S. producers in
4 every single price comparison of the period and were able to
5 gain market share at the expense of U.S. producers as a
6 result. This is a price-sensitive product and lower-priced
7 Vietnamese imports will only continue to grow and cause
8 additional injury to domestic producers.

9 Third, Vietnam's capacity to produce laminated
10 woven sacks is significant and growing well beyond any
11 forecasted increase in domestic demand. This new capacity
12 is therefore targeted at export markets, and the U.S. market
13 in particular.

14 The record shows that the Vietnamese LWS
15 industry's capacity grew by 45.3% over the full-year POI,
16 increasing from 261.8 million sacks in 2015 to 380.6 million
17 sacks in 2017. Vietnamese foreign producers also reported
18 ample excess capacity throughout the POI.

19 Despite this excess capacity, Vietnamese
20 producers have continued to invest in additional capacity
21 during the POI. This reported growth is not surprising.
22 *The Government of Vietnam's Decision Approving the Planning*
23 *on Development of Vietnam's Plastics Industry up to 2020,*
24 *with a vision towards 2025,* is a central industrial planning
25 document that encourages intensive government investment in

1 the plastic packaging industry, which includes laminated
2 woven sacks. Some of the highlights of this Master Plan
3 that are relevant to the Commission's analysis on threat
4 include the following:

5 A near doubling of production goals from 7.5
6 million tons in 2015 to 12.5 million tons by 2020; Growth in
7 export turnover from \$2.15 billion in 2015 to \$4.3 billion
8 in 2020; in fact, the production capacity of plastic
9 packages is targeted to increase by over 1.2 million tons
10 from 2011 to 2015, with additional growth of another 1.5
11 million tons from 2016 to 2020.

12 The record confirms that there is existing unused
13 production capacity in Vietnam. The Master Plan also
14 confirms that the Government of Vietnam is hard at work in
15 building an imminent, substantial, and additional increase
16 in LWS production capacity.

17 So where is this significant and imminent growth
18 in Vietnamese capacity going to end up? The record of this
19 investigation confirms that the U.S. market was the
20 destination for approximately 90% of Vietnam's export
21 shipments. If Vietnam's export shipments increase to the
22 level of their 2017 capacity, that is, from 253.8 million
23 sacks up to 380.6 million sacks, this would result in
24 Vietnamese imports taking 58% of market share absent relief
25 in this case.

1 The threat posed by the export-orientation of the
2 Vietnamese LWS industry also is corroborated by home market
3 shipment data, as discussed in the confidential portions of
4 Petitioners' prehearing brief at pages 59 to 60. In
5 addition, this growth in Vietnamese LWS capacity far exceeds
6 the anticipated growth in its animal feed market. Of
7 course, growing production capacity to serve exports to the
8 United States fits hand-in-glove with the policy goals of
9 the Vietnam Plastic Industry Master Plan that I discussed a
10 moment ago.

11 In sum, the Commission should make an affirmative
12 threat determination in this case due to the existing unused
13 production capacity and an imminent, substantial increase in
14 production capacity which indicate the likelihood of
15 substantially increased imports of subject merchandise.

16 This is particularly true in such a
17 capital-intensive industry where producers have a strong
18 economic incentive to export their excess capacity to lower
19 their fixed per-unit cost of production.

20 Finally, the domestic industry is increasingly
21 vulnerable to material injury by reason of subject imports.
22 The record shows that U.S. producers' gross profits and
23 operating income margins have fallen during the POI.
24 Domestic producers also have experienced a cost-price
25 squeeze throughout the POI, with prices falling at a faster

1 rate than their raw material costs due to the flood of
2 subject imports entering the U.S. market at lower prices.

3 These injurious datapoints are not abstract
4 figures without consequence in the real world. In late
5 October, 2018, Mondi Bags USA, LLC, announced the closure of
6 its LWS production facility in Louisville, Kentucky.

7 In conclusion, the Commission should make an
8 affirmative final determination that an industry in the
9 United States is threatened with material injury by reason
10 of imports of the subject merchandise. Thank you.

11 MR. JONES: This is Steve Jones again from King &
12 Spalding. That concludes our presentation, and we'd be
13 happy to answer your questions. Thank you.

14 CHAIRMAN JOHANSON: Thank you all for appearing
15 here today. We will begin Commissioner questions with
16 Commissioner Kearns.

17 COMMISSIONER KEARNS: Thank you all for being
18 here today. Appreciate it. I wanted to start with a
19 question that respondents pointed to. They say they have
20 comments from several purchasers--they refer to this on
21 Pages 3 to 5 of their brief--where the purchasers alleged
22 problems with sourcing domestically. Can you respond to
23 these specific comments, either here or post-hearing? Or
24 maybe a little bit of both? Thank you.

25 MR. BAZBAZ: We have no limitation in supplying

1 any requirements of the customers. We have ample capacity.
2 We can immediately switch on and supply them. So I don't
3 see any objection in anything, and any restriction.

4 MR. BUCCI: This is Art Bucci from ProAmpac, and
5 I concur. ProAmpac has plenty of capacity. We can supply
6 what anybody needs and we can supply any format they need.

7 MR. REYNOLDS: I guess what I would do -- this is
8 Neal Reynolds, with King & Spalding. I just want to point
9 out, I think that if the question goes to the issue of
10 quality and reliability of supply, it's really, in our view,
11 inconsistent with the record evidence on what the purchasers
12 have said.

13 If you look at the Staff Report, purchasers say
14 that--in all significant respects, except for price--most
15 purchasers rate the domestic laminated woven sacks as being
16 comparable or superior to the Vietnamese in terms of quality
17 or reliability of supply. And so, generally, you're looking
18 at a situation where what respondents are arguing is
19 inconsistent with the record evidence in our view.

20 MR. SZAMOSSZEGI: Yeah, I just wanted to put this
21 slide up, Slide 11 from my presentation on the left-hand
22 side. It gives the comparability comparisons between the
23 U.S.-produced and subject laminated woven sacks. And you
24 can see a variety of supply and the quality factors exceeds
25 industry standards and meets industry standards. Towards

1 the bottom there, the purchasers as a group clearly say that
2 the two sources are comparable for these quality factors.

3 COMMISSIONER KEARNS: Okay, thank you. I had a
4 couple of questions regarding price suppression. You argue
5 that subject imports prevented price increases in line with
6 rising raw material costs, yet the financial data and
7 polypropylene prices don't seem to indicate rising costs.
8 Can you offer more support for your argument that your costs
9 were increasing?

10 MR. BAZBAZ: Well, the raw material,
11 polypropylene, is the basis of the raw material costs. It
12 only accounts for about 30% or 31% of the total cost of the
13 finished bag, a laminated woven sack, so the raw material costs
14 have increased from time to time, and decreased also from
15 time to time anywhere in the world.

16 Polypropylene is a commodity that is produced in
17 many, many places in the world. So the difference in price
18 between United States prices and foreign prices might be,
19 for a period of time, different, but it tends to converge
20 because the difference can only be the transportation and
21 logistics cost. Other than that, people in United States
22 will buy the raw materials from Asia and vice versa. If
23 they're willing to increase the transportation costs. So
24 besides the cost of polypropylene, we have had, of course,
25 you know, more cost in labor.

1 There is an increased amount of cost of labor and
2 so many other costs, and primarily has to do with short
3 production runs, the U.S. costs short run are substantially higher
4 than the imports and therefore, we have to bring down those
5 prices to meet the imports, or try to meet the imports,
6 ultimately we can.

7 COMMISSIONER KEARNS: Okay. Thank you.

8 MR. JONES: Commissioner Kearns, if I could add,
9 this is Steve Jones. The issue of a cost-price squeeze, the
10 Commission, I think, in most cases, looks at the cost of
11 goods sold, not just the raw materials as a ratio of sales,
12 to determine whether there's a cost-price squeeze that's
13 impacting the industry. And here we have an increasing COGS
14 to net sales value ratio over the period. That is the basis
15 of our argument that there is price suppression on this
16 record.

17 COMMISSIONER KEARNS: Okay, thank you. And just
18 to follow up to that, I guess to your answer in particular,
19 Mr. Bazbaz, you mentioned the fact that you have shorter
20 production runs as that results in increasing costs. Could
21 you all help put something on the record post-hearing that
22 would help demonstrate that you all have suffered from
23 shorter production runs over the POI?

24 MR. BAZBAZ: Yes, we'll be happy to.

25 COMMISSIONER KEARNS: Okay. Thank you. And

1 then, just to follow up also on the price effects. Are
2 changes in your polypropylene prices or other changes in
3 your costs a factor in price negotiations with your
4 purchasers? And do you seek price increases when your costs
5 are going up? Or do purchasers seek price cuts when they're
6 going down?

7 MR. BAZBAZ: We'd be glad to answer this in a
8 confidential way.

9 COMMISSIONER KEARNS: Okay. Thank you. I guess
10 I wanted to turn to some of the testimony you have provided
11 on the order from China. How effective has the order on
12 Chinese sacks been? And more importantly, I guess, what I'm
13 more focused on, I know you all mentioned that the
14 production in Vietnam is at least partly, I think Chinese
15 producers that have moved from China to Vietnam. Is that
16 entirely true? Is all production just Chinese producers
17 that have moved to Vietnam? Or are there also some, is
18 there some production there that pre-existed the order?

19 MR. JONES: The second part of that question, I
20 think I can answer. And that is, not all production in
21 Vietnam has been transferred from China. The Vietnamese
22 industry got a significant head-start when it first started
23 laminated woven sack production from Chinese producers
24 shifting production and establishing factories in Vietnam to
25 produce this product. Their know-how jumpstarted the

1 industry.

2 Additional investments were made and additional
3 companies began to produce the product over time. So not
4 all producers can point to a Chinese producer as its owner or
5 as the origin of its company. But that was the beginning of
6 what is now an extremely large industry in Vietnam.

7 MR. BAZBAZ: In regards to how successful the
8 order against China was, it's tremendously successful.
9 That meant the difference between being in business or not
10 being in business. It increased our sales five-fold from
11 the Chinese orders to 2015, since 2015 to now, you know,
12 it's been tremendous stress against that competition from
13 Vietnam. So the answer is, the orders were very, very
14 effective, and continue to be effective against China.

15 COMMISSIONER KEARNS: Okay, thank you. And then
16 I wanted to ask about pinch-style closures. Respondents
17 argue that the domestic industry's problems were due to
18 investments in pinch-style bag closure technology, which has
19 not been embraced by purchasers in the pet-food market
20 segment.

21 Can you discuss the extent to which your
22 investments in this technology, and why you've made those
23 investments, how much the technology has fared in the
24 market, and so forth? How has demand for such closures
25 changed over the POI? I think Ms. Mueller, you had

1 addressed some of this in your opening testimony, so if you
2 could just follow up on that.

3 MS. MUELLER: Yes, this is Louann from ProAmpac.
4 The pinch-closure is really just the way that you cut the
5 stuffed end of the bag. The equipment that's used to make
6 pinch-bags versus sewn bags is very similar. In fact, some
7 of our equipment can do either closure option.

8 COMMISSIONER KEARNS: Okay.

9 MR. SZAMOSSZEGI: This is Andrew Szamosszegi from
10 Capital Trade. The Staff Report actually contains some very
11 good data on this point. It's confidential, so we'll
12 address it in post-hearing brief.

13 COMMISSIONER KEARNS: Okay, thank you. I have no
14 further questions right now.

15 CHAIRMAN JOHANSON: Thank you again for all of
16 you appearing here today. Just as a starter question, I was
17 struck by the increase in the production of animal food from
18 January, 2015 to September, 2018, as shown in the Staff
19 Report at Page 210. Why is demand for pet food and, for
20 that matter, industrial animal feed, increasing?

21 MR. BUCCI: So this is Art Bucci from ProAmpac.
22 The pet food market, animal feed market's increasing because
23 of us. Because of the way we humanize pets. We treat our
24 pets as children. You can look at any trend in the pet food
25 market and notice that, and if any of you have pets, you

1 would know that, right? So as we treat our animals as
2 family members, we buy better food, gluten-free food, real
3 lamb, real whatever, and that's really driving, actually
4 driving the need for pet food. Also the amount of pets per
5 family are increasing. This also drives the market.

6 CHAIRMAN JOHANSON: How about for feed? Isn't
7 meat consumption stable? Or maybe even declining a bit?

8 MR. BUCCI: This is Art Bucci for ProAmpac. Both
9 markets are growing. As I just explained, the pet food
10 market, the feed market, I guess I can't explain exactly why
11 that's growing, but it has shown over the last several years
12 to grow several percent a year.

13 CHAIRMAN JOHANSON: Okay.

14 MR. SZAMOSSZEGI: Hi, this is Andrew Szamosszegi.
15 I was surprised at that, too, because I actually presented
16 the same data series during the preliminary phase, and it
17 was completely different. So I went back and compared the
18 series and redownloaded, and there seems to have been some
19 change in the data dating from late 2014 to the present, and
20 the revised data -- so there was the data revision -- show a
21 much larger increase in that category than before. So I'm
22 not saying I doubt that that's what happened, but it was
23 fairly large for a one-year change considering the number of
24 pets and the number of animals that changed during that time
25 period. I don't think we had 18 or whatever it was, 10-12%

1 growth in the number of farm animals or how much they ate
2 between those two years. So I'm perplexed, too.

3 CHAIRMAN JOHANSON: Yeah, I just couldn't figure
4 it out. So, anyway. I don't really understand this whole
5 thing of treating pets like children. But I guess some
6 people do. Yeah, I was just curious about the market growth
7 and couldn't figure it out.

8 Okay, moving onto something else. And this
9 follows up on what Commissioner Kearns asked. I hope it's
10 not too repetitive, but I want to dig a bit deeper, because
11 this is something that the respondents brought up. Did any
12 quality issues arise when the domestic industry began using
13 new bag closure technology? I know you spoke a bit on the
14 whole pinched-bag issue, but I just wondered about quality
15 in general when you tried to introduce the more novel way of
16 closing the bags.

17 MS. MUELLER: This is Louann from ProAmpac. We
18 had no major quality issues with any of our customers that
19 we didn't address right away. And there're always a few
20 workmanship issues that you encounter in any manufacturing
21 product, but we had nothing major.

22 CHAIRMAN JOHANSON: How well did these new bag
23 closures work? In other words, how successful have you been
24 in selling more products due to these closures?

25 MS. MUELLER: We do sell some additional pet food

1 using a pinch-closed option, so we supply the bag with a
2 closed bottom, and then our customer will sew the top. That
3 has been prevalent in the pet food market, because they want
4 to be able to present their bag laying on the store shelf
5 with a kind of a billboard effect at the bottom, as opposed
6 to a sewn end. Most of the animal feed customers that we
7 currently have use sewn bags.

8 CHAIRMAN JOHANSON: Okay.

9 MR. BAZBAZ: In our case, this is Isaac Bazbaz,
10 Polytex Fibers. In our case, we have not seen, and I don't
11 recall any significant quality issues that would prevent us
12 selling our bags to any customer. The issue about the
13 pinched closure, it is just a more economic way of closing
14 the bag because it only requires heat to close the bag, so
15 our customers were naturally moving to that direction, but
16 they will have to change their closing equipment to be able
17 to close it with heat to seal the bag.

18 So eventually, we believe that it's going to go in
19 that direction, but it varies from customer to customer.
20 So if the customer decides, "We're going to save the money, on
21 sewing threads and closing," they can just change the
22 closing unit with heat air, and would be saving money. And
23 the bag works sewn or the bag works closed with heat. It's
24 proven technology, it's nothing new.

25 MR. JONES: Mr. Chairman, Steve Jones. I just

1 think it's important to keep in mind on this issue Ms.
2 Mueller's testimony that, at least in ProAmpac's case, the
3 investments in new machinery were not just for the pinched
4 closure function, to be able to do that, but also upgrades
5 to their other equipment to make it more efficient and more
6 cost competitive.

7 So it's not just the closure, you know, the
8 ability to do a new closure, that accounts for all of the
9 investment made during the POI.

10 CHAIRMAN JOHANSON: Okay, thanks for your
11 answers.

12 Central Bag argues at page 3 of their brief that
13 U.S. purchasers have been forced to resort to Vietnamese
14 imports because of supply problems with U.S.-made products.

15 Have you denied any purchasers' requests due to
16 the large number of specifications for smaller volume
17 orders?

18 MR. BAZBAZ: This is Isaac Bazbaz. There are
19 major customers of feed bags that, they have a lot of SKUs,
20 or different packages with small runs, but overall the
21 you know, the volume is large.

22 We don't say we cannot make this type of bag, or
23 we cannot make this bag because it requires the closing
24 zipper, or reclosable unit, or handles, or any attachments.
25 We have a very flexible production facility, and we have not

1 in my recollection denied any of our capabilities to any
2 customer. And we have ample capacity and trained people to
3 react on any increasing demand for any reason.

4 So in our case, it hasn't happened.

5 CHAIRMAN JOHANSON: Okay, thank you.

6 MR. BUCCI: So this is Art Bucci from ProAmpac.
7 We have not turned down any orders, I promise you. But the
8 question is not as simple as that, because a customer is not
9 going to come to you with one small run--they may, but it's
10 very rare. What they'll do is come to you with a group of
11 orders, a group of SKUs, maybe the same brand with five
12 different flavors. And then, whether it be ProAmpac or a
13 competitor of ours, a domestic competitor of ours, we will
14 group them and run them.

15 So it's not as simple as to say you won't run
16 small orders, because the answer is, we will. And most
17 likely you're not going to just run that one order, anyway.
18 You're going to make a longer run out of it with a group of
19 smaller orders to make it more profitable, to be able to
20 deliver on time, and most of our customers won't run just
21 one flavor anyway; they're running their facilities around
22 the clock. So they're going to need the bags of all the
23 flavors to be able to go to bag, to bag, to bag, to bag.

24 CHAIRMAN JOHANSON: Thank you, Mr. Bucci.
25 Following up on that question, have you all faced any

1 complaints of meeting lead times?

2 MR. BUCCI: This is Art Bucci with ProAmpac. So
3 the question was about our lead times?

4 CHAIRMAN JOHANSON: Right.

5 MR. BUCCI: No. We typically deliver in a four-
6 to six-week lead time, which is very competitive in the
7 marketplace. Our on-time delivery rate is very high. No,
8 we're not having any issues with delivery or long deliveries
9 or anything like that.

10 MR. BAZBAZ: This is Isaac Bazbaz. Since the
11 industry has enough open capacity, there is no restriction
12 why it would not be delivered on time. So the excess
13 capacity is there. So there is no problem. We have never
14 had this issue.

15 MR. REYNOLDS: And, Commissioner Johanson, I
16 would point out that if you look at the comparison of
17 domestic like product and subject imports on Table II-9, one
18 of the categories that domestic like product gets rated
19 clearly superior on is in terms of delivery time.

20 CHAIRMAN JOHANSON: Okay, thank you. The yellow
21 light is on, so we're now going to turn to Commissioner
22 Williamson.

23 COMMISSIONER WILLIAMSON: Thank you, Mr.
24 Chairman. I want to express my appreciation to all the
25 witnesses for coming today.

1 I would like to spend a little bit of time on
2 this question of the difference between the animal feed
3 market and the pet feed market. I think Central Bag is
4 contending that the domestic producers kind of favor or
5 prioritize the pet food market, bags for the pet food market
6 as opposed to the animal food market. And I was wondering
7 if you agree or disagree with this contention? And you can
8 also explain how do you--what's your approach to these two
9 different markets?

10 MR. BUCCI: This is Art Bucci with ProAmpac. We
11 do not see any difference between the pet food market and
12 the animal feed market. There are certainly different buyers,
13 and there are different companies. There's several companies
14 that buy both for their pet food brands and their animal
15 feed brands. It's the same bag. It's the same raw
16 materials. It's run on the same equipment. It's usually
17 delivered in the same distribution cycle. And the biggest
18 difference may be one gets delivered to Walmart and one may
19 get delivered to what's called a tractor supply, or more of
20 a supply house type of distribution. But it gets delivered
21 by truck or rail. It has to withstand the same rigors of
22 not breaking during transportation. The same equipment in
23 our manufacturing facility.

24 There's really absolutely no difference. And in
25 a lot of occasions it might even be the same buyer.

1 COMMISSIONER WILLIAMSON: I come from St. Louis,
2 and I keep thinking of Ralston Purina. Are they one of the
3 ones you think about when you say that?

4 MR. BAZBAZ: Yes, this is Isaac Bazbaz. Ralston
5 Purina was actually part of Nestle Purina, before Nestle
6 bought Purina. So the feed--

7 COMMISSIONER WILLIAMSON: A long time ago since
8 I've lived there.

9 MR. BAZBAZ: Yes, a long time ago. So the
10 customers are buying in the same way. Both businesses buy
11 pretty much the same way. They invite request for bids, and
12 they ask for bids. We participate in those bids very
13 actively every year. And every year we get shut off because
14 the Vietnamese are a lot lower in price.

15 So it's not that we are targeting the pet food
16 business instead of the feed business. It's pretty much the
17 same bag. So it would be unreasonable, and not very
18 responsible just to go after one type of customers, if the
19 bag can be used by many. So it's a wrong assumption from
20 Central Bag to think that we are just directing our efforts
21 to pet food.

22 COMMISSIONER WILLIAMSON: Okay, anyone else want
23 to address this?

24 (No response.)

25 COMMISSIONER WILLIAMSON: Is there any--what are

1 the differences in the two markets? I keep thinking of the
2 pet food market as all these little specialty brands that
3 keep coming out as everybody wants more nutrition, or--

4 MR. BAZBAZ: This is Isaac Bazbaz again. Animals
5 are the same. The only difference is some are living in
6 the house and some are just outside.

7 COMMISSIONER WILLIAMSON: Say that again? Oh,
8 okay.

9 MR. BAZBAZ: So, you know, they eat the same
10 protein. They eat the same corn. You know, it's the same
11 production facilities. You know, hopefully you don't put
12 your horse in your house, but many people treat their horses
13 as pets. So, you know, it depends on the consumer, but it
14 is the same thing.

15 COMMISSIONER WILLIAMSON: But the end sell point,
16 I mean you have the Petco's, and the Walmart's and all those
17 places where you're selling your pet products. Are there
18 different sales points for the animal food products?

19 MR. BUCCI: Yes, there are several different ways
20 to sell the products. So you could go to a big box store
21 like Walmart. You could go to a specialty pet food store
22 like Pet Smart, I guess. Or you can go to a tractor supply,
23 who also sells pet food but specializes more in animal feed.
24 So there's different types of retail outlets to go to. You
25 can buy online, now. They offer all the products online.

1 So there's many ways to be able to get it.

2 Depending on where you want to buy, it's just
3 different price points. Like I say, if you want to buy
4 gluten-free, whatever, you can do that. And if you want to
5 buy a more entry-level pet food, or animal feed, you can do
6 that. So it's a variety of different products and colors,
7 but it's--I know we keep saying this, but it's all the same
8 bags. Lots of times, it's the same buyer. And a lot of
9 times, it's the same company--not all the time. It
10 certainly varies. But it's the same distribution points.

11 COMMISSIONER WILLIAMSON: Okay. Mr. Jones?

12 MR. JONES: Commissioner Williamson, Steve Jones.
13 I just want to bring your attention to, I think it's Exhibit
14 3 here in our prehearing brief. It's a confidential exhibit
15 so I can't get into details on it, but it is information
16 from the record on market shares in the different parts of
17 the market. And these were requests to break out the data
18 from the Respondents. Respondents asked you all to do this,
19 and you did it. And it shows competition, head-to-head
20 competition in all parts of the market.

21 It also shows that the share from Vietnam is
22 increasing in all parts of the market. And the share of
23 domestic products is declining.

24 So that information is on the record. And again,
25 it's consistent with our argument and with the theory of the

1 case that we're proposing.

2 COMMISSIONER WILLIAMSON: Okay. I mean I thought
3 there were some differences in concentration, but let me
4 come back to that question later.

5 The other things I've been fascinated by is how
6 orders get placed. I mean, you have the Vietnamese bag
7 producers a long way away. Are there distributors here who
8 are basically saying, okay, company A needs this type of
9 bag, and I can either get it from Vietnam or a domestic
10 producer? And they're the ones who sort of do the--is it
11 price competition engaged there? Or is it that you and the
12 Vietnamese producers both are going around to the different
13 customers and selling there? And is there big competition
14 in this market?

15 I'm thinking about in terms of your selling to
16 your customers and the Vietnamese producers selling to the
17 customers, how does that competition take place? What does
18 it look like in terms of day to day?

19 MR. BUCCI: If I understand the question--and if
20 I don't, please stop me--we sell directly to the consumer
21 product companies. So we sell directly to them. So that's
22 one avenue of our sales funnel or our sales channel.

23 We sell through a co-packer. So there's a lot of
24 brands, whether it be pet food or animal feed, who don't do
25 their own manufacturing, so they're just a marketing

1 company. They market, and they have somebody else make it.
2 So we go to the co-packer and they'll make it and may do
3 distribution for them. That would be a second way we go to
4 market.

5 Those would be the two primary channels as to how
6 we sell through the market. I think you asked about
7 pricing, maybe?

8 COMMISSIONER WILLIAMSON: Are the imports more
9 effective in competing in one of those two markets? Is
10 there differences in who they seem to have success with
11 versus who you have success with?

12 MR. BAZBAZ: This is Isaac Bazbaz. I'd like to
13 go through, you know, how this works. Most of the business
14 of pet food manufacturers are large entities, and not many.
15 The same with the feed business. So typically what they
16 will offer, they will open a bid process and they will
17 invite just about anybody into the bid process.

18 They typically want to get as many people as
19 possible involved. So people submit their prices. There is
20 a list in an Excel file, what are the characteristics of
21 each product, you know, how many colors, what size, and so
22 on. And you enter the price, or we enter the price, and
23 after a period of time we get it, or
24 we don't get it. Particularly in the customers that they
25 are currently buying from from Vietnam, they would just say

1 flatly, you're not competitive. We continue buying from
2 Vietnamese sources and, so until next year.

3 So next year, here we go again. We bid again,
4 and same story, because we want to--of course we don't want
5 to think that we are just invited just for the fun of it,
6 right? So we go through the process of bidding, and
7 eventually say--they say, no, you're not competitive at
8 all.

9 So the big buyers buying from Vietnam, they kind
10 of set the standard of conduct for everybody else that wants
11 to compete against them. So when they are buying--they
12 are putting the products in the Vietnamese bag that is a lot
13 lower in cost than the U.S. bag and their competition are
14 forced to buy the same way. So it's like a vicious cycle
15 for us. It will be more and more prevalent for that
16 competitor to get more business on the basis of price.

17 COMMISSIONER WILLIAMSON: That helps me, because
18 I was just trying to figure out the dynamics here because we
19 see it often, or we see a number of different models of
20 competition, and I was trying to figure out which one was
21 happening here.

22 Okay, thank you for those answers.

23 CHAIRMAN JOHANSON: Commissioner Broadbent?

24 COMMISSIONER BROADBENT: Thank you, Chairman
25 Johanson. I want to welcome Mr. Reynolds back to the

1 hearing room. We're glad to have you back.

2 MR. REYNOLDS: It's great to be here,
3 Commissioner Broadbent. I'm in front of my favorite people
4 in the world right now.

5 COMMISSIONER BROADBENT: Let's see. I feel like
6 I have a great relationship with this product, because I
7 have a seven-year-old dog, and once a month I carry that
8 40-pound bag of Purina Dog Chow into the back room where she
9 lives, and it never breaks, and she's never able to chew it
10 open, and it does its job. So I appreciate your product.

11 I noticed that there's a lot of sort of younger
12 folks in Washington walking around with really fancy sort of
13 dog leashes, and doggie clothes, and these boutique stores
14 that have lots of equipment, and outfits, and so forth for
15 dogs. So it's a big market.

16 And I just wondered whether in the pet food space
17 there's any more pressure to create more high-end packaging
18 and so forth to kind of go along with how close people are
19 feeling with their animals these days.

20 MR. BUCCI: So this is Art Bucci for ProAmpac.
21 So the urbanization of pets living in the city is a very
22 huge trend. So when you're sitting--

23 MR. BISHOP: Pull your mike a little bit closer,
24 please.

25 MR. BUCCI: Closer? I'm sorry. The urbanization

1 of people who own pets in the city is very big, it's a big
2 trend. So what you're saying is accurate, and it's going to
3 continue. And with that, you see a lot of different sizes,
4 a lot of different sized bags, much more expensive food, as
5 I said earlier, with different types of flavors and health
6 benefits. And that's a huge trend that will continue on the
7 upper end part of the pet food. So you always have your
8 entry-level pet food, and then there's kind of a mid-sized
9 pet food, and then there's a real expensive pet food that
10 are sold mostly in specialty stores and some vets and things
11 like that. So there's different segments like that, but
12 that will continue. The high-end part of the market will
13 continue.

14 COMMISSIONER BROADBENT: Are you all adjusting
15 your packaging imagery, and so forth, at all to address
16 that?

17 MR. BUCCI: We are addressing all segments of the
18 market. Is that what you're asking?

19 COMMISSIONER BROADBENT: Well I just wondered
20 whether you're changing the pictures that you're printing,
21 or --

22 MR. BUCCI: Well, it's--are we changing? The
23 graphics--we have the ability to print all the different
24 graphics, so it's really up to the customer. We don't pick
25 what our customer wants. But the answer is, we are printing

1 on different materials, if they ask us to, to meet the
2 demand.

3 So if they're going to sell an eight-pound bag of
4 food for \$60, which is actually what they do, \$50, \$60, you
5 need to be able to present it that way.

6 COMMISSIONER BROADBENT: Yes, okay. That's
7 really interesting. Thank you.

8 MS. MUELLER: This is Louann from ProAmpac. I'd
9 like to just add, as well, that what we're seeing in those
10 boutique type smaller packages are actually coming out of
11 multi-wall packaging, as opposed to coming out of our
12 laminated woven sack packaging. So we typically service the
13 markets that are at 30- to 50 pounds, basically, and some of
14 those more boutique trendy type foods are in that 3- to
15 8-pound range.

16 COMMISSIONER BROADBENT: Yeah, I think I get it
17 for like \$25 a bag, a 40-pound bag, and I probably don't
18 love my dog enough, but she seems to like it.

19 (Laughter.)

20 MR. BAZBAZ: This is Isaac Bazbaz. I'd like to
21 also explain in regards to the sophistication of the
22 printing of that trend, you know, before the typical bag was
23 only printed with six or seven colors. Now they are ten
24 colors. And they are more fancy, and more detailed, and
25 they are coordinating ads in the TV to support the marketing

1 side.

2 So the demand for printing is increasing, and
3 the package becomes more sophisticated on the printing side.
4 But basically, it's the same package.

5 COMMISSIONER BROADBENT: Right.

6 It's an open mouth bag.

7 COMMISSIONER BROADBENT: Got it. Thank you.

8 Mr. Reynolds, how did Commerce make the decision
9 to excluded laminated woven sack shopping bags from the
10 scope of these investigations?

11 MR. REYNOLDS: I'm not exactly the biggest
12 expert on Commerce.

13 COMMISSIONER BROADBENT: But we know you're
14 learning Commerce.

15 MR. REYNOLDS: Exactly. I think maybe Steve can
16 fill this in, but I think the idea is that issue came up in
17 the Prelim here at the ITC and we wanted to make clear that
18 those were not covered within the scope and Steve can fill
19 you in a little bit more.

20 MR. JONES: There was concern that was expressed by,
21 one of the Vietnamese Respondents, that the scope covered a
22 woven shopping bag and we had no intention to cover that
23 product.

24 COMMISSIONER BROADBENT: Right.

25 MR. JONES: So, we agreed with the clarification

1 of the language to make sure that the laminated woven
2 shopping bags are not part of the scope.

3 COMMISSIONER BROADBENT: Got it. Thanks. This
4 makes sense, I guess.

5 Ms. Mueller, what factors justify the fairly
6 significant domestic industry capacity expansion during a
7 period when you claim you were being injured.

8 MS. MUELLER: Are you asking -- we invested in
9 equipment during this time.

10 COMMISSIONER BROADBENT: Yeah. I mean as I
11 understand it high capacity utilization is helpful for the
12 industry and so you were under seize from some imports and
13 you had low capacity utilization, but you added more
14 capacity. So, I was just asking why.

15 MS. MUELLER: Some of the investments that we
16 made were to help us with speed, with changeover time on
17 some of our printing presses to try to be more competitive
18 against the imports that we were up against.

19 COMMISSIONER BROADBENT: Okay.

20 MR. BAZBAZ: I would also want to add the
21 equipment is not immediately available. Whenever you make
22 the decision to buy the equipment it might take a year or 18
23 months to delivery and implementing installation, so
24 it's not an immediate --

25 COMMISSIONER BROADBENT: You have to plan ahead.

1 Where do you usually buy the equipment from; is it domestic
2 equipment?

3 MR. BAZBAZ: It is primarily equipment that
4 comes from Austria and Germany -- primarily Europe.

5 COMMISSIONER BROADBENT: Okay, alright.

6 MR. JONES: The increase in capacity during the
7 period was in response to, as Ms. Mueller testified, to
8 become more cost competitive, to be more efficient, but also
9 demand is increasing in the market. We've talked about
10 that. And the amount of capacity that was added during the
11 period matches almost exactly the increase in apparent
12 domestic consumption during the period, so the industry got
13 it right in terms of right sizing the manufacturing
14 capabilities to account for the increase in demand. What
15 they didn't anticipate or was much more severe than they
16 anticipated was the low prices of subject imports.

17 MR. SZAMOSSZEGI: And I just want to highlight
18 that this was from my last slide and it shows that capacity
19 did increase and the subject imports basically got that
20 market share that was available. And so the domestic
21 industry's excess capacity increased almost hand-in-hand
22 with the subject imports.

23 COMMISSIONER BROADBENT: Okay.

24 Mr. Jones, could you talk a little bit more
25 about how effective the Orders on Chinese laminated woven

1 sacks have been?

2 MR. JONES: I can only second what Mr. Bazbaz
3 has said. You know he's out there in the market and
4 actually producing the product and you know his testimony is
5 that he wouldn't be in business if those Orders hadn't been
6 imposed. And I think it's clear from just looking at the
7 volume of imports from China. Over time they've reduced
8 significantly and the Vietnamese filled in for them, so it's
9 Vietnam 71 percent of total imports now, so the Order has
10 been effective.

11 It's not the aim of this group -- of the
12 Petitioners to use the trade laws to block imports. Imports
13 are welcome to compete on a fair basis. The purpose is to
14 level the playing field and make sure that imports are being
15 priced fairly.

16 To the extent that imports from China have
17 dropped off, it's a sign that they can't price fairly in the
18 U.S. market and can't compete here without dumping. So,
19 those Orders were continued in 2014. The sunset review is
20 pending again on those Orders and we hope the Commission
21 continues the Chinese Orders again.

22 COMMISSIONER BROADBENT: Thank you.

23 Mr. Bazbaz, Central Bag, the Respondent, asserts
24 that U.S. producers are reportedly the price leaders in the
25 U.S. market and therefore this is not a case where foreign

1 producers and sellers targeted the U.S. market and sought to
2 use aggressive low pricing to take away U.S. sales. Are
3 U.S. producers the price leaders in this market. And if so,
4 how did subject imports exert pricing pressure on these
5 price leaders?

6 MR. BAZBAZ: If I understand what a price leader
7 is -- as setting price. I mean we can set the price,
8 but you know the customer will not buy if they can get the
9 bags from Vietnam at a lower price. So, I do not understand
10 why Central Bag would say that we're the price leaders. I
11 wish we were, but that's not the case, not at all. The
12 price leaders are the Vietnamese.

13 COMMISSIONER BROADBENT: Okay. Alright, thank
14 you very much.

15 CHAIRMAN JOHANSON: Commissioner Schmidtlein.

16 COMMISSIONER SCHMIDTLEIN: Alright, thank you
17 very much. I'd like to thank the witnesses for being here
18 as well, including Mr. Reynolds, who I think is this the
19 first hearing you've participated in?

20 MR. REYNOLDS: This is my first hearing,
21 Commissioner Schmidtlein.

22 COMMISSIONER SCHMIDTLEIN: Okay, that's what I
23 thought.

24 MR. REYNOLDS: But I'm very excited about it.

25 COMMISSIONER SCHMIDTLEIN: Welcome back.

1 So, I would like to understand the relationship
2 between these two potential segments of the market that
3 we've been talking about -- animal feed and pet food. And I
4 know I've heard one witness testify that some purchasers are
5 buying for both end uses and so one question I had was are
6 the large purchasers for pet food the same as the large
7 purchasers for animal feed?

8 MR. BUCCI: No, not all the time. I mean
9 there's a combination. So, since Purina was brought up
10 earlier, Purina buys mostly pet food. They also have a feed
11 division, but they are primarily known for pet food. There
12 are other customers in the marketplace that buy both.

13 COMMISSIONER SCHMIDTLEIN: But for the large --
14 because both of these markets are dominated mostly by a few
15 large purchasers, right, and I'm just trying to quickly get
16 a sense of are those the same players or are they really
17 different? Does Cargill buy both or is it really focused on
18 animal feed? Purina's really pet food.

19 MR. BUCCI: Most likely they're -- yes, I would
20 have to say that they are. The larger animal feed buy most
21 animal feed and the larger pet food buy mostly pet food. I
22 think you just put up Cargill, correct? They buy both.

23 COMMISSIONER SCHMIDTLEIN: They buy both?

24 MR. BUCCI: They buy both. And they're a large
25 company, obviously.

1 COMMISSIONER SCHMIDTLEIN: Yeah.

2 MR. BUCCI: I do not know what the percentage of
3 one to the other is, but they do buy both. They have a pet
4 food brand and then they have animal feed brand also.

5 COMMISSIONER SCHMIDTLEIN: Okay. Do you find
6 that -- because they seem very different to me, right? So,
7 one is for, as we've discussed, pets and this trend of
8 people you know treating their pets like children and so
9 forth. And the other is for farmers, right, and I guess
10 cattle or horse? That's what they're buying for. So, do
11 you find that the demand trends are similar in those two?
12 And if they are, why would they be? I mean, right, like
13 animal feed -- yes, regular animal feed as opposed to pet
14 food I assume is being driven by you know how many
15 hamburgers we're eating and how much milk we're drinking to
16 a certain -- I don't know. So, do they follow the same
17 trends or not?

18 MR. BUCCI: We're seeing both segments grow, so
19 that's public. You can look that up.

20 COMMISSIONER SCHMIDTLEIN: Yes.

21 MR. BUCCI: I don't think they're both the same
22 trends. So, no, I think the pet food is clearly because us
23 humans love pets and that's why that part of the market is
24 growing. But the animal feed part is still growing and you
25 know it's the same bag and it's a part of the market we

1 certainly like to enjoy and think of.

2 COMMISSIONER SCHMIDTLEIN: And why is animal
3 feed growing, that segment of the market, what's driving
4 that? Do you all know? Do you have an idea?

5 MR. BUCCI: I do not actually.

6 COMMISSIONER SCHMIDTLEIN: Do you find that it's
7 increasing in your view, in your experience?

8 MR. BUCCI: In our experience, the animal feed
9 market has grown. Are there more horses and cattle? I
10 don't know their statistics.

11 COMMISSIONER SCHMIDTLEIN: Okay. Mr. Bazbaz?

12 MR. BAZBAZ: First, I'd like to address whether
13 they are the same buyers. Purina was one company before
14 Nestle bought the Nestle-Purina brand, so they bought the pet food
15 section -- the pet food division, had to divest from
16 Purina, which was the feed division.

17 COMMISSIONER SCHMIDTLEIN: Oh, they had to
18 divest, okay.

19 MR. BAZBAZ: So, a different company, and
20 different buyers.

21 COMMISSIONER SCHMIDTLEIN: Okay.

22 MR. BAZBAZ: The reason why it's becoming an
23 issue of a distinction is more in the --
24 minds of who is buying -- who is
25 making the decision of buying that product. You know the

1 bags in the feed segment have also substituted the multi-wall paper
2 bags over time. There was a faster substitution in the pet
3 food industry than in the feed industry. The feed industry
4 was a little late in that change, but they changed. And as
5 it changed to the laminated woven sack, it also changed the
6 ability to supply a bag that is very attractive -- you know
7 laminated with high gloss paint and multicolor and it just
8 became a way of marketing that bag to the buyer of the feed
9 as the same way in the buyer of the pet food.

10 In other words, at the end of the day --

11 COMMISSIONER SCHMIDTLEIN: That's another
12 curiosity to me. Do the farmers care what are on these
13 bags?

14 MR. BAZBAZ: Of course, they care because --

15 COMMISSIONER SCHMIDTLEIN: I mean I'm from a
16 farm town and I have a hard time imagining the people I know
17 there really care, but I guess they do.

18 MR. BAZBAZ: Let's assume that you have a farm
19 and you have a very nice-looking bag with the print that
20 looks awesome and you have a scrappy paper bag, all wrinkled,
21 and it has another horse. You know you naturally are going
22 to be attracted to the one that has more graphic appeal to
23 you. So, that's why they're targeting the buyer, --
24 maybe the same food at the end, but the packaging makes a
25 big difference.

1 COMMISSIONER SCHMIDTLEIN: And so, in your view
2 has demand in the animal feed segment, let's call it, been
3 increasing over the last three years?

4 MR. BAZBAZ: The demand in the segment probably
5 growth at the rate of U.S. Government grows,
6 but I mean --

7 COMMISSIONER SCHMIDTLEIN: GDP?

8 MR. BAZBAZ: The Gross National Product. But
9 what has grown more is the change or the demand for laminated
10 woven sacks as they changed from multi-wall paper to the
11 laminated woven sack.

12 COMMISSIONER SCHMIDTLEIN: I see, so the switch
13 is increasing demand.

14 MR. BAZBAZ: Yes, exactly. So, the opportunity
15 became obvious to that market as it
16 started in 2004 with the pet food. It just continued in
17 other markets and you don't just see feed -- you know interest
18 in that type of bag, but also corn and many other products
19 are going to be slowly moving from multi-wall paper bag to
20 this type of packaging.

21 COMMISSIONER SCHMIDTLEIN: So, do you see -- how
22 do prices in one affect prices in the other. I mean there
23 are some purchasers that are buying both. I understand,
24 right, but it sound like it's a fair statement to say, in
25 general, the large purchasers in the pet food segment are

1 different than the large purchasers in the animal feed
2 segment and so do you find that there's a price affect? In
3 other words, what you're able to get for the bags in the pet
4 food is that affecting what you're able to get in animal
5 feed, vice versa?

6 And if it is, how is that? In other words,
7 where is the price transparency? I mean how do these buyers
8 know what's going on in the other segment if they're not
9 actually participating in that segment?

10 MR. BUCCI: This is Art Bucci, ProAmpac. Just to
11 go back to the other question, the one area that is a very
12 big grey area in the seed versus pet food is bird seed. So
13 technically bird seed would be sold--considered feed. But
14 it's sold in pet food stores. So there is a little more
15 cross-over and pet seed is a fairly large segment of the
16 seed market.

17 So it's all not--it's all not horses and cattle.
18 There are domestic animals, which is the term I would use,
19 that use feed. So I just want to make sure that's
20 understood.

21 COMMISSIONER SCHMIDTLEIN: Uh-huh.

22 MR. BUCCI: To answer the question you just
23 asked, because the bag is the same bag, I mean it's a woven
24 sack, the same ink, same everything, different print
25 depending on what's being sold. The buyers know what the

1 import's pricing is.

2 COMMISSIONER SCHMIDTLEIN: Is this through the
3 distributor?

4 MR. BUCCI: It's the feed company itself that's
5 just buying from Vietnam, buying Vietnamese bags. The large
6 pet food customers know what that price is. I mean, they
7 understand the market to the point where they understand
8 what the price is coming in from Vietnam. They understand
9 that that is a laminated woven sack that they're buying
10 today. They understand that gets filled on the same
11 equipment that they have, that the seed companies have.

12 COMMISSIONER SCHMIDTLEIN: No, I understand that.
13 But I guess what I'm asking is, between animal feed and pet
14 food, right? So I understand you all compete in both,
15 right? I understand that. And I don't think there's
16 attenuated competition there. I mean there's enough
17 competition, head-on-head competition. But I'm just trying
18 to get a sense of is there a price effect between the two
19 parts of the market? And if there is, how does that occur?

20 MR. BAZBAZ: Real quick, Isaac Bazbaz. In our
21 case, we compete against Vietnamese imports with the pet
22 food market--very aggressively competing in the pet food
23 market. So the buyer knows what the Vietnamese prices are.

24 And the Vietnamese bags traditionally are coming
25 in by big and large distributors, such as Central Bag,

1 Commercial Bag, many other distributors, and they don't reject
2 any customer to offer the bag. So they will go to any
3 customer, they offer the bag at the same price everywhere, not
4 the price for the pet food than the--

5 COMMISSIONER SCHMIDTLEIN: So you think through
6 distributors is where sort of the price transmission
7 happens?

8 MR. BAZBAZ: Yes, ma'am. Yes.

9 COMMISSIONER SCHMIDTLEIN: Okay. Alright--

10 MR. REYNOLDS: If I could add, you know when you
11 have price issues between parts of the market, there are a
12 lot of ways the price can be communicated. And what you
13 have here is a situation where there's a common element in
14 both of those parts of the market, and that's the Vietnamese
15 producers.

16 And so the Vietnamese producers, in our view, are
17 the price leaders in this market, not the domestic industry.
18 And so it's them coming in and underselling heavily in both
19 of these markets that acts as a price communication method
20 in both of those markets.

21 COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank
22 you.

23 MR. SZAMOSSZEGI: Andrew Szamosszegi, just very
24 quickly?

25 COMMISSIONER SCHMIDTLEIN: Okay.

1 MR. SZAMOSSZEGI: And we'll address this
2 posthearing because there are confidential--there is
3 information that we could use to discuss this in more detail
4 right now, but you do see that it's not like the Vietnamese
5 are only gaining in one area. They're gaining in other
6 areas, including in the pet food area. So that's pretty
7 much the most I can say.

8 And so there is knowledge of the price. It's not
9 like the acetone industry here everything is published and
10 widely available.

11 COMMISSIONER SCHMIDTLEIN: Right.

12 MR. SZAMOSSZEGI: But there is this knowledge of
13 price in both market segments, and everybody is competing in
14 those segments. Thanks.

15 COMMISSIONER SCHMIDTLEIN: Alright, thank you.

16 CHAIRMAN JOHANSON: Commissioner Kearns?

17 COMMISSIONER KEARNS: Thank you. I have to say
18 I'm surprised to hear that people treat their pets like
19 their children. My old dog was much better behaved and much
20 happier to see me--

21 (Laughter.)

22 COMMISSIONER KEARNS: --when I'd come home than
23 my kids seemed to be. But so we've asked a lot of questions
24 about animal feed versus the pet food market. I don't think
25 this question is redundant, though.

1 I'd like to know, do animal feed companies tend
2 to make smaller orders or have more frequent customization
3 needs?

4 MR. BAZBAZ: In our experience, and we know this
5 from the bid requests, they are pretty much the same. They
6 have a number of SKUs, a very, very large number of SKUs,
7 and they can have as many as 100 items in one bid that we
8 need to bid on.

9 So there is no simplification in one way or the
10 other in the two markets. Both of them have large, like dog
11 chow might be a large volume item, but there are many, many
12 more that are very small-volume items even with the
13 large buyers.

14 COMMISSIONER KEARNS: Okay. The same for
15 ProAmpac?

16 MS. MUELLER: This is Louann, yes, the same for
17 ProAmpac as well. I just wanted to add, when we talk about
18 animal feed, you always think of horses, cows, pigs, which
19 the exports of pork and beef have grown in recent years and
20 that may account for some of the growth that we see in
21 animal feed, but it also includes other animals on the farm
22 like lamb. We actually did one several years ago for show
23 lambs. That was a very small run. It's a once-a-year type
24 of feed that our customer was putting out into the market.

25 Several chicken feeds as well, which is also

1 growing, people having chickens at home. So I just wanted
2 to clarify that.

3 COMMISSIONER KEARNS: Funny you should say that.

4 I used to show lambs, myself. We didn't buy it in
5 packages. We just like put it in a huge barn--but, anyway.
6 So the idea of like these fancy-looking packages are way
7 beyond me.

8 But I want to ask a couple of questions about the
9 printing method. And this should be my last question, I
10 believe, but why do U.S. producers prefer flexographic
11 printing? Do any domestic producers use retrograveur
12 printing? And is there any difference in quality between
13 the two?

14 MR. BAZBAZ: This is Isaac Bazbaz.
15 Traditionally, the United States has been more focused on
16 flexographic printing presses than in Asia. And it's just
17 because that's the way the industry developed. In Asia, the
18 printing process was mostly developed in rotogravure. For
19 one period of time, many, many years ago, there was a
20 distinct difference between the rotogravure that was more
21 accurate, more fine printing, than the flexographic process.

22 But technology has changed in the last 15 years
23 where the flexographic technology is matching the
24 quality of the rotogravure. As you can see, those bags
25 that we submitted before, one were--the Vietnamese bags were

1 made with rotogravure and the other ones were made with
2 flexographic inks, and they look pretty much the same. You
3 cannot tell the difference.

4 And, you know, if there was a difference, the
5 customer would not share brands with Vietnam and U.S.
6 manufacturers.

7 COMMISSIONER KEARNS: Thank you very much. I
8 have no further questions.

9 CHAIRMAN JOHANSON: The Respondents argue that
10 sellers of subject merchandise were not price leaders in the
11 U.S. market, and that those U.S. purchasers that did
12 identify a price leader most predominantly named the
13 Petitioners. They write this at page 7 of their brief.

14 How do you all respond?

15 MR. JONES: Chairman Johanson, this is Steve
16 Jones. Some of this response is going to have to be in our
17 post-hearing brief because it calls on the use of
18 confidential information.

19 But the price leadership section of the
20 pre-hearing report I think explains this very well and very
21 clearly. And I'll just say that the argument made by
22 Central Bag in its prehearing brief is just factually
23 incorrect. And we'll have to explain that in confidence
24 post-hearing.

25 CHAIRMAN JOHANSON: And following up on that,

1 Petitioners have argued that price is critical in purchasing
2 decisions. However, according to the staff report, they
3 note that the majority of purchasers, 12 out of 18, reported
4 that they only sometimes purchase the lower priced LW sacks
5 that are offered. And I got that from page 218 of the staff
6 report.

7 How do you square these data with your position
8 on price affecting purchasing decisions in the U.S. market?

9 MR. REYNOLDS: This is Neal Reynolds. I think
10 one of the most important factors is that that particular--
11 you know, we see in cases like this a lot that purchasers
12 come in and say that price isn't important, but the fact is
13 that they also report that price is one of the very
14 important factors in the purchase decision.

15 So when you're looking at that particular fact
16 and you're associating it or correlating it with the
17 significant degrees of underselling that you're seeing in
18 this market, I really think that you have to take it with a
19 little bit of a grain of salt - the purchasers saying price
20 isn't important.

21 What you have seen is heavy underselling. A
22 significant share of the market being taken over by the
23 subject imports. And a loss in market share by the domestic
24 industry. And that's a situation in which, in our view, the
25 level of underselling and the significance of price is a

1 matter that's driving those factors.

2 I think you've seen enough in these
3 investigations, Commissioner Johanson, to know that
4 purchasers have an interest in not having--especially
5 purchasers who purchase Vietnamese imports, have an interest
6 in seeing that those imports aren't hit with big duties, and
7 in seeing that the Commission issues a negative determination.

8 So it's not surprising what the responses are.

9 MR. SZAMOSSZEGI: Andrew Szamosszegi, Capital
10 Trade. If that were true, we wouldn't have a situation here
11 where people aren't--or companies are not even allowed to
12 bid, or are told in a bidding process that they're not even
13 in the ballpark.

14 And I think we know the numbers are what the
15 numbers are in that particular table. And we also know that
16 the products are comparable, and Vietnam is lower priced per
17 this table, which is drawn from a prehearing report, Table
18 2=9. And so there's plenty of information in the record
19 that shows that this is a price sensitive market, and that
20 price is very important and has prevented the domestic
21 industry from gaining market share, or even increasing
22 shipments substantially in a growing domestic market
23 because of the--and that's because of price, not because of
24 anything else.

25 CHAIRMAN JOHANSON: There's been some discussion

1 in the briefs, as well as the staff report, about the
2 printing component in the manufacture of laminated woven
3 sacks, the two components being flexographic and
4 rotogravure processes.

5 Why is that important?

6 MR. BAZBAZ: I believe that they are just trying
7 to make a distinction, you know, that they are unique and
8 that we cannot do whatever printing quality it is possible
9 to make, or is demanded. Trying to imply that this is a
10 distinct quality of the print but there is no difference as
11 you can see in the sample that we submitted. Is that
12 answering your question?

13 CHAIRMAN JOHANSON: Yes, I guess so. I will ask
14 the Respondents this afternoon but I was a little surprised
15 to see that. I thought there must be a quality difference
16 which was a major factor.

17 MR. BAZBAZ: Yes, there was a quality difference
18 but that quality difference became zero in the last decade or
19 15 years ago with new technologies of flexographic printing.

20 CHAIRMAN JOHANSON: Okay, thanks. Is there any
21 part of the market where you all do not compete with Subject
22 Imports?

23 MR. BUCCI: This is Art Bucci from Impact. No.

24 CHAIRMAN JOHANSON: Okay, that's a succinct
25 answer.

1 MR. SZAMOSSZEGI: This is Andrew Szamosszegi from
2 Capital Trade.

3 CHAIRMAN JOHANSON: I assume yours will not be
4 succinct.

5 MR. SZAMOSSZEGI: It will be succinct. This
6 slide, right side of the page.

7 CHAIRMAN JOHANSON: Okay. To what extent do
8 post-Petition effects explain any decline in the volume of
9 Subject Imports in interim 2018 as seen in table C1?

10 MR. JONES: So Commissioner Johanson, this is Steve
11 Jones. The Petition effects, just so an industry witness is
12 able to answer this is, the statute provides that the
13 Commission may view what's happened after the filing of the
14 Petition in light of the Petition, so if there are changes in
15 the market because of the Petition, the Commission is
16 entitled to view that as the effect of the Petition and not
17 in the case of declining imports after the Petition count
18 that against the Domestic Industry.

19 So the question is after the Petition is filed,
20 what did you see in the market?

21 MR. BAZBAZ: What we've seen is precisely that,
22 what we've seen is somewhat of an anticipated outcome from
23 the Investigation and that maybe -- They say we need to be
24 careful about reaching substantial duties against the
25 subsidies. A lot of the decreases of the Vietnamese were

1 caught by other non-subject importers, exporters in the
2 United States like India and Columbia and Honduras so we can
3 compete against all those countries if they are not
4 subsidized.

5 We have seen not an immediate relief because of
6 this and there is still a tremendous amount of inventory in
7 the warehouses and the buyers are still not open for
8 discussion, small buyers and large buyers are saying "good
9 luck -- we'll see you next time".

10 MR. BUCCI: This is Art Bucci with ProAmpac. The
11 biggest effect that we've seen is that companies who
12 normally would not engage us are engaging us and that would
13 be over the last several months. We have not won any
14 business yet as Mr. Bazbaz explained. There is a supply
15 chain you have to go through but they are wanting to talk to
16 us and see what we're about and see what we can offer and
17 eventually allow us to quote on the business.

18 MR. REYNOLDS: I just wanted to add one point. I
19 think it's a good question Commission Johanson because when
20 I read the Respondents' brief they seem to focus fairly
21 heavily on the improvements in a lot of the industry in
22 pricing in the 2018 interim period. As you know, that's
23 after the filing of the Petition and we think a lot of that
24 is the result of the disciplining effects of filing a
25 Petition, post-Petition effects.

1 MR. JONES: Chairman Johanson. I think it's also
2 important to note, at least with respect to import volume
3 that the imports have declined somewhat, I think down 14
4 percent interim 2017 to interim 2018, but 2018 import volume is
5 on track in 2018. We don't have the data yet. Maybe we do
6 but it's not on the record but on track anyway to exceed the
7 volume at the beginning of the Period of Investigation.
8 There is still a significant volume of imports in the
9 market.

10 CHAIRMAN JOHANSON: Okay, thanks for your
11 testimony. Commissioner Williamson?

12 COMMISSIONER WILLIAMSON: Thank you. Can you
13 address Central Bag's arguments that declining prices for
14 the domestic like product resulted from declining
15 polypropylene prices?

16 MR. BAZBAZ: Well, it's wrong. The industry.
17 The assumption is wrong. The raw materials of polypropylene
18 might have some difference on a quarter to quarter basis every
19 now and then but ultimately it's like water. It tends to
20 find its own level. The only difference might be
21 transportation costs.

22 Transportation cost is approximately 8 cents per
23 pound and you are maybe looking at 80 cents a pound or 70
24 cents a pound, so about 10 percent at the most, it's going
25 to be about 10 percent difference between markets making

1 producers. Even if there is a larger amount of 8 cents a
2 pound might be just 1 or 2 percent of the final cost of the
3 bag so this contention is not right.

4 Of course we understand they have lower cost of
5 labor and we understand they have lower cost of inputs but
6 this is the same case as India, the same case as Honduras
7 and many other countries and we can compete against them if
8 they are not dumping. So the issue is not the cost of
9 materials or cost of goods per se if they are working on a
10 level playing field we could be competing against them. Is
11 that answering your questions?

12 COMMISSIONER WILLIAMSON: It's getting there. Is
13 there anything about what's the cost of raw materials in
14 Vietnam or any government subsidies or anything like that to
15 give them something lower than world market price or the
16 price you are getting your raw materials at?

17 MR. BAZBAZ: Well we know that there is a
18 producer of polypropylene in Vietnam but I don't know, I
19 have not seen all the competition information.

20 COMMISSIONER WILLIAMSON: Okay, thank you.

21 MR. SZAMOSSZEGI: Andrew Szamosszegi, I'll be
22 brief. We don't have access to their costs so we just don't
23 know what's going on there but we do know there's a
24 promotion of that industry in Vietnam and there's not enough
25 domestic consumption to absorb what's being produced so the

1 only way they can absorb that polypropylene is through
2 exporting it somehow.

3 The other point I'd like to make is that
4 polypropylene price relationship between the Asian price and
5 a U.S. price varies over time but the U.S. price, there's
6 an interaction there and the transportation costs matter so
7 the difference is kind of bound by the transportation
8 difference.

9 The final point I'd like to make and probably the
10 most important is that for Respondents' argument to be true
11 there wouldn't be a type of cost price squeeze that we're
12 seeing over the POI. I'll just leave it at that. The
13 details are in our brief at page 41 to 43.

14 COMMISSIONER WILLIAMSON: You may partially have
15 already answered this but on page 5-2 at the bottom there is
16 a discussion Central Bag makes about their raw material
17 costs and I wonder if you could address that post-hearing to
18 the extent that you haven't already done it now. Thank you.

19 Let's see. Bear with me just a second.

20 MR. BAZBAZ: Mr. Commissioner, if I could add a
21 little bit in there.

22 COMMISSIONER WILLIAMSON: Yes, sure.

23 MR. BAZBAZ: U.S. manufacturers typically
24 increase prices if the raw materials have increased or
25 decreased prices when the raw material decreases on the

1 quarterly basis or semi-annual basis. There is a practice
2 of at least of what we have seen and heard of the Vietnamese
3 to keep the prices firm for a year even though the price of
4 raw materials can go up or down in that part of the world.

5 COMMISSIONER WILLIAMSON: I guess this is the
6 last question, are your deals with your customers, in other
7 words do you do long-term contracts, short-term contracts,
8 spot and if there are long-term contracts are there price
9 adjustments for raw material costs? And if it's proprietary
10 we can address it post hearing. It gives me a context of
11 what you just said.

12 MR. BAZBAZ: In most cases the contacts are short
13 term contracts but for the same item the price might vary
14 quarter to quarter or by order depending on raw materials.

15 COMMISSIONER WILLIAMSON: Okay.

16 MR. BUCCI: I'm sorry, this is Art Bucci with
17 ProAmpac so depending on the customer, depending on the deal
18 there are certainly escalators and de-escalators in
19 contracts based on raw materials and sometimes labor costs.
20 There is volume pricing. There are a lot of different ways
21 we present to our customers based on their needs.

22 COMMISSIONER WILLIAMSON: I guess you can
23 incorporate the changes in raw material costs into what the
24 nature of the contract and how you do it? Is that a fair
25 question? Is there anything you can say and want to say

1 post-hearing about the relationship with the contracts that
2 the Vietnamese exporters have with their customers that may
3 be different? It's all tied together you see so
4 post-hearing maybe you can sort of address this.

5 MR. JONES: Commissioner Williamson, we will
6 discuss that and see what we can do to answer that question
7 post hearing.

8 COMMISSIONER WILLIAMSON: Good, thank you. You
9 stated in your prehearing brief page 6 that animal feed
10 sacks are produced in a larger number of specifications than
11 pet food sacks. What sort of additional specifications are
12 required and why?

13 MR. BAZBAZ: This is Isaac Bazbaz, can you repeat
14 the question of what is the --

15 COMMISSIONER WILLIAMSON: Okay, on page 6 of the
16 prehearing brief is a statement made that animal feed sacks
17 are produced to a larger number of specifications than that
18 of pet food sacks and my question is what sort of additional
19 specifications are required and why?

20 MR. BAZBAZ: This is Isaac Bazbaz. Mr.
21 Commissioner there are no differences other than print.

22 COMMISSIONER WILLIAMSON: Other than?

23 MR. BAZBAZ: Other than the printing. Other than
24 the graphics and the different sizes, between the bags
25 used in the feed industry and the pet food industry. Same

1 type of bag, same product.

2 COMMISSIONER WILLIAMSON: So the specs are the
3 same?

4 MR. BAZBAZ: Same, same specs.

5 COMMISSIONER WILLIAMSON: Yes.

6 MR. BUCCI: This is Art Bucci from ProAmpac.
7 Same for us, it's the same specs, the same raw materials
8 depending on who you are selling to. They can have a lot of
9 SKUs, lot of different brands, not a lot of different
10 brands. I'm not sure if there's a pattern there based on
11 animal feed and pet food. It's all the same depending on
12 how big they are and how big the market is.

13 COMMISSIONER WILLIAMSON: Okay, thank you.
14 Actually this was a question intended for Respondents and I
15 was going to basically ask for your views on it. You've
16 given me your views and now I understand. So page 6 of the
17 Respondents' brief that this statement was made. But you've
18 answered it and --

19 MR. REYNOLDS: I was furiously looking for the
20 reference in our brief because I don't remember writing
21 that.

22 COMMISSIONER WILLIAMSON: Good, okay, fine. That
23 explains that. I'm sorry. On page V-7 of the Staff Report
24 one firm stated that because sacks come with specific
25 designs, moving a purchase from one supplier to another

1 would end up incurring costs that offsets any pricing margin
2 gains. Do you agree with that?

3 MR. BAZBAZ: Sorry, I didn't get the question.

4 COMMISSIONER WILLIAMSON: Let me rephrase it.
5 Assume it costs more to go from one brand to -- to change a
6 print on a run from one brand to another than it cost to
7 maybe change from tuna flavor to meat flavor in a bag. What
8 I'm getting at is the question what's the cost of changing
9 the bag?

10 MR. BAZBAZ: It's pretty much driven by the
11 printing process, so you have to change the
12 printing plates in the case of flexographic or you change
13 the printing cylinders in the case of rotogravure and there
14 is an amount of down time in that process. It could vary
15 from one-and-a-half to four hours, depending on the
16 complexity of the print. And, of course, that downtime has
17 to be recognized -- that cost of downtime has to be
18 recognized in the run size that you're going to print.

19 So, if you're going to print one hour only or
20 let's say 10,000 bags only, it's different than if you were
21 going to print 100,000 bags because you amortize the downtime
22 of the printing change into more bags or less bags and
23 that's what affects the price in small runs and large runs.

24 COMMISSIONER WILLIAMSON: Okay. And does labor
25 cost give the Vietnamese bags an advantage in that regard?

1 MR. BAZBAZ: In the preparation for changing,
2 you have the cost of equipment -- you know depreciation
3 interest and you have the cost of labor and that becomes an
4 hourly charge that you have to amortize in the run size, so
5 of course it has all the cost involved in there that you
6 have to amortize. Is that answering your question?

7 COMMISSIONER WILLIAMSON: Yes.

8 MR. BAZBAZ: But there's no difference -- other
9 than the print, there's no difference in the structure of
10 the bag, no difference in the structure of the film, no
11 difference in the structure of the adhesive -- on the
12 extrusion or the lamination. So, there is no difference anywhere
13 else, other than the print and the bag size.

14 COMMISSIONER WILLIAMSON: Is there any
15 difference in the different printing methods in terms of
16 cost of changing from one run to another?

17 MR. BAZBAZ: Ultimately, they are comparable.

18 COMMISSIONER WILLIAMSON: Okay.

19 MR. BAZBAZ: They both wear out. You have to
20 change both of them eventually -- you know the printing
21 plates and the cylinders.

22 COMMISSIONER WILLIAMSON: Okay, good. Thank you
23 for those answers.

24 CHAIRMAN JOHANSON: Commissioner Broadbent.

25 Commissioner Schmidtlein.

1 COMMISSIONER SCHMIDTLEIN: Okay, I just had a
2 couple question. I apologize if you just addressed this,
3 but anyone discuss whether or not you have purchasers who
4 are tracking raw material costs and using that in your price
5 negotiations with them?

6 MR. BAZBAZ: We follow indices that are
7 published by companies that drive prices of raw materials
8 and we refer to that index for a quarterly adjustment, so we
9 average from that price for polypropylene. And if it
10 increases let's say 10 cents, then we increase 10 cents
11 times the weight of the bags that they are supplied, or 10
12 cents lower times the weight of the bags being supplied.
13 So, it is a common, transparent way for the buyers to
14 increase or decrease according to the price of
15 polypropylene.

16 COMMISSIONER SCHMIDTLEIN: And is that under
17 contracts that you're talking about that are adjusted as you
18 go along or just in general whether it's you know short term
19 spot sales.

20 MR. BAZBAZ: It is understood that if a contract
21 goes above six months you know you might have the ability to
22 adjust the price if the raw material increase or decrease.

23 COMMISSIONER SCHMIDTLEIN: Okay, okay.

24 And Mr. Bucci?

25 MR. BUCCI: So, very similar, so we do have what

1 we called escalators/de-escalators based on raw materials
2 within contracts and they could be anywhere from three
3 months or every six months, depending on what's negotiated.
4 And it could be based on an index, as Mr. Bazbaz explained
5 about or it can be more complicated and it can include labor
6 and inks and everything else. It really depends on who
7 we're dealing with and the way the negotiations go, but most
8 of our larger contracts with larger pet food companies do
9 have some type of escalator/de-escalator in the contract.

10 COMMISSIONER SCHMIDTLEIN: And so, how does that
11 impact the ultimate price that you are able to get? In
12 other words, I'm assuming that when demand was as strong as
13 it was, at least in a couple years here of the POI, I mean
14 you've got this -- and polypropylene is falling.

15 MR. BUCCI: You negotiate a price at the start
16 of the contract and you develop a baseline and then that
17 baseline, which is in the contract, and that baseline
18 escalates or de-escalates based on the index that we're
19 following.

20 COMMISSIONER SCHMIDTLEIN: Okay. And so, when
21 you renegotiate contracts do you start with where raw
22 materials are from the prior year and then what, like take
23 into account --I'm assuming that's not the end of the story.
24 No?

25 MR. BUCCI: Let's say it's a two-year contract,

1 just as an example. At the end of the two years, they will
2 put it out for bid again. You will bid it and then you go
3 through the bid process. And within that bid process, they
4 ask you how you want to handle escalation or de-escalation of raw
5 materials.

6 COMMISSIONER SCHMIDTLEIN: I see.

7 MR. BUCCI: And that's when you present -- you
8 know if you already had the business, generally, you would
9 stay the same, escalate or de-escalate, but you would
10 present how you would handle the increase and decrease of
11 cost within the three-year or two-year contract, whatever it
12 is.

13 COMMISSIONER SCHMIDTLEIN: Okay. And I guess
14 I'll ask this afternoon is in your experience do imports
15 have the same sorts of provisions? Are they also escalating
16 or de-escalating based on raw material costs?

17 MR. BUCCI: Yes. That is a very common practice
18 in our industry.

19 COMMISSIONER SCHMIDTLEIN: Okay, okay. Okay,
20 thank you very much for that.

21 So, I wanted to ask about the argument in the
22 Respondent's brief with regard to export pricing, if you saw
23 that. And one of the arguments they make is that if subject
24 imports were driving or impacting the price in the U.S.
25 market then we ought to see a difference between that and

1 what the U.S. industry is able to get on the export market.

2 And in their view when you look at the numbers,
3 which I think are -- yes, they're confidential -- you don't
4 see that big differential. In other words, you don't see
5 the U.S. doing worse in their U.S. shipments versus what
6 they're able to obtain in the export market. So, it may be
7 easier for you to do this post-hearing, given that
8 everything's --

9 MR. REYNOLDS: Commissioner, if I could just
10 respond to that. I think part of the problem with that type
11 of argument is the classic problem with that type of
12 argument, which is we don't really know what's going on with
13 the export markets because you haven't investigated that.
14 We don't know enough about what's happening with Vietnamese
15 imports in those markets. We don't know what's happening
16 with other imports in those markets. So, what you're doing
17 is comparing U.S. price and U.S. underselling analysis
18 where you have very detailed data in terms of what's
19 happening in our market with a series of export markets
20 where you don't really know what the import competition is.

21 For example, you don't really know what's going
22 on as to Vietnam in those markets, so it's hard to really
23 compare them in a meaningful and analytically pertinent way,
24 I think. And I'll leave it up to other witnesses if they
25 have more specific, factual discussions about that.

1 COMMISSIONER SCHMIDTLEIN: Okay. Well, I mean,
2 maybe you want to address it post-hearing because given that
3 -- I mean the argument is that this is a commodity-like
4 product, right? So, in those types of cases the AUVs ought
5 to be relevant and we do have the AUVs for export sales --
6 export shipments and we have -- I mean the confidential
7 version of the staff report has where Vietnam exports. We
8 know -- I guessing we could -- it's in there. I haven't
9 looked where the U.S. exporting, so there is some
10 information you can use.

11 MR. REYNOLDS: The only comment I'd make on that
12 is in our brief, and we think this is consistent with what
13 we said in the China case, it's not really a commodity
14 product. We don't think of it as a commodity product. It's
15 a product that involves fairly sophisticated technology,
16 print technology, binder technology, so it doesn't qualify
17 as a commodity product. What does happen here, and this is
18 why it's easy to sort of conflate commodity with
19 substitutability is, as we described earlier, it's a highly
20 substitutable product because the Vietnamese and the
21 domestic products are very similar in almost all respects,
22 except price. So, I don't think from our perspective that
23 this a commodity product.

24 COMMISSIONER SCHMIDTLEIN: Okay. Alright,
25 that's a fair point.

1 Alright, the other question I have, and again,
2 this might be easier done in the post-hearing, unless you
3 want to try to comment on it now, is when I look at the
4 non-subject imports and it looks like we have a different
5 trend in the final than we did in the Prelim. If you look
6 back at the Prelim in terms of what was happening with
7 market share, we have a different trend now based on the
8 information we were able to gather in a final investigation.

9 When you look at the AUVs -- and we did break
10 out a couple of countries, right -- Cambodia and Honduras
11 and then there's all others. When you look at the AUVs for
12 non-subject and you compare that to the Vietnamese's AUVs
13 for the period, it looks like non-subject is priced lower --
14 has lower AUVs over the POI. But based on the most recent
15 information, they're not gaining market share, right, which
16 is different than what we had in the -- the information we
17 had in the Prelim for the same period of time.

18 So, one question I had was -- and then you see
19 in the interim period, right, after the case is filed,
20 non-subject do gain as well as subject, right -- no, I'm
21 sorry -- subject loses. So, my question is but yet you see
22 the price is still low there, so why are non-subject, now
23 based on the final, not able to gain market share when their
24 product is, based on AUVs, lower than the Vietnamese
25 product. But yet, in the interim, they do gain.

1 So, in my mind you know I'm thinking, well, it's
2 a quality. It's a product offering issue. But then, in the
3 interim, they do gain, so they must be able to offer
4 product. So, again, this might be easier to address in the
5 post-hearing, but I'm happy to hear if you have a reaction
6 to that what's going there because I did notice that the
7 trend -- you know the trend changed based on new
8 information.

9 MR. BUCCI: Based on my opinion and my market
10 knowledge, the other countries that you're talking about,
11 they do not have the infrastructure that Vietnam has to be
12 able to deliver the amount of bags that's needed. So, when
13 you're talking about Ralston Purina which was brought up
14 earlier, the amount of bags they used are a lot. I mean a
15 whole lot. They're a leading company, so they're not going
16 to buy from a country who does not have the infrastructure
17 to deliver the product and put it on the shelf because
18 that's how they make their livelihood.

19 MR. SZAMOSSZEGI: And I think that's why in
20 Appendix D you see a lot fewer -- that's public anyway -- a
21 lot fewer observations. The subject imports are just
22 present in fewer head-to-head observations and so they're
23 just not as large a force in the market. And there was, as
24 you say, a minor -- there was a change, a noticeable
25 difference in the interim period, but also the level of

1 total imports are down. Even though the non-subject is up
2 a bit, it's not up to the extent as the Vietnamese -- the
3 subject imports from Vietnam went down. I just thought I'd
4 mention that.

5 COMMISSIONER SCHMIDTLEIN: Right. Go ahead.

6 MR. REYNOLDS: Again, we think the Vietnamese
7 are the price leaders in this market and there are
8 countries, there are producers, whether domestic or subject
9 or non-subject, who, in many cases, act as price leaders.
10 And it's the way that they're using their prices in Vietnam
11 and the amount of the capacity they have and the way they're
12 targeting this market that allows them to affect prices.

13 The fact that the non-subjects are simply
14 meeting prices in situations and maintaining their market
15 share means that they're not having the same price affect or
16 the price leadership affect of the Vietnamese industry. And
17 the way I would establish that that's true is the stability
18 of the market share of the non-subject imports shows that
19 they're not being as aggressive about pursuing sales as the
20 Vietnamese are.

21 COMMISSIONER SCHMIDTLEIN: Well, certainly, over
22 the POI they lost, but in the interim they gained, the
23 non-subject, and so that's what caught my eye and then the
24 difference between those two periods, right?

25 MR. REYNOLDS: And you could say that's probably

1 a response to the petition.

2 COMMISSIONER SCHMIDTLEIN: Okay. Alright, I
3 don't have any further questions. Thank you.

4 CHAIRMAN JOHANSON: Commissioner Broadbent.
5 Commissioner Kearns?

6 COMMISSIONER KEARNS: No further question.
7 Thanks.

8 CHAIRMAN JOHANSON: Okay, it appears that the
9 Commissioners do not have further questions. Does staff
10 have any questions for this panel.

11 MR. BISHOP: Mr. Chairman, staff have no
12 questions.

13 CHAIRMAN JOHANSON: Do Respondents have any
14 questions for this panel?

15 MR. GOLDBERG: No, Mr. Chairman.

16 CHAIRMAN JOHANSON: Okay, Respondents you don't
17 have any questions either. In that case, we will now break
18 for lunch. Let's come back here at 1:15 p.m. And I would
19 like to remind people that the hearing room is not secure,
20 so please be sure to take any proprietary information with
21 you. So, once again, we will be in recess until 1:15.

22 (Whereupon a lunch recess was taken to reconvene
23 at 1:15 p.m. this same day.)

24

25

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

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

3 CHAIRMAN JOHANSON: I'd like to welcome this
4 afternoon's panel, and you all may begin whenever you would
5 like.

6 STATEMENT OF ROY GOLDBERG

7 MR. GOLDBERG: Thank you very much, Chairman
8 Johanson. Roy Goldberg from Stinson on behalf of Respondent
9 Central Bag and Denyse Zosa from Stinson is with me.

10 On behalf of Central Bag, I would like to thank
11 the members of the Committee for the opportunity to present
12 in opposition to the Petition today. In much less than the
13 time allotted, we will provide a summary of the information
14 in our prehearing brief, and a rebuttal of the arguments
15 raised by the Petitioners.

16 The evidence before the Commission is that the
17 subject imports are not a fully interchangeable commodity
18 product. In fact we did hear this morning the Petitioners
19 acknowledge that we're not talking about a commodity
20 product, which I think is interesting. It opens all kinds
21 of issues that maybe were thought put to bed in this case,
22 but we agree: it's not a commodity product.

23 The fact that a product can be generically used
24 for, or even substitutable, doesn't render it a commodity
25 product, because commodity product makes price king, and a

1 noncommodity product makes something else king. And I think
2 that's an important admission made this morning.

3 The evidence is that the U.S. purchasers of sacks
4 have found it necessary to buy the import because of quality
5 and reliability of supply problems with domestic products.
6 That's not, frankly, Central Bag per se talking, unless
7 that's something that's in the record or Denise or myself,
8 these are direct quotes in our brief to the staff report.

9 The staff report has lots of information, some of
10 which is in the public version fully stated; others, it's
11 obviously bracketed, so I won't go into too much detail.
12 But there is ample information from purchasers as to why
13 they need to go to the imports. And it is not the case that
14 price is driving these decisions.

15 Laminated woven sacks have a number of
16 characteristics that are important for purchasers that are
17 not related to price. Price is always a consideration,
18 although a lot of purchasers said that it wasn't much of a
19 consideration, but it's always a consideration to some
20 extent, all other things being equal.

21 During the Period of Investigation, import prices
22 naturally decreased, but they reflected the lower costs of
23 goods sold. There is no corroborated evidence of price
24 suppression or depression, or lost sales, that were caused
25 by the subject imports in this case. Many times as I've

1 been in this room, and, you know, with the exception of
2 confidentiality, a lot of the issues before the Commission
3 in the morning or the afternoon deal with, for lack of a
4 better term, "he said/she said" where it's a quality issue,
5 but then there's emails, or there's reports, or sales
6 reports, or there's some type of dispute for the Commission
7 to decide.

8 Here we don't even have that. Here we have a lot
9 of speculation on the part of Petitioners. Well, certain of
10 the factors in the statute have been met, and therefore you
11 should presume to make a determination of injury and
12 causation, causation of the injury.

13 But again, the lack of sales, lost sales, and
14 price suppression, and depression evidence is very strong in
15 this case. It's the dog that didn't bark, if you will.

16 Domestic producers of the like product have not
17 been negatively impacted by unfairly traded imports. The
18 financial issues encountered by the Petitioners are really
19 of their own making. They made a decision that may have
20 made sense at the time to spend, I believe the figure in the
21 report that's not redacted is \$5 million, \$5 million per
22 product line. So I imagine it could have been more,
23 depending on how many machines you bought.

24 We heard the testimony that the machines are from
25 Austria, and Germany. They're no doubt rather expensive.

1 So they made a decision of we're going to go with this new
2 heat-seal technology. The problem is, with technology these
3 days, is sometimes you get eclipsed by the new technology.
4 There's a red herring issue in this case as to whether the
5 quad bags are substitutable or not.

6 What is substitutable in today's POI is different
7 than what might be substitutable down the road. The bottom
8 line is, it's undisputed the quad seal bag technology came
9 about and it came about after the closed--the pinched-bottom
10 sealed bag. And the practical effect is that if you're a
11 purchaser, yes, you didn't buy that piece of equipment that
12 the Petitioners bought to make these pinched-bottom bags.
13 But in order to use that technology from the Petitioners,
14 you have to buy your own bag.

15 The analogy is almost like the movie theaters
16 when everything was going to go digital, and the Hollywood
17 studios loved it because they could just basically digitize
18 all the movies and they didn't have to send the big reels
19 anymore. The problem is that every movie theater had to pay
20 for the technology and their own machine to receive that
21 digital. And that's the case we had here with this
22 technology.

23 So the Petitioners decided to go big, and they
24 were going to buy this new equipment, and it was going to be
25 the revolutionary equipment of the pinched-bottom

1 heat-sealed bag. But in order for this to work, the
2 purchasers had to buy their own equipment to make it work.
3 They didn't do it. They saw the quad seal bag coming down
4 the pike, and they decided to wait.

5 So again, one of the cases where the Petitioners
6 spent a lot of money that hasn't paid off, pointing the
7 finger at the imports. But that's just not fair, and it
8 doesn't gel with what is required by the statute.

9 The domestic industry also is not threatened with
10 material injuries by reason of the subject imports. And
11 I'll get into that at the end.

12 Our brief provides the details of the--of the
13 issues with sourcing and quality issues with the domestic
14 sacks. And again I would rely on just what--the excellent
15 work of the staff here. It's in the report. They refer to--
16 mostly it's questionnaire responses. There was I believe
17 some follow up with some of these purchasers, and again we
18 would just say that the evidence on all these issues is in
19 the report.

20 The Commissioners need not make a formal finding
21 of market segmentation in this case. There was an issue
22 that was raised in the prelim to still pay close attention
23 to the conditions of competition at play here. Products
24 that in theory are substitutable are not, because of the
25 decisions of the domestic industry to primarily sell

1 high-cost bags to the pet food industry. This was in the
2 prelim, and it was Petitioners' own evidence that it came
3 out in the prelim. I believe it's page 18 of the prelim.

4 But then it also has been borne out in this phase
5 of the case, as well. And again, they're not disputing that
6 it's in their financial interest to try to get these big
7 orders.

8 The domestic producers cannot economically supply
9 the orders that have been placed by all of the other
10 customers. And that is I believe the testimony that's in
11 the record. I know there was a question that Commissioner
12 Williamson raised about that, and we can submit confidential
13 information on the page 6 question that you asked.

14 What's missing from this case, again, is evidence
15 that's been corroborated of lost sales, price suppression,
16 or price suppression. This is also not a case, as came out
17 this morning, where imports are a price leader.

18 Now I know that the Petitioners in response to a
19 question on the price leadership issue said that, well, the
20 Respondents just were wrong. Well, again, we're citing to
21 the staff report. The staff report at page roman numeral
22 V-7 says, "When asked to identify price leaders in the U.S.
23 LW Sacks market, most purchasers did not respond or answered
24 'unknown,'" blank "stated that there were no price leaders,
25 because LW Sacks are not commodity products."

1 Then it said, "Four purchasers named ProAmpac,"
2 one of the Petitioners, as a price leader. Two named
3 Commercial Bag--that's not Central Bag, but a different
4 importer. One named Polytex, also a Petitioner, and one
5 named Mondi, also a domestic producer.

6 So I would say that there is the evidence that is
7 in our brief, supported fully by the staff report, that
8 certainly the importers--the exporters into the U.S. are not
9 price leaders.

10 Now what the Petitioner may have been referring
11 to is that the report also then quotes what the U.S.
12 producers said on the subject. And I believe they all
13 pointed the finger and said, well, those Vietnamese
14 companies are the price leaders.

15 So I suppose you can always look at the report
16 and find something that you like. But to be clear, we were
17 talking about what the purchasers said to the staff, not
18 what the producers say. I understand, you know, somebody
19 from the Petitioners side said, well, you have to take
20 everything the purchasers say with a grain of salt. I think
21 that, having represented Petitioners and Respondents, if
22 that's the rule, then it goes both ways.

23 I happen to think that the staff does a great job
24 of getting to the bottom of what is in the questionnaire
25 responses, and we would rely on what the staff finds about

1 these issues.

2 It is I think important in this case when you
3 have so many factors to consider, that price--it's not like,
4 you know, 90 percent of the people said price is everything
5 and there's a 10 percent out there that said price is not
6 that important. I mean, again, we just asked the Commission
7 to look at what was determined from the staff on pricing.
8 And it's in our brief. It's also on page II-18 of the staff
9 report. The majority of purchasers, 12 out of 18, reported
10 that they only sometimes purchased the lowest priced sacks
11 that are offered. And, you know, when you look at the
12 Table II-6, it's pretty clear that quality is the most
13 important thing.

14 Again, all other facts being equal, everybody is
15 in it to make money. If they can get the same service, the
16 same quality, the same reliability at a better price, of
17 course they're going to do that.

18 But I think the evidence is very clear, this is
19 not a commodity product, and price is not the driving
20 factor, and certainly it's not a driving factor out of
21 Vietnam.

22 So then that raises the question: What is going
23 on here with this market? I think we've already addressed
24 why the Petitioners have spent a lot of money that they
25 haven't been able to recover, why they haven't been able to

1 recover it, and we also have some evidence that I think is
2 very clear in the record as to the fact that you could have
3 lower prices in part coming out of Vietnam because the cost
4 of goods sold for the Vietnamese has gone down.

5 It's another issue that, especially if you look
6 at Petitioners' brief, they take a vigorous objection to
7 this point. I just don't understand how you can object to
8 numbers, the numbers that are in the staff report, and
9 figures.

10 They say the staff report at V-1 says the overall
11 decline from January 2015 to September 2018 was 12.6
12 percent. And they're talking about the price for
13 polypropylene. And a decline of 43 percent between January
14 2015 and 2017. You know, and then during the entire POI,
15 there were fluctuations. But as far as the pricing of the
16 exports from Vietnam into the U.S., it's only natural that
17 they would reflect a decrease in the price of the
18 polypropylene.

19 And when you're making a product in Vietnam, and
20 a lot of your costs are lower, I'm sure their labor costs
21 are lower, I'm sure their rent is lower, I'm sure a lot of
22 the costs are lower compared to fully, you know, U.S.
23 industry standards, and costs, and everything. But there's
24 no question that polypropylene is the major component in
25 these bags. And for the Petitioners to say that a

1 significant decrease in the cost of the most major component
2 could not affect or explain why there's price underselling
3 of the imports, we don't think that is borne out by common
4 sense or the record in this case.

5 Also in this case, this is not a case where not
6 only do you not have the price leadership, not only do you
7 have an explanation for lower foreign prices, but you also
8 don't have evidence that the price trends are all downwards.
9 There was a lot of fluctuation.

10 Now as in the TB Woods case, which is also for
11 the ITC, which was your iron mechanical transfer drive
12 component case, affirmed by the CIT recently in 2018, price
13 in that case was also not the only factor. There were
14 quality issues there. In fact, it was not always the most
15 important factor in purchasing decisions. And that's
16 exactly what you have here.

17 So in that case, not every case is on all fours,
18 but in that case you had large underselling, large margins.

19 You had certainly a U.S. industry that had financial
20 problems. And you had a lot of volume. But you still
21 didn't have causation. The Commission made the right
22 decision in that case, and it was affirmed. And that case
23 has a lot of similarities with this case.

24 As Commissioner Schmidlein noted, I believe,
25 during the questioning of Petitioners, we found it

1 interesting that the export prices in the record fared worse
2 than domestic prices. And we think this is important
3 evidence to show--it's consistent with everything else.

4 I know the Petitioners heard that and said, well,
5 you really can't--you know, it doesn't mean anything. But
6 it means something when you're looking at all the other
7 factors we've talked about here, all the other indicia of
8 causation, or lack of causation. This is another one to
9 consider. If the U.S. industry was facing such terrible
10 price commodity aggression from Vietnam, you would expect
11 the domestic prices of suppression/depression that they've
12 alleged without corroborating would be a downhill spike
13 below. Meanwhile, the exports would continue to do okay
14 because they wouldn't have that same problem.

15 Of course that's not what we have here at all.
16 We think, frankly, turning to in the Petitioners brief that
17 there's support for our position and our view of the world.
18 Certainly the commodity, it's not a commodity testimony
19 today I think was supportive.

20 There's a statement on page 11 of their brief,
21 laminated woven sacks are primarily produced to order. We
22 would agree. It's not a commodity product when it's being
23 produced to order.

24 Petitioners ask the Commission to speculate a
25 lot. They say consistent underselling by the subject

1 imports was certain to have a significant impact on the
2 industry sales, market share, pricing, and profitability
3 levels. I mean--page 12--I think that kind of language is
4 more speculation than fact-based.

5 Similarly, Petitioner asks a question: Why would
6 importers of the subject merchandise need to sell their
7 products at such low prices? Page 15.

8 And they posit, to compete with the domestic
9 manufacturers. Again, these are more question issues than
10 actually using evidence that's been established by the staff
11 to prove their case.

12 Again, the issue of the quad seal bag misses the
13 point. It's not that--I mean there was some testimony in
14 the record that the quad seal bag can be substitutable. We
15 don't agree that the quad seal bags are just tiny bags that
16 don't really have a relevancy here. But the relevance of the
17 quad seal bags is they are the new technology. They have a
18 lot of bells and whistles. It's not part of the current
19 technology. And if you're a reasonable domestic producer,
20 you're not going to invest in the pinchbottom technology in
21 order to marry up with what the producers are doing when you
22 can see on the horizon, the short horizon, what the new
23 technology is going to be.

24 So it's also undisputed, domestic industry
25 capacity increased throughout the POI. They added their

1 equipment, and they were in place to produce more. But
2 again the question has to be whether that expense, which was
3 significant, is really what is causing their injury.

4 On page 25 of their brief, the domestic industry
5 has a high degree of capital intensity. And the sack
6 producers, they need to operate at a high level of capacity
7 utilization. I think that's an undisputed fact. I just
8 don't see why that would be something that importers would
9 have to bear the brunt of in a case. I don't think that it
10 translates into a finding of injury, material injury, by
11 reason of the imports.

12 Now Petitioners also alleged, they argue that the
13 price difference, again, is not because of the lower
14 polypropylene costs. We believe this argument heads
15 directly against what's in the staff report, what I referred
16 to.

17 As far as the threat allegations, we covered this
18 on page 14-16 of our brief. Now again, the Petitioners
19 counter, sort of, the facts as to why this is not a threat
20 case. They say, well, the projections for the Vietnamese
21 producers' trade data for 2018 and 2019 are not reliable.
22 So it's not so much that there's no finding for a threat,
23 it's just that the numbers are what you would not find
24 threat are reliable.

25 They even seek an adverse inference against the

1 Vietnamese industry. That's not warranted here. You were
2 asked to find that in the Woods case--the Woods case, that's
3 the CIT case that you found below no injury or no threat
4 from either China or Canada. And you appropriately did not
5 find an adverse inference in that case. And it's not
6 appropriate to find it here.

7 I'm not aware of any evidence in the record where
8 the staff would support a determination that they can't
9 decide what the threat factors are because of lack of
10 participation or information. So we don't think it's any
11 more warranted here, either.

12 Although the subject imports rose during the POI,
13 the fact is they did decline during the interim period. The
14 Vietnamese capacity was relatively stable during the Period
15 of Investigation. There's no evidence that the subject
16 imports caused significant price effects, and I think we
17 have already covered that.

18 The imports from Vietnam are not the--they were
19 not the price leaders. And because they're not the price
20 leaders, they're not going to be significant on a threat
21 analysis.

22 We would save the rest of our time for any
23 rebuttal and are happy to answer any questions you have.

24 CHAIRMAN JOHANSON: Thanks, Mr. Goldberg and Ms.
25 Zosa, for appearing here today. I will begin Commissioners'

1 questions.

2 According to the staff report, the domestic
3 industry lost 8.2 percentage points of market share from
4 2015 to 2017. You can see this at Table C-1 of the staff
5 report. Why should the Commission not attribute this market
6 share loss to subject imports when subject imports from
7 Vietnam gained 9.2 percentage points during the same period,
8 as shown also in Table C-1.

9 MR. GOLDBERG: Thank you, Chairman. I would
10 reference our brief on pages 3 through 5, or through 6,
11 which in turn goes to the prehearing report pages III-13,
12 II-8, II-25 to 26, II-28, and then the other citations are
13 there, where it's very clear that the U.S. purchasers, at
14 least some, because obviously plenty of purchasers are
15 buying domestic products, but others, what's in the record,
16 said that in order to meet their requirements they needed to
17 source from Vietnam. And that it's not that it was a lower
18 price issue, but that it was delivery issues, and it was
19 quality, service, innovation, product range issues.

20 And again, this isn't Central Bag, per se, giving
21 this through testimony, this is just our references to
22 what's in the report.

23 Now Central Bag, obviously they're both a
24 producer and an importer. So they're in a position to know
25 why they believe they need to be on both sides of the

1 market. I think the fact that they are a significant in
2 both gives you an idea that they believe that in order to
3 satisfy all customers, and the customer is always right,
4 they need to have the imports as well as to make their own.

5 CHAIRMAN JOHANSON: Okay, thank you, Mr.
6 Goldberg.

7 You highlighted in your brief at page 3 that
8 three purchasers cited differences--pardon me, cited
9 difficulties in sourcing laminated woven sacks from domestic
10 sources. This is at page 3.

11 However, the staff report on the same page that
12 you cited in your brief notes that 15 purchasers indicated
13 that no firm had refused, declined, or had been unable to
14 supply them with LW sacks since January 1st, 2015. And that
15 is from the staff report at page II-8.

16 Does not the weight of the data 15 versus 3, tend
17 to undermine the point that supply issues have driven the
18 increase in subject imports during the Period of
19 Investigation?

20 MR. GOLDBERG: I would say, not to the--no, I
21 would say to the three that we cite, obviously it was
22 important to them. And I have not followed up with that,
23 nor could I, obviously, but I would rely on, you know, I
24 know that having been on both sides of cases, the staff can
25 do that. And I think that, rather than numbers calling the

1 issue, I would think the actual facts should make the
2 difference.

3 So we would think that drilling down on what's
4 really going on there should be the operative determination.

5 CHAIRMAN JOHANSON: Okay. The Commission
6 collected data on 5 pricing products which generated 73
7 quarterly comparisons as shown at Tables V-3 to V-7.
8 Subject imports undersold the domestic product in every
9 instance, 73 out of 73, by an average margin of 25 percent,
10 as shown at Table V-9.

11 How was this consistent with the argument that
12 Vietnamese product is of higher quality, if the Vietnamese
13 product is selling at lower prices?

14 MR. GOLDBERG: It's apples and oranges. I mean,
15 again, we represent the Petitioners in various cases here,
16 too, and we understand going in that to have a business in
17 the United States as a cost structure is going to be very
18 different than Asia.

19 So, you know, you know, the price of labor is a
20 key component in manufacturing, and obviously that's going
21 to be a completely different cost. So you would expect, all
22 things being equal, that the prices of the
23 Vietnamese-sourced goods are going to be cheaper, even if
24 the quality is better.

25 Now I am not as familiar as maybe some of the

1 witnesses this morning tried to be on all the fine points of
2 the negotiations that go on with prices. I don't know, to
3 be honest with you, whether this is a perfect market where
4 every price is perfectly determined based on seller/buyer
5 having all the knowledge in the market. So I can't answer,
6 and if I could it would maybe be confidential and because I
7 don't know I can say it, to what extent the price of the
8 Vietnamese product when it's determined is fully reflecting
9 some of the characteristics. In other words, maybe the
10 prices could be higher. Maybe they're leaving money on the
11 table.

12 When you have an exporter in Vietnam, and then a
13 middle man in the United States, and then various types of
14 purchasers in the U.S., different submarkets, that can
15 happen.

16 CHAIRMAN JOHANSON: Okay. You have argued that
17 more purchasers identified print quality, print consistency,
18 quality industry standards and reliability of supply as very
19 important--as more important than price. This is in your
20 brief at page 8, citing the staff report at Table II-7.

21 At the same time, however, most purchasers
22 identified U.S. and Vietnamese laminated woven sacks and
23 comparable on these very factors, and a number of others as
24 shown at Table II-9 of the staff report. Given the
25 comparability of the products on the very factors that you

1 cite, wouldn't it be fair to find that price is a critical
2 factor in purchasing decisions as Petitioners have argued?

3 MR. GOLDBERG: I would go down that road if it
4 wasn't for all the evidence in the record from some very
5 significant purchasers who are on the record saying we have
6 problems with the domestic source. You know, again I would
7 refer back to our pages 3 through 5 and the various
8 references to the staff report where quality, innovation,
9 supply, those issues were raised.

10 And again, the staff may be in touch with those
11 people and find out that, as one of the Petitioners
12 representatives have said, you have to take it with a grain
13 of salt, but these are significant U.S. companies, you know.
14 They're not fly-by-night. And if they're saying these
15 things, then I think that has to be taken seriously by the
16 Commission.

17 CHAIRMAN JOHANSON: In your opinion, are high
18 fixed costs limiting the domestic industry's ability to
19 supply the animal feed part of the market?

20 MR. GOLDBERG: I believe that was--I wouldn't
21 say I have an opinion on that. I believe that was offered
22 in the prelim, and I believe that the Petitioners have fully
23 admitted, or conceded, or acknowledged that their business
24 model is such that they want to go after big orders.

25 I do think that they dispute at this stage

1 whether animal feed is--my understanding going into today,
2 based on the sources that I have, is that a lot of the
3 animal feed business certainly by Central Bag for example,
4 is smaller customers. And that isn't the same as the pet
5 food, how huge that market is. But--and we can try to get a
6 better answer and put that in the confidential submission.

7 It was an issue raised in the prelim. I think
8 the evidence is consistent with the fact that the
9 Petitioners have made their decision. They want to put it
10 in this case, and they want to say well we have decided to
11 go after these big orders, and the reason why we're not
12 getting them is because of the imports. We understand that.

13 But I think the evidence is also consistent with
14 the fact that not all orders are as big as others. And up
15 until today, my understanding was that it was agreed and
16 accepted that the pet food orders were the largest, and that
17 some of the animal feed orders, you know, were being done
18 by--they weren't nationwide in scope. They were more
19 regionalized. They were a particular farm, or groups of
20 farms who would be buying as opposed to, you know, retail
21 stores. But we can address that in a post-submission.

22 CHAIRMAN JOHANSON: Okay, thank you, Mr.
23 Goldberg. My time is about to expire, so we will now turn
24 to Commissioner Williamson.

25 COMMISSIONER WILLIAMSON: Thank you. Mr.

1 Goldberg, thank you for your testimony.

2 Continuing on that last line, I had asked
3 questions this morning about how sales were made and
4 distribution in this industry. And you just said that the--
5 that some of the imports from Vietnam are serving smaller
6 customers in the animal food market than the domestic
7 producers.

8 Could you explain how that's--in terms of how
9 sales are made and distributions. Is it distributors that
10 are reaching to these smaller firms? Are the importers
11 contacting them directly? And how does that differ than the
12 domestics might be doing business?

13 MR. GOLDBERG: Right. We could try to get you
14 something more definitive after the hearing. I can say that
15 based on the information that I have, that the U.S.
16 companies that are acquiring--either manufacturing or
17 acquiring the sacks for use in animal feed, aren't
18 necessarily, by and large, dealing with the huge pet food
19 chains.

20 So they tend to be more regionalized. And again,
21 this would or would not be borne out by the confidential
22 version of the staff report, which I don't have with me, and
23 I don't have committed to memory. But that was my
24 understanding, is that it's a more local market; that it
25 tends to be more Midwestern; tends to be more where the

1 farms are, as opposed to the pet food market which is
2 nationwide and is not, certainly, limited to the smaller
3 states. But our client is from Kansas. I'm from Kansas. I
4 can say that. And their market is, you know, a Kansas-type
5 of market. And so they are bringing in the bags from
6 wherever they think their customers will be happy with the
7 bags. But then they're selling them in the Midwest.

8 Does that help? Is there more that I can answer?

9 COMMISSIONER WILLIAMSON: Whatever you can put
10 on the record posthearing to substantiate this, and is that
11 a significant part of the market. I mean because of course
12 the Petitioners this morning were saying that a lot of the
13 supplying firms who were supplying pet food were also
14 supplying animal food.

15 MR. GOLDBERG: Maybe I can--sure, we will do
16 that. But I think--

17 COMMISSIONER WILLIAMSON: So the question is:
18 Is this where the heart of the business is?

19 MR. GOLDBERG: Right. Let me--

20 COMMISSIONER WILLIAMSON: Which means this thing
21 about selling to the smaller firms may not have as much of
22 an impact on what's going on--

23 MR. GOLDBERG: We got into this case after the
24 prelim. In the prelim, clearly one of the key issues was
25 market segmentation. And there were arguments as to, well,

1 you know, on the one side you have the Petitioners which are
2 going after pet foods, and then you have various other
3 importers which are doing the animal feed.

4 Now when we got into the case for the final, we
5 haven't been driving that argument. You won't see in our
6 brief where we're saying market segmentation, per se, we
7 shouldn't be considered, or anything like that.

8 But I think it is still a condition of
9 competition. And again, relying somewhat extensively on the
10 record that's confidential that's obviously in the staff
11 report, that we think bears it out, but we can also on a
12 confidential basis go back to our client and get the
13 evidence that we think we can submit on that point.

14 COMMISSIONER WILLIAMSON: In other words, is
15 this a significant condition -- enough to make a difference
16 in our outcome?

17 MR. GOLDBERG: To them it is, but I know that a
18 conclusory statement is not enough for you.

19 COMMISSIONER WILLIAMSON: Okay. Also, you had
20 made -- okay, this morning I had raised and I had confused
21 the Petitioners because contributed a statement to them that
22 I contributed to you. Correct. Yes, so would you like to
23 provide an answer to that question?

24 MR. GOLDBERG: Right. I think it's one we've
25 been pretty much talking about, which we will. I think

1 that's going to require a confidential submission.

2 COMMISSIONER WILLIAMSON: Okay, thank you. I
3 can't find the question in my notes.

4 MR. GOLDBERG: It's page 6.

5 COMMISSIONER WILLIAMSON: Yes, it's your page 6.
6 I know that.

7 MR. GOLDBERG: It's not footnoted, which was my
8 mistake not to have footnoted that in the brief.

9 COMMISSIONER WILLIAMSON: Okay. Okay, good.
10 Yes, I got to this question of the
11 specifications and whether or not in animal feed there's
12 more specifications than for pet foods and so what was the
13 basis for that?

14 MR. GOLDBERG: Right. And I think that it's bad
15 language on our part because I don't think we were saying
16 that it's necessarily more specifications. It's just that
17 it's a smaller order, so the same number of specifications
18 for a small order is not going to be as lucrative to a
19 Petitioner or other producer for a much later order, but
20 I'll clarify all that.

21 COMMISSIONER WILLIAMSON: Okay, good. Thank
22 you.

23 Would that also mean that -- you know you have
24 here a few large purchasers and a lot of small purchasers
25 and so how does that change our analysis when we look at

1 purchasers' responses as opposed to small purchasers'
2 responses to questions?

3 MR. GOLDBERG: Well, I think that the record is
4 pretty clear that whether you're talking about a large
5 purchaser or a small purchaser there were quality, delivery,
6 service issues, so I'm not sure that it's all that
7 different. But in the economic theory, I believe, I'll let
8 them speak for themselves, of Petitioners is that they
9 invested all this money. They have a lot of costs and they
10 really needed to get these very large orders in order to
11 stay afloat or to stay profitable or to try to be
12 profitable. And I believe their theory is that imports have
13 ruined that by knocking off some of the large purchasers.

14 Again, I can only speak for Central Bag.
15 Central Bag is not in the -- they may have some pet food
16 sales, but they primarily are an animal feed company, so
17 they're not looking in that same area. So, that is an
18 attenuation, we believe, at least for our client.

19 COMMISSIONER WILLIAMSON: Okay.

20 You made a lot of the fact that the Petitioners
21 had invested in the new technology and nobody really wanted
22 it. And I think you say you don't have -- the evidence is
23 in the staff report.

24 MR. GOLDBERG: I'm sorry?

25 COMMISSIONER WILLIAMSON: You say the evidence

1 --

2 MR. GOLDBERG: The five million dollar figure is
3 in the staff report.

4 COMMISSIONER WILLIAMSON: Okay. Because I was
5 going to ask you post-hearing to point to what substantiates
6 that argument and since you said it's in the staff report
7 can you point to the places where it does and is there
8 anything independent to substantiate this -- either
9 newspaper articles or other commentaries that substantiate
10 the argument they made this bet and it didn't pay off and
11 this is the cause of their problems.

12 MR. GOLDBERG: We can get the additional
13 information. I'm trying to look very quickly.

14 COMMISSIONER WILLIAMSON: No, post-hearing is
15 fine.

16 MR. GOLDBERG: Okay. There is a five million
17 dollar figure per product line per machine, I believe,
18 that's in the staff report. I think you're right. There's
19 going to be more evidence as well as to what machines they
20 bought and why. I know there was some testimony today kind
21 of grouping everything together, saying, yeah, we spent a
22 lot of money, but some of it was to make our current
23 machines work better, but that was very loose and I think
24 it would be good to be as specific as possible as to what it
25 was. I believe these companies do report somewhat publicly,

1 so I think we can get that information.

2 COMMISSIONER WILLIAMSON: Okay. Some kind of
3 independent analysis of this is what was going on would be
4 helpful.

5 MR. GOLDBERG: Definitely.

6 COMMISSIONER WILLIAMSON: Okay, that's all the
7 questions I have for right now. Thank you.

8 CHAIRMAN JOHANSON: Commissioner Broadbent.

9 COMMISSIONER BROADBENT: Thank you. I want to
10 welcome the witnesses and thank them for their testimony.

11 Do you agree with Petitioners that the
12 Commission should include all U.S. producers, including
13 those that had high volumes of their own subject imports
14 within the domestic industry definition?

15 MR. GOLDBERG: I believe that that's the
16 position the Petitioners are taking. Our brief did not try
17 to change that. I think that we just accepted that for
18 purposes of this case. I don't know that I can officially
19 say we agree or not. We did make an argument, Central Bag,
20 Commerce Department that their product should not be part of
21 the scope. They're selling a product -- it kind of came up
22 this morning -- where nobody cares what the bag looks like
23 as long as the bag has structural soundness to it.

24 They're not selling a product in Pet Smart where
25 they've got to get that brand, something out there to get

1 differentiation with consumers. I have a dog. You do too
2 as well. I don't know whether or not we buy -- and my wife
3 -- I will say it on the record right now -- treats that dog
4 better than our children. And she's 13 years old and I
5 won't even tell you about some of the issues we're having
6 with a 13-year-old dog right now.

7 But when you're in the animal feed business, it
8 was made very clear to me. It's like that's a different
9 consideration and you don't need that many colors. In fact,
10 that's why -- we were unsuccessful, but there was an effort
11 to get out of the scope. In fact, I don't believe we were
12 in the scope of the China case. And the original draft in
13 the original petition in this case did not include us or at
14 least not as broadly. And Commerce apparently got the
15 Petitioners to broaden that. I'm sure they'll tell me in
16 rebuttal that I'm wrong about this, but generally speaking,
17 as part of the pre in the Vietnamese case, Commerce said I
18 think you want to broaden your scope and they did and we
19 weren't able to challenge that. So, I think there was a
20 grounds to look into the like product issue or the domestic
21 product issue, but we did not do so for purposes of our
22 case.

23 COMMISSIONER BROADBENT: Okay. To what extent
24 do the prices of substitute products, such as multi-walled
25 paper bags and quad sealed bag affect the prices of

1 laminated woven sacks?

2 MR. GOLDBERG: I know the evidence in the record
3 was all over the map on this one. I believe that -- I just
4 have to say I can go back to the report said because the
5 questionnaire responses were all over the map. Some said
6 they were substitutable and impacted. Others said they
7 didn't. I mean they all basically perform a similar
8 function, but I couldn't tell you definitively what the
9 price pressure is, other than to say that we don't think
10 that price is the overriding consideration anyway.

11 COMMISSIONER BROADBENT: I know we talked about
12 this a bit, but could you summarize the differences between
13 the pet food and the animal food segments of the market.
14 What product characteristics do purchasers in these two
15 segments value?

16 MR. GOLDBERG: Right. For Central Bag, it is
17 selling these bags to companies that fill their bags with
18 feed that are then sold to farms. They're not particularly
19 interested in the outward appearance of the bag for anything
20 beyond a functionality, so they are interested in getting a
21 bag as cheap as possible and not using all of the fancy
22 printing that's available to the pet food industry. It's
23 just a different end user.

24 And again, we didn't take on the market
25 segmentation battle in this case. We don't think it's

1 necessary. We know that it was raised, not accepted in the
2 Prelim, but you did invite questionnaire responses and
3 issues on that. We don't that win or lose depends on you
4 making a formal market segmentation decision, as you've made
5 before and could make in a case like this; but we also think
6 that this is not a commodity product and the difference
7 between what my client does with these bags and who they
8 sell them to and what's necessary for the bag and how
9 intricate the development and printing of the bag is a good
10 example that this is not a one-size-fits-all market.

11 COMMISSIONER BROADBENT: On page 5 of your
12 pre-hearing brief, you state that the domestic industry has
13 tried to sell higher-cost bags to the pet food industry as
14 opposed to lower-cost bags to the animal feed industry. Why
15 are laminated woven sacks sold to these different segments
16 priced differently?

17 MR. GOLDBERG: I believe that since you can make
18 the laminated woven sack for the animal feed business less
19 fancy that you could price it less.

20 COMMISSIONER BROADBENT: So, it's really the
21 graphics?

22 MR. GOLDBERG: Graphics and maybe also some of
23 the ply-ness and some of the carryover, some of the
24 specifics of the bag, but the graphics would definitely be
25 part of it.

1 COMMISSIONER BROADBENT: Okay.

2 You state that the domestic industry had issues
3 supplying the market which caused the increase in subject
4 imports. If this was the case, why did the industry report
5 increasing excess capacity and declining shipments during
6 the period of investigation?

7 MR. GOLDBERG: Well, as I think it came out this
8 morning, they expanded their capacity.

9 COMMISSIONER BROADBENT: Right. But how did
10 they have issues supplying the market if they had the extra
11 capacity?

12 MR. GOLDBERG: I can only go on what's in the
13 record. I won't go into the specifics, the confidentiality,
14 but that was the comments in the questionnaire responses,
15 that they had problems.

16 COMMISSIONER BROADBENT: Okay.

17 MR. GOLDBERG: I would rely on the questionnaire
18 responses of the purchasers.

19 COMMISSIONER BROADBENT: Okay, if you could just
20 indicate those.

21 MR. GOLDBERG: Sure.

22 COMMISSIONER BROADBENT: To what extent was the
23 decline in subject imports in 2018 a result of the filing of
24 the petitions?

25 MR. GOLDBERG: I think you have to assume that

1 there's going to be changes in some importer habits when a
2 petition is filed. I mean that's sometimes why petitions
3 are filed. So, there's an expectation that you're going to
4 see imports go down. I believe imports -- I think that it
5 came out this morning -- from non-subject countries went up,
6 so I think there's some shifting of production, but there's
7 a lot -- you know there's a lot of -- you know my client
8 produces and also imports. And I understand they would
9 produce entirely and not import, but it would cost many
10 millions of dollars to get the additional capacity equipment
11 to do that and they don't have that money and I guess
12 haven't decided to make the financial investment. They'd
13 have to get a loan under difficult terms. And for whatever
14 reason, they've decided that the U.S. production is not
15 sufficient for them and obviously others have as well. It's
16 in the confidential record.

17 So, you know it's sort of on the one hand the
18 Petitioners' got more capacity and invested in a new
19 technology and then on the other hand there's plenty of U.S.
20 purchasers that for whatever reason think that the U.S.
21 producers are fine and there's other that have gone on the
22 record pretty clearly and said quality is the most important
23 thing and we need to go elsewhere for the quality.

24 COMMISSIONER BROADBENT: Can you explain how
25 lower polypropylene costs explain why import prices were

1 lower over the period of investigation, as stated on page 10
2 of your pre-hearing brief? And when you say that import
3 prices where lower are you referring to underselling or are
4 you referring to price declines?

5 MR. GOLDBERG: I'm referring to the underselling
6 that I would construe, based on my practice, to mean the
7 actual comparison of what a U.S. purchaser can buy the
8 import for compared to what the domestic price is. And I
9 think our point is it's not surprising that you had the
10 import pricing lower than the U.S. pricing which, obviously,
11 fluctuated depending on time period and product. But there
12 are a lot of cost advantages that the imports have over the
13 U.S. that have nothing to do with nothing. You know some of
14 it is labor. Some of it is just running a business in the
15 United States is expensive. But some of it is also that the
16 product coming out of Vietnam, the amount of the product
17 that is based on the most important ingredient, the resin,
18 the polypropylene resin, that price overall went down. It
19 fluctuated. You know one month goes up, but comparison the
20 staff report 43 percent for one period. I think 12 percent
21 for one period.

22 So, it's understandable that that would result
23 in the price of the imports going down and it's not
24 reflective of some aggressive move on the part of the
25 Vietnamese to steal market share.

1 COMMISSIONER BROADBENT: I'm all done. Thanks.

2 CHAIRMAN JOHANSON: Okay, Commissioner
3 Schmidtlein.

4 COMMISSIONER SCHMIDTLEIN: Okay, just a follow
5 up on that. So, with regard to the underselling data that
6 we have on the record I guess then for the Commission to
7 disregard that we would have to say that because the
8 Vietnamese have a lower cost structure in Vietnam they are
9 -- well, all of these importers, producers in Vietnam they
10 are unaware of what the market price is in the United
11 States and are therefore consistently,
12 quarter-after-quarter, leaving money on the table because
13 these are healthy margins. So, even though the market seems
14 to be demanding a higher price or permitting a higher price,
15 they don't know what the price is, in general, because
16 they're going through distributors or what have you and so
17 like that's why the underselling data doesn't -- there's no
18 impact from the fact that they're selling at lower prices
19 consistently throughout that POI.

20 MR. GOLDBERG: Well, we haven't made that
21 particular argument.

22 COMMISSIONER SCHMIDTLEIN: So, what'd we say
23 about the underselling in the opinion? I mean that's what I
24 took away from that argument was that, well, there's
25 consistent underselling in every comparison, but that had no

1 impact on prices because the Vietnamese have a lower cost
2 structure and they're basically leaving money on the table
3 because there's no price transparency to them.

4 MR. GOLDBERG: That happens to be something that
5 I think is true, but that's not an argument that we even --
6 that I would say that we focused on in our brief. We
7 focused mostly on, frankly, a comparison of your recent case
8 in the mechanical case where there was a lot of
9 underselling.

10 COMMISSIONER SCHMIDTLEIN: But there was no lost
11 of market share there. I'm pretty sure if you go back and
12 look at it.

13 MR. GOLDBERG: Right.

14 COMMISSIONER SCHMIDTLEIN: So, you know I think
15 if the Commission looked at that case and said, well,
16 there's no loss -- I mean there's all this underselling.
17 There's no loss of market share.

18 MR. GOLDBERG: Right. But the question is if
19 there's a loss of market share is it because there's a
20 commodity product and they're just taking it or are there
21 other reasons for why the Petitioners aren't making these
22 sales? And that brings us back to, I think, a consistency
23 of the two cases is the lack of any corroboration of lost
24 sales.

25 COMMISSIONER SCHMIDTLEIN: But don't we have six

1 purchasers?

2 MR. GOLDBERG: Six purchasers?

3 COMMISSIONER SCHMIDTLEIN: Yes. I've been
4 looking at the staff report from the Lost Sales/Lost Revenue
5 --

6 MR. GOLDBERG: What page?

7 COMMISSIONER SCHMIDTLEIN: Page V-22, six of
8 these purchasers -- in the second full paragraph, 18
9 responding purchasers, 13 reported since 2015 they'd
10 purchased sacks from Vietnam instead of U.S. Twelve said
11 that prices were lower and six confirmed that price was a
12 primary reason for the decision to purchase imported product
13 rather than U.S.-produced product and then four of them gave
14 an estimate of the amount that they had purchased instead of
15 purchasing U.S.-produced product.

16 MR. GOLDBERG: I wouldn't categorize that as
17 evidence of a lost sale. I mean those are just basically
18 the reporting of those particular transactions, but that's
19 not evidence that said we would buy the U.S. product. We
20 just liked the other price better. I guess I just don't
21 read it quite the way that you've construed that.

22 COMMISSIONER SCHMIDTLEIN: Okay. I mean it does
23 ask if you purchased imports instead of domestic was price a
24 primary reason.

25 MR. GOLDBERG: And that would be the case for

1 some, but that doesn't mean that they somehow were coming up
2 corroboration that it was the lower price that was causing
3 them to purchase the sacks as opposed to from the U.S.
4 producers. I mean I'm used to seeing corroboration as being
5 a little bit more than that, which isn't really telling me
6 anything.

7 Now, maybe the staff has followed up with them
8 and that's something I just haven't seen, but usually I'm
9 used to seeing something a little more fleshed out as to why
10 a purchase decision was made, maybe even correspondence to
11 that affect. So, I didn't review the staff report as
12 corroborating a lost sale in these instances.

13 COMMISSIONER SCHMIDTLEIN: Okay. Okay, let me
14 switch gears a little bit.

15 You heard their reply to your -- or response to
16 the argument with regard to the numbers on the export sales
17 this morning and the AUVs and I just wondered if you had a
18 reply to that. And what I took from their answer was, well,
19 we really don't know what's going on in export markets
20 because it's not fully fleshed out in the staff report to
21 understand what's driving the AUVs in those markets.

22 MR. GOLDBERG: Well, I understand what they said
23 and they do have the burden and I think that you know it's
24 one in dicta of we have the price leadership issue. We have
25 the export issue. We have what we think is a lack of

1 evidence on lost sales which, obviously, reasonable minds
2 can disagree, but I'm used to seeing cases where it's more
3 fleshed out anyway.

4 We have it's not a commodity product evidence,
5 the admission or the agreement on both sides, so we have all
6 these issues. And I think that the export versus U.S. price
7 issue is an important issue -- you know I will sympathize
8 with them to some extent to say the staff has not been asked
9 and has not made a worldwide study and that's true. Not
10 every fact can be known to the finest degree, but it is a --
11 as a Petitioner with the burden in this case it's a nagging
12 issue. You would expect -- you would hope to have as many
13 factors in your favor to try to win. That's a factor that's
14 not in their favor. It goes against their theory of the
15 case.

16 To say, well, it's not in our favor, but we just
17 don't know enough about it. Ignore it. I don't think
18 that's fair either. Obviously, the Commission is here to
19 make the best decision they can based on the evidence in the
20 record. This is evidence that's in the staff report. It
21 should be explainable by the Petitioners as to what accounts
22 for it.

23 I don't accept the answer that, well, the staff
24 didn't investigate that fully, so therefore it shouldn't be
25 considered. I mean it's one in dicta to be considered.

1 It's consistent with the Respondent's view of the world that
2 whatever is going on here it's not material injury by reason
3 of these imports.

4 COMMISSIONER SCHMIDTLEIN: I haven't looked, but
5 do we know how many other countries have Orders on product
6 from China; do you know?

7 MR. GOLDBERG: I don't know.

8 COMMISSIONER SCHMIDTLEIN: You don't know? I
9 just wondered. I mean China has a lot of capacity in this
10 product, so I wonder what that impact is in the markets
11 outside the United States since we have an Order on that.

12 MR. GOLDBERG: I think I may have known
13 something at one point, but it was a long time ago and I
14 don't really know.

15 COMMISSIONER SCHMIDTLEIN: Okay.

16 Okay, the other question I had was do you agree
17 that the case has had an impact on the interim numbers?

18 MR. GOLDBERG: I think that we see non-subject
19 import increasing, but I don't know the reason for that,
20 other than one could make assumptions, but I couldn't go
21 beyond assumptions.

22 COMMISSIONER SCHMIDTLEIN: So, do you have a
23 theory as to why subject lost share in the interim?

24 MR. GOLDBERG: I don't have any evidence, other
25 than to say that I've been practicing for a while and once a

1 petition gets filed then people tend to stop importing
2 because they're afraid of the large duty.

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

5 MR. GOLDBERG: Sure.

6 COMMISSIONER SCHMIDTLEIN: I don't have further
7 questions.

8 CHAIRMAN JOHANSON: Commissioner Kearns.

9 COMMISSIONER KEARNS: Thank you. Thank you
10 both for appearing before us today.

11 Market segmentation, if as you argue, that
12 domestic industry is focused on the pet food segment and
13 subject imports are not well suited to serving that segment,
14 why did subject imports share that segment increase over the
15 POI?

16 MR. GOLDBERG: I can't speak to why some
17 purchasers went ahead and bought the domestic product -- I'm
18 sorry. I think I got that wrong. I may have misunderstood
19 the question, Commissioner.

20 COMMISSIONER KEARNS: Right. I was asking about
21 the pet food segment where we see subject imports increasing
22 in that segment.

23 MR. GOLDBERG: Sure. I believe that segment's
24 grown, so it would stand to reason that both domestic and
25 imports would grow.

1 COMMISSIONER KEARNS: Well, but their market
2 share grew, subject imports.

3 MR. GOLDBERG: I would have to go back and look
4 at the staff report references to all the purchasers that
5 gave quality issues and see whether I could tie that to one
6 segment as opposed to another, but as far as I can tell some
7 of those producers -- sorry, purchasers in the U.S. would've
8 been talking about pet food and would've had those quality,
9 lead time, and other reliability issues.

10 COMMISSIONER KEARNS: Okay.

11 So, you have made a lot about the five million
12 dollar bad investment in new technologies, but if the U.S.
13 industry's problems relate to that that doesn't really
14 explain why we see operating income declining, right?

15 MR. GOLDBERG: Thank you. By the way, that five
16 million dollar figure because I had for Commissioner
17 Williamson where it was, just for the record, it was on 212
18 of the staff report and again, that was over five million
19 per production line. So, I think that -- well, in response
20 to Commissioner Williamson, we owe some information. But I
21 think just to be clear, the five million may be not the
22 total amount.

23 I think that large capacity expansion projects I
24 believe can impact operating income, yes, so I would
25 understand that that could be a factor.

1 COMMISSIONER KEARNS: Okay. And what about
2 market shares? It doesn't really explain a decline in
3 market share, does it?

4 MR. GOLDBERG: No, other than this one theory
5 out there that may be more from the Prelim, but I don't
6 think that it's been put to bed yet in the final and if it
7 will be or not, is that the Petitioners were focused on the
8 bigger customers. And if you focus on the bigger customers,
9 sometimes you don't get the smaller customers. And, of
10 course, enough smaller customers could make a material
11 difference.

12 COMMISSIONER KEARNS: Okay.

13 MR. GOLDBERG: And I think part of the reason
14 why they were focused on the bigger customers is because
15 they had expended all the money on these big machines and
16 they were trying to get that capital investment back.

17 COMMISSIONER KEARNS: Okay.

18 And then a question about price effects here,
19 when polypropylene prices are going down do purchasers use
20 this as a factor in price negotiations? If not, why would
21 we expect prices for sacks to go down when polypropylene
22 prices are declining?

23 MR. GOLDBERG: I don't know whether purchasers
24 are using that or not, but I just know that if you are
25 selling product out of Vietnam and your cost go down, then

1 there's a reasonable basis for having your prices go down.
2 We don't represent a seller from Vietnam, so these are just
3 observations that are consistent with the staff report
4 language.

5 COMMISSIONER KEARNS: I have no further
6 questions right now. Thank you.

7 CHAIRMAN JOHANSON: This is something that I
8 brought up with the Petitioners this morning. I just want
9 to ask it of you as well. Are there differences in print
10 quality between the two different printing methods
11 rotogravure versus Flexo graphics and does that provide an
12 advantage to one side or the other?

13 MR. GOLDBERG: Yes. That was an issue in the
14 Prelim that we weren't involved in. We did not make it one
15 of our, you know leading issues, per se, in our brief. I do
16 think that at one point we quoted one example from the staff
17 report where one purchaser did say that was important, but I
18 think that from my recollection that was just one purchaser
19 who said that was important.

20 CHAIRMAN JOHANSON: Okay. That concludes my
21 questions. Commissioner Williamson, do you have any further
22 questions?

23 COMMISSIONER WILLIAMSON: Yes. I was curious
24 about how has the Chinese -- how effective have the Orders
25 on Chinese LW sacks been?

1 MR. GOLDBERG: All I know is they've been able
2 to extend it in the sunset and then I think they're trying
3 to extend it in the sunset now. We're not involved in that
4 case, so I assume it's been effective; otherwise, the
5 Petitioners wouldn't be seeking to extend it.

6 COMMISSIONER WILLIAMSON: Okay. I mean to ask
7 them this morning why it took them so long for them bring in
8 the case on Vietnam. Usually, when you have Orders on
9 something from China, the Vietnam product come in quickly,
10 the case comes pretty quickly too.

11 MR. GOLDBERG: It's a great question, but I
12 couldn't answer that.

13 COMMISSIONER WILLIAMSON: You can't answer that.
14 I was just looking at the -- I'd invite you, post-hearing,
15 to take a look at the domestic producers reported changes in
16 operation on III-3 and see if you see any evidence to
17 support this idea that they investing in new technology --
18 the bags and all -- this is post-hearing -- you know
19 explains difficulties. In other words, I'm looking for
20 evidence, some infinite evidence that, yes, this seems to
21 have an impact.

22 MR. GOLDBERG: I think it's out there, so we'll
23 include it.

24 COMMISSIONER WILLIAMSON: That's all I have.
25 Thank you.

1 CHAIRMAN JOHANSON: Commissioner Schmidtlein and
2 Kearns? Commissioner Schmidtlein. Commissioner Kearns.

3 COMMISSIONER KEARNS: Just one question, really
4 more for Petitioners. I think this five million dollar
5 figure we've been talking about, as Mr. Goldberg just
6 pointed out, is on page V-12 of the staff report, which is a
7 statement coming from importers. So, if the Petitioners
8 could just respond to that in the post-hearing brief that'll
9 be helpful. That's all I have. Thank you.

10 CHAIRMAN JOHANSON: Okay, that concludes
11 Commissioner questions. Do staff have any questions for
12 this panel?

13 MS. LARA: Staff have no questions.

14 CHAIRMAN JOHANSON: Do Petitioners have any
15 questions for this panel?

16 MR. JONES: No questions, Mr. Chairman.

17 CHAIRMAN JOHANSON: Alright, then this panel is
18 dismissed and you all can prepare for Petitioners' rebuttal
19 and closing and also Respondent's rebuttal and closing.

20 MR. BURCH: Closing and rebuttal remarks on
21 behalf of petitioners will be given by Steve Jones of King &
22 Spalding. Mr. Jones, you have eleven minutes.

23 CHAIRMAN JOHANSON: One second, Mr. Jones. Let
24 me clarify something here.

25 MR. BURCH: Correction. Mr. Jones, you have

1 sixteen minutes.

2 CHAIRMAN JOHANSON: All right, you can begin
3 whenever you'd like.

4 CLOSING STATEMENT OF STEPHEN A. JONES

5 MR. JONES: Thank you, Mr. Chairman. Again, for
6 the record, I'm Steve Jones representing the Petitioners.
7 Mr. Chairman, members of the Commission, thank you for your
8 attention today. I'd like to also thank the Staff for their
9 hard work in the investigation.

10 Like counsel for Central Bag, we think the Staff
11 Report, prehearing report is very well done. We're happy to
12 rely on what's in the report. We've supplemented it where
13 we can and we might provide some additional information in
14 the post-hearing, but the Staff Report is very well done
15 and, frankly, is one of the strongest records I've ever seen
16 for an affirmative determination in an AD/CVD case.

17 It's a very strong record, and I think it's
18 telling that no one other than counsel for Central Bag
19 showed up today to defend the respondents' side of this
20 case, or to oppose the petition. I think they looked at the
21 record, too, and decided they didn't have a chance. It
22 often happens, or maybe not often, but sometimes happens
23 that you have lawyers coming in and presenting on behalf of
24 their clients without a client with them.

25 And I think that presents a number of problems.

1 Mr. Goldberg, I'm sure, is a very fine lawyer, but he's not
2 in the bag industry, in the sack industry, and testimony
3 from a lawyer on industry issues is, I think, innately
4 suspect. You heard this morning testimony from our industry
5 witnesses that there have been no significant supplier
6 quality issues. That's consistent with the record.

7 Central Bag has cherry-picked some items from the
8 record that supports or undermines our view of the record,
9 but I'd just like to say, and I know that you all are
10 mindful of this, that determinations by the Commission must
11 be based on the record as a whole. You look at the whole
12 record. You look at where the weight of the evidence is and
13 you make a decision. And we think the weight of the
14 evidence here is clearly in favor of an affirmative
15 determination.

16 A couple of points of clarification. As I go
17 forward, I'll try to be brief. We've never said that
18 laminated woven sacks are commodity products. They're
19 commodity-like, when you have the bag that has the same --
20 it's the same size, it's the same artwork, it's the same bag
21 essentially made in the United States and one made in
22 Vietnam. And we've handed up some samples today that shows
23 how similar the domestic and Vietnamese production can be.
24 So there's commodities--no, not really commodities--but when
25 it's the same size, the same artwork, number of colors, it's

1 highly, highly substitutable.

2 And that's what your record shows, that the
3 subject imports and the U.S. production have a high degree
4 of substitutability. That leads me to the points that
5 Central Bag makes about evidence lacking or no corroborated
6 evidence of lost sales, price depression or price
7 suppression. And I think we explained in our testimony and
8 in our brief certainly what supports those arguments. And
9 those arguments are supported by the record. We think
10 they're completely corroborated.

11 I beg to differ with Mr. Goldberg about the lost
12 sales information. The report states on Page V-22, "Six of
13 these purchasers reported that price was a primary reason
14 for the decision to purchase imported product rather than
15 U.S.-produced product." That's lost sales. You had six
16 purchasers confirm that they purchased from Vietnam instead
17 of domestic production.

18 And the Commission used to have a different way
19 of investigating lost sales. It changed its approach in the
20 last few years and this is the information that's asked and
21 this is how you do it now and we think it's a very solid
22 corroboration of lost sales.

23 With respect to price depression, again, a high
24 degree of substitutability between competing products and
25 they are going to be the same product, the buyer, the purchaser

1 wants a bag of a certain size that has certain artwork, and
2 he's looking at domestic and he's looking at Vietnam and all
3 purchasers are trying to buy qualified product at the lowest
4 possible price. So when you have highly substitutable
5 products, price is an important factor in the market. And
6 in seventy-three out of seventy-three instances, you have
7 underselling by an average margin of 25%. You also had
8 declining unit values, both for subject imports and for
9 domestic shipments. So this record is replete with evidence
10 of price depression.

11 And price suppression, we talked about that in
12 our testimony this morning. I think it was in response to a
13 question from Commissioner Kearns about the cost of goods sold
14 to net sales ratio and how that is increasing during the
15 POI, the period of investigation, which is evidence on which
16 the Commission has relied in the past to indicate price
17 suppression.

18 With respect to polypropylene, in our brief, we
19 put in some information on polypropylene prices. Those are
20 based on market researchers, consultant companies that are
21 published data, that are widely used in the industry.
22 Frankly, we question the accuracy of the Plastics News data
23 that are in the Staff Report, and we'll put data on the
24 record in our post-hearing that we think is more reliable.
25 But the data that the domestic industry has available to it

1 show fluctuation in polypropylene prices during this period
2 with prices ultimately increasing at the end of the period,
3 not decreasing.

4 But even if they were decreasing--so we'll just
5 assume that the Plastics News data are accurate--and even if
6 that were true, polypropylene is not a significant enough
7 cost factor to explain an average 25% margin of
8 underselling. So the polypropylene issue in this case, we
9 think is a bit of a red herring. It's argued to lead to a
10 conclusion far beyond the importance or weight of the issue.

11 I'd like to also respond to the notion that the
12 industry's injury is self-inflicted in this case. The
13 capacity expansion that Central Bag tries to make so much
14 of, was intended to respond to increasing demand in the
15 market. And there were machines added and things done that
16 have to do with other issues, and I can't be specific on it,
17 but other aspects of the manufacturing process other than
18 the sealed end bag. So it's not as clean as Central Bag
19 would try to make it. And, in fact, the industry added
20 capacity to respond to demand and would have been able to
21 utilize that capacity but for the subject imports.

22 With respect to quad seal bags, quad seal bags
23 and laminated woven sacks are both preferred over multi-wall
24 paper for pet and animal feed. So the quad seal has
25 increased somewhat over this time, but it's taking share

1 from multi-wall paper, not laminated woven sacks. Laminated
2 woven sacks are increasing and quad seal are also
3 increasing, but they're not cannibalizing each other.

4 Central Bag relies heavily on the notion of price
5 leadership and I just -- I can't read for you what your
6 prehearing report says on this, but I just encourage you to
7 read the price leadership section of the report. And I
8 think that you'll conclude from that, that Central Bag's
9 counsel in his testimony was mischaracterizing the record on
10 that. It just doesn't say what he says it says. And we'd
11 be happy to discuss that more in our post-hearing brief.

12 I think Mr. Goldberg in his testimony said
13 that--talking about threat and the Vietnamese production
14 capacity--said that the Vietnamese production capacity's
15 "relatively stable," I'd encourage you to look at Table VII-3
16 in the report and it shows that Vietnamese capacity
17 increased by 45% from 2015 to 2017. I would not call a 45%
18 increase relatively stable.

19 In connection with the notion that somehow
20 there's the segments in this market, I believe the testimony
21 from Central Bag was that animal feed customers tend to be
22 very small. Well, there are animal feed customers such as
23 Cargill and Land O'Lakes that are among the largest
24 purchasers of laminated woven sacks in the United States.
25 So I don't think there's anything to that argument. I

1 think that's an easy one to dispose of.

2 Just one final point. It's puzzling to me why
3 Central Bag is importing. And I think there's really only
4 one answer to that, and it's because it can buy dumped
5 imports for less than it costs to produce them here in the
6 U.S. And that make-or-buy decision is a tough decision for
7 a domestic producer, and I've worked with a number of
8 companies who have had to face that.

9 Mr. Goldberg said that ideally his client would
10 produce more in the United States. Well, I hope, and our
11 clients hope that there's an affirmative determination in
12 this investigation and that anti-dumping and countervailing
13 duty relief makes it more economical for Central Bag to
14 produce domestically and also for the rest of the industry.
15 Thank you very much again for your attention. That's all I
16 have. Thank you.

17 MR. BURCH: Closing and rebuttal remarks on
18 behalf of Respondent will be given by Roy Goldberg of
19 Stinson Leonard Street. Mr. Goldberg, you have forty-five
20 minutes.

21 CLOSING STATEMENT OF ROY GOLDBERG

22 MR. GOLDBERG: Thank you, Mr. Burch. Thank you
23 again, members of the Commission. I'll be very brief. It's
24 been a long day. I just wanna address, I think, just a
25 couple points. You know, I was in part of the record last

1 year when the case was filed. Typically, when I filed the
2 case for petitioners, a day later we're doing evidence of
3 lost sales.

4 So I don't agree, unless something has changed
5 very recently, that petitioners typically are able to go in
6 and get anti-dumping countervailing duty order final by the
7 ITC without -- again, anecdotal evidence isn't critical one
8 way or another, but it can help you understand and apply and
9 find whether or not there's evidence of causation by the
10 facts.

11 I don't think that a line on Page 522 of the
12 Report, it's six out of eighteen responding purchasers used
13 imports and the price was the primary reason. This is very
14 different than my experience, even recently, with the
15 Commission, as far as lost sales being documented. And
16 frankly, you know, I would have expected that we would've
17 gotten information as to who these purchasers were so we
18 could try to find out what the story was. I don't think
19 that's really evidence of a lost sale to have a number like
20 that.

21 And I don't agree that petitioners had no
22 obligation whatsoever to try to document that they went to
23 companies, tried to sell them on their product, they were
24 told "No" and, if possible, were even told no because of
25 price. So I just think the record is nonexistent of lost

1 sales. And I respectfully don't think that that one line in
2 the report would change that.

3 And it's important in this case, because so much
4 of the other evidence, the other indicia, while there are
5 some factors clearly favoring of the petition, there are so
6 many factors that don't favor the petition, and they have
7 the burden of proof.

8 Finally, and I totally understand and agree, no
9 one case is the same as any other case and obviously every
10 case is independent, and there are things about the woods
11 case that are different. But I think what's very
12 interesting about that case is not only that there was
13 significant underselling, but the language where the CIT
14 said "no less significant was the Commission's findings
15 supported by record evidence consisting of questionnaire
16 responses that price was not the only factor and not always
17 even the most important factor in purchasing decisions."

18 And we submit that the record in this case, as
19 developed by the Staff, is very clear that this is not a
20 case where, in most instances, price was the determinative
21 factor, but rather as developed by the Agency, there were
22 quality issues, there were lead-time issues, and there were
23 various other non-price issues that are out there, and that
24 frankly we don't believe the petitioners have been able to
25 present any evidence to overcome the fact that the problems

1 that they're having, which are not ideal, we understand, but
2 they haven't drawn the critical link to the imports in this
3 case. So we ask that the Commission --

4 Oh, one other point though, petitioners did try
5 to make a lot out of the fact that, "We're the only company
6 that's here today," and that, not only that, but the lawyer
7 is the one that's here. I don't think that that's a fair
8 thing. These cases are expensive. A lot of people were
9 involved last year. A lot of people were involved at the
10 Commerce Department. And, you know, I don't think that an
11 inference can be drawn from that. The facts are what the
12 facts are.

13 We know you'll make the right decision based on
14 the record that's been developed by the Staff in this case.
15 And there's no wait to be given as to whatever reasons that
16 I can't speak to. Certainly this is one of those cases
17 where there's a lot of issues for a petitioner to overcome.
18 This is not a classic -- it's a commodity -- price is what's
19 driving it. Imports are leading the prices. Trends are
20 clearing one way.

21 These are, you know, a lot of important issues
22 are raised here. And we think that the petitioners have
23 failed to meet their burden to be able to get the huge
24 margins that they're seeking here. That they needed to show
25 more of the factors that are necessary and that we think

1 that that's the record that's been developed in this case.

2 Thank you.

3 CHAIRMAN JOHANSON: Thank you, Mr. Goldberg. And
4 thank you, Mr. Jones. I'll now make the closing statement.
5 Post-hearing briefs, statements responsive to questions and
6 requests of the Commission and corrections to the transcript
7 must be filed by April 11th, 2019. Closing of the record
8 and final release of data to parties occurs on April 25th,
9 2019. And final comments are due April 29th, 2019. This
10 hearing is adjourned.

11 (Whereupon the hearing was adjourned at 2:43 p.m.)

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CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Laminated Woven Sacks from Vietnam

INVESTIGATION NOS.: 701-TA-601 and 731-TA-1411

HEARING DATE: 4-4-19

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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

DATE: 4-4-19

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
Signature of Proofreader

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

SIGNED: Gaynell Catherine
Signature of Court Reporter