

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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

Pages: 1 - 187  
Place: Washington, D.C.  
Date: Wednesday, March 28, 2018



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UNITED STATES OF AMERICA  
BEFORE THE  
INTERNATIONAL TRADE COMMISSION

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

Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC  
Wednesday, March 28, 2018

The meeting commenced pursuant to notice at 9:30  
a.m., before the Commissioners of the United States  
International Trade Commission, Douglas Corkran, Acting  
Director of the Office of Investigations, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Staff:

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5 Tyrell Burch, Program Support Specialist

6 Yasmyne Hilliard, Student Intern

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8 Douglas Corkran, Acting Director of the Office of

9 Investigations

10 Drew Dushkes, Investigator

11 Natalie Hanson, International Trade Analyst

12 Porscha Stiger, Economist

13 Emily Kim, Accountant/Auditor

14 Nataline Viray-Fung, Attorney/Advisor

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1 APPEARANCES:

2 Opening Remarks:

3 In Support of Imposition (Stephen A. Jones, King and  
4 Spalding, LLP)

5 In Opposition of Imposition (Diana D. Quiaia, Arent Fox LLP)

6

7 In Support of the Imposition of Antidumping and

8 Countervailing Duty Orders:

9 King & Spalding LLP

10 Washington, DC

11 on behalf of

12 Laminated Woven Sacks Fair Trade Coalition

13 Polytex Fibers Corporation and

14 ProAmpac Holdings Inc.

15 Isaac Bazbaz, President, Polytex Fibers Corporation

16 Louann Mueller, Vice President of Product Development,

17 Extrusion Technology Division, ProAmpac Holdings, Inc.

18 Arthur Bucci, Executive Vice President of Sales, U.S.

19 Flexibles, ProAmpac Holdings, Inc.

20 Andrew Szamosszegi, Principal, Capital Trade, Inc.

21 Stephen A. Jones and Patrick J. Togni - Of Counsel

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1 APPEARANCES (Continued):

2 In Opposition to the Imposition of Antidumping and

3 Countervailing Duty Orders:

4 Arent Fox LLP

5 Washington, DC

6 on behalf of

7 Commercial Packaging

8 John C. Little, Woven Division Manager, Commercial

9 Packaging

10 Kevin Greene, International Supply Chain Manager,

11 Commercial Packaging

12 Diana D. Quaia, John M. Gurley and Leah N. Scarpelli -

13 Of Counsel

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1 APPEARANCES (Continued):  
2 Mayer Brown LLP  
3 Washington, DC  
4 on behalf of  
5 C.P. Packaging (Vietnam) Industry Co., Ltd.  
6 CPPC Marketing Inc.  
7 CPC Vietnam  
8 Kim Duc Co., Ltd.  
9 Tan Dai Hung Plastic Joint Stock Company  
10 TKMB Joint Stock Company  
11 Trung Dong Corporation  
12 Fulton Denver Company  
13 Chaipong Chainapaporn, C.P. Packaging (Vietnam),  
14 Industry Co., Ltd.  
15 Doug Snyder, CPPC Marketing, Inc.  
16 Rett Schuler, President, Fulton Denver Company  
17 Jeffery C. Lowe and Jing Zhang - Of Counsel  
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19 Fox Rothschild LLP  
20 Washington, DC  
21 on behalf of  
22 Material Motion, Inc.  
23 Steve Schneider, President, Material Motion, Inc.  
24 Lizbeth Levinson - Of Counsel  
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1 APPEARANCES (Continued):

2 Interested Party:

3 Textile Bag and Packaging Association

4 Milton, MA

5 Barry Corman, President, Textile Bag and Packaging

6 Association

7

8 Rebuttal/Closing Remarks:

9

10 In Support of Imposition (Stephen A. Jones, King and

11 Spalding, LLP)

12 In Opposition of Imposition (Jeffrey C. Lowe, Mayer Brown

13 LLP)

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9:30 a.m.

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

Please take a seat.

MR. CORKRAN: Good morning and welcome to the United States International Trade Commission's conference in connection with the Preliminary Phase of Antidumping and Countervailing Investigation No. 701-TA-601 and 731-TA-1411 concerning Laminated Woven Sacks from Vietnam.

My name is Douglas Corkran, I'm the acting Directory of the Office of Investigations and I will preside at this conference. Among those present from the Commission Staff are from my far right: Drew Dushkes the Investigator, Nataline Viray-Fung the Attorney Advisor and to my left Porscha Stiger the Economist, Emily Kim the Accountant and Natalie Hanson who we expect any moment -- the Industry Analyst.

I understand that the parties are aware of the time allocations. Any questions regarding time allocations should be directed to the Secretary. I would remind speakers not to refer in their remarks or answers to questions to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of

1 the court reporter.

2 All witnesses must be sworn in before presenting  
3 testimony. Are there any questions? Mr. Secretary, are  
4 there any preliminary matters?

5 MR. BURCH: I would note that all parties and  
6 witnesses have been sworn in.

7 MR. CORKRAN: Thank you very much and with that,  
8 let us begin with opening remarks.

9 MR. BURCH: Opening remarks on behalf of those in  
10 support of the imposition will be given by Stephen A. Jones  
11 of King and Spaulding. Mr. Jones, you have 5 minutes.

12 OPENING STATEMENT OF STEPHEN A. JONES

13 MR. JONES: Good morning, Mr. Corkran and Members  
14 of the Commission Staff. I'm Steve Jones from King and  
15 Spaulding representing the Petitioner, the Laminated Woven  
16 Sacks Trade Coalition and its member companies Polytex  
17 Fibers Corporation and ProAmpac's Holdings Incorporated.

18 This case is about dumped and subsidized imports  
19 of Laminated Woven Sacks from Vietnam that are causing  
20 material injury and threatening further material injury to  
21 the Domestic Industry. This is the second set of AD/CVD  
22 investigations against imports of Laminated Woven Sacks.  
23 The first against imports from China in 2007 and 2008  
24 involved a scope definition that is the same as has been  
25 proposed in these investigations and the Commission

1 determined that the domestic like product is Laminated Woven  
2 Sacks as defined by the scope.

3 The Commission considered whether the domestic  
4 like product should include multi-walled paper sacks and  
5 non-Laminated Woven Sacks and it determined that Laminated  
6 Woven Sacks are not like either multi-walled paper sacks or  
7 non-Laminated Woven Sacks. The Commission should make the  
8 same determination in these investigations. Defined this  
9 way, Polytex and ProAmpac account for a substantial majority  
10 of production of the domestic like product.

11 As the Commission found in the 2014 Sunset Review  
12 of the China Orders, those orders have worked and have  
13 benefitted the Domestic Industry. Unfortunately after those  
14 orders were imposed however several Chinese Producers  
15 shifted production to Vietnam to avoid antidumping and  
16 countervailing duties and jumpstarted the industry there.

17 Ever since, Vietnamese exports have exploded with  
18 the United States being its largest export destination. The  
19 evidence available to Petitioners demonstrates  
20 overwhelmingly that imports of Laminated Woven Sacks from  
21 Vietnam are causing material injury to the Domestic  
22 Industry. The evidence in the Petition shows that imports  
23 from Vietnam are significant and have increased  
24 significantly during the Period of Investigation by 30  
25 percent in 2016 to 2017 alone.

1           Moreover, the imports are significant as a share  
2           of both domestic consumption and domestic production. In  
3           addition, the evidence shows that imports from Vietnam are  
4           being sold in the United States at very low prices. They  
5           are underselling Domestic Producers by significant margins  
6           and severely depressing U.S. prices.

7           The increasing imports at declining prices are  
8           having a severe adverse impact on the industry's performance  
9           which is intensified by the conditions of competition  
10          including the close substitutability of Subject Imports and  
11          Domestic Production, the need to run production machinery  
12          continuously and the small number of large purchasers whose  
13          business is critical to the viability of the industry.

14          The lost sales and lost revenue information  
15          submitted by Petitioners provides additional probative  
16          evidence of the severe harm caused by Subject Imports. The  
17          Subject Import pricing is so low that some U.S. purchasers  
18          are refusing to even consider domestic production and in  
19          some cases refusing to allow domestic producers to compete  
20          for their business.

21          The Petition contains evidence of significant  
22          sales volume and sales revenue lost to Subject Imports from  
23          Vietnam. The industry has been severely and adversely  
24          impacted by this unfair competition and there is no doubt  
25          that the Subject Imports are a significant cause of the

1 industry's deteriorating condition.

2 Polytex and ProAmpac are doing everything they  
3 can to compete with Subject Imports including upgrading  
4 their machinery to increase their efficiency and cost  
5 competitiveness but the rising Subject Import volume and  
6 declining prices have made it very difficult to compete and  
7 the viability of the industry is at risk.

8 Vietnam's production capacity is huge and growing  
9 under the Vietnamese government's 2020 master plan and the  
10 Vietnamese producers import channels are well-developed and  
11 extremely affective in penetrating the U.S. Market. There  
12 is no question that the industry is also threatened with  
13 additional eminent injury if relief is not imposed.  
14 Accordingly, Polytex and ProAmpac prospectively request that  
15 the Commission reach an affirmative determination and allow  
16 these investigations to proceed. Thank you.

17 MR. CORKRAN: Thank you very much.

18 MR. BURCH: Opening remarks in opposition of  
19 imposition will be given by Diana D. Quaia of Arent Fox.  
20 Ms. Quaia, you have five minutes.

21 OPENING STATEMENT OF DIANA D. QUAIA

22 MS. QUAIA: Thank you very much to the Commission  
23 Staff and to the Secretary. I'm Diana Quaia with Arent Fox  
24 speaking on behalf of the Respondents Panel. At this  
25 preliminary phase the Commission is called upon to determine

1 whether there is a reasonable indication that imports from  
2 Vietnam are causing material injury or threatening material  
3 injury to a Domestic Industry.

4 In my brief time I'd like to flag three points  
5 that I ask you to keep in mind during Petitioners'  
6 presentation today. Based on Mr. Jones' comments just a few  
7 moments ago and the Petition I suspect that you are going to  
8 hear a story about the U.S. Market that goes something like  
9 this. Laminated Woven Sacks are a commodity like product,  
10 price is the most important factor in selecting suppliers  
11 and therefore the participation of Vietnamese imports in the  
12 market materially injures the Domestic Producers.

13 The problem with this story is that it is far too  
14 simplistic. It is important to understand that Laminated  
15 Woven Sacks are not a commodity product. They are highly  
16 customized. The same laminated woven sack is not readily or  
17 uniformly applicable across a wide range of market segments  
18 and uses unless it is specially produced to those  
19 applications.

20 There is little overlap in competition between  
21 Vietnamese and U.S. Produced LWS because they largely  
22 compete in different market segments. Today we will be  
23 introducing you to the market segments to give you the  
24 context to understand better the data on the record.

25 Domestic Producers are dominant in the pet food

1 market segment. In recent years they have directed  
2 investments to produce bag designs that respond to customer  
3 needs in this particular market segment such as heat-sealed  
4 closures which are Petitioners freely admit command a price  
5 premium. The Vietnamese exporters on the other hand are  
6 supplying segments of the packaging market that are  
7 underserved by U.S. Producers such as the animal feed and  
8 the agricultural products segment.

9           There is no causal connection between the pricing  
10 or volume of imports from Vietnam and the condition of the  
11 Domestic Industry in general. The main reason that  
12 packaging companies are supplying their Laminated Woven  
13 Sacks from Vietnam is because the product is available in  
14 more specifications. It is consistently and measurably of  
15 superior quality. It has the highest food grade  
16 certifications and customers get better service. You will  
17 hear a lot more about this during our Panel presentations.

18           Petitioners will also reference underselling data  
19 and claim that there is underselling across all products.  
20 At this time we are still compiling questionnaire response  
21 data and we expect to have more accurate figures in our  
22 post-conference brief but what is clear to us already is  
23 that the price comparisons will not yield an  
24 apples-to-apples comparison.           There are significant  
25 price differences among various types of LWS based on, for

1 example: bag closures, number of plies, various coatings,  
2 and by market segment. This last part is very important.  
3 These are not accounted for in the pricing products. The  
4 pricing products are constructed in such a way that they are  
5 so broad they result in very large variations within each  
6 category.

7 I also suspect you're going to hear how the U.S.  
8 Industry's performance has not met expectations and that is  
9 due to imports from Vietnam, or at least that is the  
10 allegation. What you will hear from our Panel of industry  
11 experts is that any injury the Domestic Industry may be  
12 suffering stems from reasons unrelated to imports from  
13 Vietnam such as the U.S. Producers higher cost structures  
14 due to expensive equipment, fluctuations in raw material  
15 prices and a business model that is efficient only in very  
16 large production runs and not in the smaller production  
17 runs, which the Vietnamese suppliers can easily accommodate.

18 Imposing duties on LWS from Vietnam will not  
19 provide the relief that Petitioners are seeking. It cannot  
20 because imports are competing in a different market segment  
21 and AD/CVDs will not change the higher cost structures or  
22 the technical and the efficiency problems and lack of cost  
23 competitiveness. Thank you very much.

24 MR. CORKRAN: Thank you very much.

25 MR. BURCH: Would the first Panel in support of

1 the imposition of the antidumping and countervailing duty  
2 orders please come forward?

3 MR. CORKRAN: Mr. Jones, you may begin when your  
4 Panel is ready.

5 MR. JONES: Thank you, Mr. Corkran and again good  
6 morning. My name is Steve Jones from King and Spaulding.  
7 I'm here with representatives of Laminated Woven Sacks Fair  
8 Trade Coalition, Polytex Fibers Corporation and ProAmpac  
9 Holdings Incorporated.

10 We will go right into our presentation starting  
11 with Mr. Isaac Bazbaz from Polytex.

12 STATEMENT OF ISAAC BAZBAZ

13 MR. BAZBAZ: Good morning. My name is Isaac  
14 Bazbaz. I am the President of Polytex Fibers Corporation.  
15 Polytex has operated production facilities in the United  
16 States since 1982 and I have been president since 1989.

17 In 1982, Polytex was the first integrated  
18 manufacturer of particular woven polypropylene bags for  
19 export shipments of commodities like rice and sugar. In the  
20 early 90's we began manufacturing coated bags for industrial  
21 use, also for the export market. Around 2003 a new type of  
22 woven sack first began to appear in the U.S. Market. This  
23 new product had an outer ply or biaxially oriented  
24 polypropylene which we will refer to as BOPP.

25 The BOPP is then reverse-printed meaning the ink

1 will become trapped between the outer surface of the film  
2 and the inner surface of the woven fabric during the  
3 lamination process. This protects the graphics from  
4 flaking, scratching and rubbing off. Based on information  
5 from our customers these sacks laminated with BOPP were  
6 first produced in Asia around 2000 for the pet food market  
7 in Korea.

8           Soon after that, China began production to supply  
9 this Asian Market. In 2003, imports of Laminated Woven  
10 Sacks from China began to appear in the U.S. Market. In  
11 2004 we were approached by a large consumer products company  
12 which got 7 million woven bags from Asia and were looking  
13 for a U.S. Manufacturer to produce these bags. Because this  
14 was a new product we had to develop a process of laminating  
15 a reverse thickness print to our woven fabric.

16           It took us over 6 months of research and  
17 development and numerous trials to come up with a successful  
18 lamination process. We began commercial production of these  
19 sacks in late 2004. In 2007 we joined with Coating  
20 Excellence International which is now ProAmpac and other  
21 companies in filing a Petition seeking antidumping and  
22 countervailing duties for Laminated Woven Sacks from China.

23           That case was successful and the China orders  
24 were imposed in 2008, continued in 2014 and remain in place  
25 today. The success of the China AD and CVD orders allowed

1 us to be profitable and to preserve and grow our employment  
2 for many years. The success of the China AD and CVD orders  
3 however also resulted in a shift of production of Laminated  
4 Woven Sacks from China to Vietnam.

5 Imports from Vietnam started coming in and became  
6 more significant over time but in the last few years we have  
7 seen a significant adverse impact on these imports on the  
8 market for Laminated Woven Sacks in our business. The  
9 Laminated Woven Sack is a distinct product that combines the  
10 strength and light weight of a woven bag with high quality  
11 print graphics of the reverse printed BOPP film.

12 In a few minutes I will provide more details of  
13 the unique attributes of this bag however first I would like  
14 to describe the production process. Polytex is an  
15 integrated producer in the sense that we manufacture both  
16 the polypropylene fabric and convert that fabric into  
17 Laminated Woven Sacks. Because we produce our own fabric,  
18 our manufacturing process begins with the production of  
19 polypropylene strips which are then woven into fiber.

20 Please refer to the presentation, as shown on the  
21 slide called "tape extrusion". We start by melting  
22 polypropylene and additives in pellet form. The resin  
23 pellets are fed into an extruder via a mixing and dosing  
24 unit. Inside the barrel of the extruder the resin is  
25 melted, compressed and blended. The pressurized material

1 goes through an adaptor and an automatic filter into the  
2 flat die.

3 The extrudate flows through the die into a  
4 watered wench or a tank where the temperature of the film is  
5 cooled for solidification of the material and to allow for  
6 further processing. The film then reaches the sliding bar  
7 that cuts into strips or yarns of equal width. The first  
8 holding unit running at a higher speed insures the right  
9 tension necessary for the cutting crosses.

10 Special water removal system is located after the  
11 water quench, to run high speed even with addition of UV or  
12 color concentrates. The yarns run from the first holding  
13 unit through a hot stretching oven into the stretching unit.  
14 The purpose of stretching the yarns is to add strength and  
15 stability by aligning the molecular chains of the  
16 polypropylene.

17 As shown in the slide entitled "winding" the  
18 yarns are individually wound up by precisions winders into  
19 aluminum cores. Good winding quality is necessary for  
20 further processing on circular looms. Polytex producers  
21 produces tape exceptionally high intensive strength and  
22 controlled elongation. We can produce a wide range of  
23 widths and thicknesses, controlled residual shrinkage of the  
24 tape is very important for the extrusion coating, laminating  
25 process.

1           As shown on the slide called "weaving" the  
2           weaving looms are especially designed to weave continuous  
3           tubular or flat fabric from polypropylene or high density  
4           ethylene yarns. The woven yarns in the machine direction  
5           are taken from two cradles via rollers into the loom which  
6           ensures a uniform warp tension and excellent fiber quality.

7           During production the warped bobbins can be  
8           changed easily and quickly without shutting down the loom.  
9           The warp yarns are simply tied in. The weft yarn on the  
10          cross direction is inserted by shuttles running through a  
11          reed constructed specifically for this purpose.

12          The width of the fabric is controlled by using a  
13          weaving ring that can be easily changed to produce various  
14          widths of fabrics. The tubular fabric is drawn through a  
15          calibrated spreading system by a continuously driven roller.  
16          Just prior to being wound onto a fabric winder, the fabric  
17          is slit open to make a single ply flat fabric.

18          Even though the fabrics for Laminated Woven Sacks  
19          have certain standard structures that are widely used the  
20          density of the yarns and the fabric weights can easily be  
21          changed. By showing the slide called "extrusion lamination"  
22          the laminating machine is especially designed to extrusion  
23          coat or laminate flat woven fabric in one operation.

24          The printed BOPP film and the woven polypropylene  
25          fabric are bonded in a lamination process as shown in the

1 next slide. During this critical process the film and  
2 fabrics are drawn from opposite directions directly below  
3 the die of the laminating base.

4 A cordon of liquid polypropylene flows between  
5 the film and the fabric immediately forming a bonding  
6 centered layer. The material is then wound onto rolls for  
7 further processing. As the material is being bound up, it  
8 is chilled and pressed for adhesions. This process ensures  
9 that the printed surface cannot be separated or otherwise  
10 blemished because it is sealed underneath the BOPP film  
11 which gives it protection.

12 The coating laminating process is creating  
13 material resistant to liquid, oil and grease that is perfect  
14 for packaging food products that are sold at retail. We  
15 purchase our rolls of imprinted BOPP film, a reverse printed  
16 film, according to our customers' design suitable for use in  
17 consumer packaging.

18 Our printing press is shown in slide "printing".  
19 As shown in the slide called "tubing" the rolls are sent to  
20 a tuber where the fabric is forming to a continuous tube  
21 with or without gussets from the flat fabric. The  
22 longitudinal and overlapping back seam is sealed. After the  
23 back seam is made the tube can be cut into individual pieces  
24 and sent to sewing machines or wound onto rolls to be cut  
25 and sewn on conversion lines.

1                   Finally, as shown on the slide called "sewing"  
2                   the bags are finished by sewing the bottom and applying  
3                   pressure tape and the pull tape for easy opening. The rolls  
4                   of continuous tube fabric also can be taken to special  
5                   conversion lines which can be formed gussets, cut a batch  
6                   into correct lengths, apply closure tapes and sew the  
7                   bottom. After sewing we inspect the bags and package them  
8                   for shipping.

9                   The laminated woven sack is a different distinct  
10                  product that combines the strength, the resistance and  
11                  lightweight qualities of the woven polypropylene fabric with  
12                  a glossy, high quality print graphics of the BOPP film.  
13                  Laminated Woven Sacks are different than other types of  
14                  packaging product.

15                  First, Laminated Woven Sacks are not like paper  
16                  sacks. Paper sacks are made from entirely different raw  
17                  materials, plies of paper. Laminated Woven Sacks and paper  
18                  sacks are typically not made by the same companies by the  
19                  same facilities or using the same production processes  
20                  equipment or employees.                For example, paper bags are  
21                  never laminated to reverse printed plastic film so our  
22                  lamination equipment is never used in the production of  
23                  paper sacks. Different equipment is used to close the  
24                  bottoms of Laminated Woven Sacks and paper sacks. Laminated  
25                  Woven Sacks have fewer plies, weigh less and occupy less

1 space than paper bags.

2 This makes them less expensive for shipping and  
3 storing. They are also much less likely to break during  
4 shipping and distribution of the packaged product to the end  
5 user. This attractive and practically indestructible sack  
6 is the most efficient way to preserve the product and  
7 minimize losses throughout the distribution chain.

8 Our customers also perceive Laminated Woven Sacks  
9 and paper sacks as different products where breakage or  
10 tearing is a concern or where moisture resistance is  
11 desired. Our customers view Laminated Woven Sacks as more  
12 durable than paper sacks and able to keep the contents  
13 fresher.

14 Our customers of Laminated Woven Sacks are almost  
15 always manufacturers of consumer goods products that they  
16 are sold and displayed in retail stores such as pet food and  
17 some feed products. Although there are some paper sacks in  
18 retail stores the majority of paper sacks are used by \* a  
19 wide variety of non-consumer of industrial and agricultural  
20 goods not sold at retail such as building materials,  
21 chemicals and minerals.

22 Additionally, Laminated Woven Sacks generally are  
23 not interchangeable with paper bags because our customers  
24 typically have similar equipment at the filling stations  
25 that are specific either to paper or to Laminated Woven

1 Sacks.

2 Second, Laminated Woven Sacks are also not like  
3 non-Laminated Woven Sacks. Non-Laminated Woven Sacks do not  
4 use BOPP film and do not require the technically demanding  
5 production step of laminating the BOPP film to the woven  
6 fabric. Laminated Woven Sacks require much higher quality  
7 printing equipment and than is required printing of  
8 non-Laminated Woven Sacks.

9 Printing graphics if any on the non-Laminated  
10 Woven Sacks are printed directly on the woven sack and  
11 produce low quality graphics on a woven surface and it would  
12 make no commercial sense to print non-Laminated Woven Sacks  
13 with three or more visible colors because the graphics would  
14 not remain visible in a manner intended by the design when  
15 the bags are filled with products and the yarns of the  
16 woven materials are printed.

17 Non-Laminated Woven Sacks are generally not  
18 suitable for consumer packaging. Laminated Woven Sacks cost  
19 more to produce than non-laminated sacks due to the  
20 lamination of the outer ply and the high quality print  
21 graphics. This results in a substantially high price for  
22 Laminated Woven Sacks.

23 Physical characteristics and uses between these  
24 two types of bags also vary. Laminated Woven Sacks are more  
25 resistant to tearing and have greater tensile strength than

1 non-Laminated Woven Sacks. They are less likely to break  
2 and cause product waste than non-Laminated Woven Sacks.  
3 Non-Laminated Woven Sacks are not moisture resistant and  
4 will leak oil or grease. Non-Laminated Woven Sacks are  
5 primarily sold to suppliers of goods not generally sold in  
6 retail outlets such as agricultural products or export.

7 Our customers view Laminated Woven Sacks and  
8 non-Laminated Woven Sacks as different products based on  
9 their different physical characteristics including the fact  
10 that Laminated Woven Sacks are printed in three colors or  
11 more allowing for high quality print graphics to serve as a  
12 point of sale, advertising for consumer products.

13 Additionally, Laminated Woven Sacks can be used  
14 on automated equipment where non-Laminated Woven Sacks  
15 cannot. Despite the strong demand for Laminated Woven Sacks  
16 in the U.S. Market we have been unable to achieve sufficient  
17 profitability because of extremely low prices of Vietnamese  
18 imports. Polytex has been in operation since 1982 and is an  
19 experienced and highly efficient business.

20 In spite of our efficient production model and  
21 advanced production machinery, the price of Vietnamese  
22 imports are lower than our cost or production. We have been  
23 unable to achieve adequate prices for our sacks because our  
24 customers can readily receive comparable product at the  
25 lower priced imports from Vietnam. We have been forced to

1 utilize only a fraction of our available capacity to produce  
2 Laminated Woven Sacks.

3 We have the production capacity to fill large  
4 orders of any specification we simply cannot compete with  
5 Vietnamese import prices that remain lower than our cost of  
6 production. We cannot utilize our capacity and achieve  
7 sustainable operations as long as the dumping and subsidies  
8 of Vietnamese imports exist.

9 We request your help in stopping this unfair  
10 competition. Thank you for your time. I would be happy to  
11 answer any questions.

12 MR. JONES: Thank you, Mr. Bazbaz. Our next  
13 witness is Louann Mueller from ProAmpac.

14 STATEMENT OF LOUANN MUELLER

15 MS. MUELLER: Good morning. My name is Louann  
16 Mueller and I am Vice President of product development for  
17 ProAmpac Holdings, Incorporated. I have been in this  
18 position for the last five years. Prior to that, I was vice  
19 president of manufacturing for coating excellence  
20 international or CEI from 2008 to 2013.

21 Before that, I held various technical and  
22 operations positions at CEI starting in 1997. So all  
23 together, I've had 21 years of experience in operations and  
24 manufacturing in the packaging industry.

25 Our company has under gone a lot of changes

1 since 2014 when we were last before the Commission in the  
2 sunset review of the China AD and CBD orders. ProAmpac was  
3 formed by New York-based Well Spring Capital in August of  
4 2015 after Prolamina Corporation merged with Ampac  
5 Packaging, LLC. ProAmpac then acquired CEI in late 2015.

6 The combined business provides several  
7 innovative solutions and pack -- flexible packaging for the  
8 food, pet food, and medical markets, along with some  
9 security packaging.

10 Altogether, ProAmpac is approximately 3,000  
11 employees. Like Mr. Bazbaz, I was there at the beginning of  
12 the development of the Laminated Woven Sacks. Multi wall  
13 paper sacks can be damaged easily, resulting in leakage or  
14 spoilage of the contents, which led customers to seek a  
15 better product. Laminated Woven Sacks quickly gained  
16 customer acceptance because they have a combination of  
17 durability and printability that multi walled paper sacks  
18 cannot match.

19 Although imports from China threaten to destroy  
20 the industry before it could even get started, the  
21 imposition of anti-dumping and countervailing duty orders on  
22 imports from China in 2008 leveled the playing field and  
23 enabled the industry to get firm established and grow.

24 After those orders were put in place, the  
25 response of some of the Chinese producers was to establish

1 laminated woven sack manufacturing facilities in Vietnam.

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

7 Laminated Woven Sacks today are characterized by  
8 photo quality print graphics and a variety of different  
9 types of closures, from sewn closures to pinch closures  
10 using either glue or heat to heat seal the ends.

11 Sewn closures are the most common form in the  
12 market today and imports from Vietnam typically offer those  
13 type of closure. Print quality has improved significantly  
14 in the past few years. Many producers including ProAmpac  
15 now use high definition plates in their printing process.  
16 There is no difference in print quality between domestic  
17 production and imports from Vietnam. As a result, the  
18 imports of from Vietnam and the sacks produced in the  
19 United States are very close substitutes.

20 At this point, I'd like to share a couple of  
21 samples.

22 MR. TOGNI: This is Patrick Togni with King and  
23 Spaulding, I have the samples and I'd be pleased to bring  
24 those forward if you're interested.

25 MS. MUELLER: Our ability to grow our business

1 with existing and new customers continues to be negatively  
2 impacted, due to the aggressively low prices offered for  
3 imports from Vietnam.

4 As it became clear over the past few years that  
5 low-priced imports from Vietnam were hurting us, we took  
6 several steps to make our manufacturing operations more  
7 efficient and productive, including installation of a new  
8 product line and a more efficient bag extruder.

9 These investments were made to make our core  
10 laminated woven sack production for the pet food market the  
11 bread and butter of our business more competitive.  
12 Unfortunately, due to unfair pricing of imports from  
13 Vietnam, we've been unable to realize adequate return on  
14 these investments.

15 Even installing new equipment has not helped.  
16 We have lost so much volume to subject imports that we  
17 cannot run the new machines continuously as they are  
18 designed to run and realize the efficiencies required to be  
19 competitive.

20 The more volume we can run, the lower per unit  
21 fixed costs will be. Long production runs producing  
22 significant volume is the most profitable way we can do  
23 business.

24 Losing out on large volume opportunities in the  
25 pet food sector has pushed us into smaller niche markets,

1 where the production runs are shorter and less profitable.

2 In addition, our customers are not coming to us  
3 with new product requests as frequently as in the past due  
4 to pricing of imports from Vietnam.

5 The reduction in requests for new product trials  
6 is also a strong indication that imports from Vietnam are  
7 reducing our opportunities and hurting our business.

8 Given our inability to grow our core laminated  
9 woven sack for the pet food sector due to pricing  
10 competition from Vietnam, we have invested in R and D to  
11 look for opportunities to grow business and smaller segments  
12 of the market, but these areas are -- these areas offer  
13 limited opportunity for growth compared to our core pet food  
14 business.

15 We are very concerned about our loss of volume  
16 and our declining capacity utilization. Without fair  
17 pricing in the market, we fear that we will continue to  
18 operate less efficiently and less profitably. With fair  
19 pricing, however, we believe the opportunities in the large  
20 volume pet food sector will return and we are ready to serve  
21 that market. We request that the Commission reach an  
22 affirmative determination and give us the opportunity to  
23 compete on a level playing field.

24 I look forward to answering your questions.

25 Thank you.

1                   MR. JONES: Our next is Art Bucci also from  
2 ProAmpac.

3                   STATEMENT OF ARTHUR BUCCI

4                   MR. BUCCI: Good morning, my name is Art Bucci.  
5 I am an executive vice president of sales for U.S.  
6 Flexibles, a division of ProAmpac. I've been in this job  
7 for a little over one year. Prior to that, I was the vice  
8 president of sales of extrusions for ProAmpac. And before  
9 that, I worked for ProAmpac's predecessor, Coating  
10 Excellence International or CEI.

11                   As Louann noted, CEI was a petitioner in the  
12 2007, 2008 investigations of Laminated Woven Sacks from  
13 China. I started working with CEI In 2013. But before  
14 that, I worked for a company that supplied closure solutions  
15 to the woven sack market.

16                   I've been involved in the woven sack industry  
17 for the past 13 years and altogether, I have 28 years of  
18 experience in the plastics and packaging industries.

19                   ProAmpac has been directly and materially  
20 injured by imports of Laminated Woven Sacks from Vietnam.  
21 After the orders were imports of Laminated Woven Sacks from  
22 China in 2008, several Chinese companies shipped it to  
23 production to Vietnam, thus launching the Vietnamese  
24 Laminated Woven Sacks manufacturing industry.

25                   Imports into the United States market steadily

1 increased as the Vietnamese bags improved in quality. The  
2 imports from Vietnam were now very large, have gained  
3 significant market share, and are continuing to grow.

4 Laminated Woven Sacks defined in these  
5 investigations are made to order products. End users  
6 specify the type of bag they want, the art work to be  
7 printed on the bag, and the quantity to be produced. The  
8 Vietnamese producers who make the Laminated Woven Sacks are  
9 a highly substitutable with the merchandise produced in the  
10 United States.

11 The high degree of substitutability means that  
12 price is the most important factor in the market. Imports  
13 from Vietnam have used aggressive pricing and under selling  
14 to gain market share at the expense of domestic  
15 manufacturers.

16 Our primary customers for laminated woven sack  
17 are large pet food companies. We sell directly to these  
18 customers which do their own filling of distribution. We  
19 also sell to end users through co-packers and fillers, which  
20 do the filling and distribution for private label and  
21 smaller brands. Sometimes co-packers do the filling for  
22 larger brands as well.

23 We have seen the competition from imports from  
24 Vietnam across all of our customer base, but the greatest  
25 and most adverse impact has been felt with our largest

1 customers in the pet food sector. Our ability to grow our  
2 business with both existing and new customers has been  
3 severely impacted due to our inability to compete with the  
4 aggressively low prices offered by Vietnam suppliers.

5 Our customers that purchase Laminated Woven  
6 Sacks imported from Vietnam do one of three things. They  
7 either, one, ask us to match the Vietnamese price; two, use  
8 our product for the initial launch of their product to  
9 ensure execution of the launch followed by the transfer of  
10 the business to Vietnam for high volume long-term supply; or  
11 three, tell us that we are priced too high compared to  
12 imports of Vietnam and don't even let us submit a quote,  
13 there by denying us the opportunity to compete.

14 The loss of high volume customers is extremely  
15 harmful to our business. Obviously, the loss of sales have  
16 grown to is harmful, but the harm cannot be mitigated  
17 completely simply by finding new customers.

18 There are relatively few high volume customers  
19 in this market. And there are not even small volume  
20 customers available to replace that business if it is lost.

21 Even if there were as Louann noted, it is the  
22 high volume business that enables us to run our production  
23 equipment at rates it was designed to run. Long production  
24 runs are the most efficient and profitable for us. Smaller  
25 volume, shorter runs involve more machine downtime to change

1 the printing plates and are therefore much less efficient  
2 and profitable.

3 For these reasons, we need to keep as much high  
4 volume business as we can. Our customers know this and they  
5 use this possibility of shifting their purchases to imports  
6 from Vietnam as leverage in price negotiations. Therefore,  
7 even when we are able to keep high volume business, we  
8 usually do so at much lower prices than were initially  
9 offered and that depresses our profitability.

10 Another aspect of our competition with imports  
11 from Vietnam is that the Vietnamese producers have succeeded  
12 in copying some of our product features that U.S. producers  
13 have developed, such as pinched bottoms process printing  
14 with high definition graphics and heat sealing. The  
15 Vietnamese producers have incorporated some of these  
16 features and yet they do not pass along the costs of such  
17 features to the U.S. customers.

18 They also sometimes offer discounted cost on  
19 graphics such as not requiring their customers to pay for  
20 graphics, which is typically an upfront cost. In addition,  
21 importers from Vietnam offer longer payment terms to the  
22 U.S. customers.

23 At ProAmpac, we believe that we make a high  
24 quality product and we offer fair prices to allow us to earn  
25 a reasonable profit. We offer competitive lead times,

1 printing quality, and consistency, quality control process,  
2 and technical support services.

3 But the increases in imports of Vietnam and our  
4 loss of sales and revenue should the prices that are low  
5 enough simply over whelm these other competitive factors.

6 If the import prices were the same as ours, or  
7 even if Vietnamese prices were only slightly lower than  
8 ours, I think we would win back the business we had lost.  
9 But when the import prices are so far below ours, lower than  
10 our cost in some instances, there's nothing we can do to  
11 compete.

12 As imports from Vietnam continue to use  
13 aggressive pricing to grab market share in the United  
14 States, ProAmpac will continue to see a decline in sales of  
15 Laminated Woven Sacks. This directly imports (sic) our  
16 ability to now only grow our -- to not only grow and invest  
17 in our core laminated woven sack business supplying the pet  
18 food sector, but also negatively impacts our ability to  
19 support the U.S. market with innovation and product  
20 advancement for Laminated Woven Sacks such as sustainable  
21 materials and approved product functionality.

22 Instead, we will continue to see this product  
23 become more and more commoditized as a non-value add product  
24 that is sold at pricing well outside of our U.S.  
25 manufacturing capabilities and we will eventually be forced

1 to discontinue production of Laminated Woven Sacks.

2 I look forward to answering your questions.

3 Thank you.

4 STATEMENT OF ANDREW SZAMOSSZEGI

5 MR. SZAMOSSZEGI: Good morning. My name is  
6 Andrew Szamoszegi. I'm a principal at Capital Trade,  
7 Incorporated. My economic presentation covers the current  
8 injury factors and I'm going to start with the conditions of  
9 competition.

10 The domestic Laminated Woven Sacks exists in its  
11 present state because of the orders on Laminated Woven Sacks  
12 from China issued in 2008. As Steve said, those orders  
13 worked. The domestic industry is now an established  
14 supplier and employs of hundreds of workers, has more than  
15 \$100 million in sales, and is continuing to invest in order  
16 to compete.

17 Unfortunately, domestic producers are now  
18 suffering from a problem that has plagued other industries  
19 that suffered at the hands of unfair imports from China.  
20 Sourcing of the products subject to remedy has shifted from  
21 China to Vietnam, a non-market economy with an industrial  
22 policy that facilitates the creation of production capacity  
23 well beyond what Vietnam can consume domestically. This  
24 extra production must be exported much of those exports end  
25 up in the United States.

1                   On the demand side, the conditions of  
2                   competition in the U.S. market for Laminated Woven Sacks are  
3                   similar to those that prevailed in the investigation of  
4                   Laminated Woven Sacks from China. Demand for Laminated  
5                   Woven Sacks is derived from demand for certain packaged  
6                   consumer products, primarily, pet food and bird seed that  
7                   are enclosed in such sacks.

8                   In the first sunset review of the China order,  
9                   the Commission indicated that products such as animal feed  
10                  products, fertilizer, grass seed are also packaged in  
11                  Laminated Woven Sacks.

12                  In the China investigation, the Commission found  
13                  that the price elasticity of demand for the Laminated Woven  
14                  Sacks is inelastic. That has not changed. Laminated Woven  
15                  Sacks typically account for a very small share of the cost  
16                  of the enclosed end use products.

17                  Further, the unique attributes of Laminated  
18                  Woven Sacks, the combination of appearance, durability and  
19                  price mean that there are only a limited -- there's only  
20                  limited economic substitutability between Laminated Woven  
21                  Sacks and potential substitutes such as multi walled paper  
22                  sacks. For these reasons, the decline in the aggregate  
23                  price of Laminated Woven Sacks lead to declines in industry  
24                  revenues.

25                  Competition is price sensitive. Producers of

1 Laminated Woven Sacks compete with each other and with  
2 imports largely on the basis of price and pricing terms.  
3 Thus, U.S. producers must reduce their price to compete with  
4 subject imports sold at lower price points and or more  
5 favorable pricing terms.

6 This price based competition is exacerbated by  
7 the existence of a small number of high volume customers  
8 which includes only a few large customer product groups and  
9 large co-packers. Lost sales at these customers push the  
10 domestic industry into as you've heard, shorter production  
11 runs for smaller volume customers, which harms profitability  
12 and injures the domestic industry.

13 The next two slides suggest that underlying  
14 demand for Laminated Woven Sacks increased over the period  
15 of investigation. Slide 4 shows the value of dog and cat  
16 food shipments from U.S. manufacturers increased through  
17 2016. That's the latest data currently available.

18 Slide 5 shows industrial production of animal  
19 feed, which includes pet food and bird seed, this is also  
20 trending higher.

21 There are three conditions on the supply side.  
22 First, the Laminated Woven Sacks industry is capital  
23 intensive. Machines are designed to run 24/7 and maximize  
24 efficiency with long production runs.

25 Second, Vietnam is the dominant source of

1 imports. China was also the largest source of imports and  
2 accounted for the largest share of apparent consumption  
3 during that investigation. In addition, the Vietnamese  
4 industry is highly dependent on the U.S. market.

5 Third, subject exports big for the large orders,  
6 the life blood of the domestic industry. They're not  
7 looking simply to fill market niches, but seeking large  
8 volume orders from existing customers of U.S. producers.

9 The next two slides illustrate some of these  
10 points. By the time of the first sunset review, Vietnam had  
11 become the largest of the China order, Vietnam had become  
12 the largest source of subject imports. And that remains the  
13 case today as shown in slide 7. According to official  
14 import data, subject imports accounted for 78 percent of  
15 total laminated woven sack imports in 2017. Vietnam's share  
16 of total imports during the first sunset review of the China  
17 orders was only 56.2 percent.

18 Slide 8 illustrates that the United States  
19 accounts for a very high share of Vietnamese exports.  
20 Vietnam firms priced aggressively to increase their volumes  
21 in the U.S. market and they have maintained these high  
22 volumes by reducing prices further.

23 The Laminated Woven Sacks produced by the  
24 domestic industry and subject producers for U.S. market are  
25 highly substitutable. The Laminated Woven Sacks industry is

1 make to order business, both domestic and subject producers  
2 are able to produce the same designs, dimensions, and art  
3 work. Their products are sold in the same channels of  
4 distribution as your data will show, primarily to end users.

5 As such, domestic producers and subject imports  
6 compete head to head. Indeed, some purchasers have used  
7 domestic producers to move their packaged designs to market  
8 quickly and then shifted those orders to Vietnam later on.  
9 Clearly, this is a price sensitive market.

10 In the context of these conditions of  
11 competition, the domestic Laminated Woven Sacks industry has  
12 been injured by reason of the subject imports.

13 The volume of imports from Vietnam is  
14 significant. First, they accounted for approximately 77  
15 percent of import volume over the POI, according to official  
16 data, and likely accounted for double digits -- double digit  
17 share of apparent consumption. Thus, the volume of imports  
18 in isolation is significant.

19 Second, the increase in the volume of imports is  
20 also significant. According to official import statistics  
21 shown in the next slide, Laminated Woven Sacks from Vietnam  
22 increased by 9.4 percent over the POI and by 29.9 percent  
23 from 2016 to 2017. By value, subject imports increased by  
24 3.9 percent over the POI and by 33.6 percent from 2016 to  
25 2017.

1           The questionnaire data we've seen and UN data on  
2 Vietnamese exports at the six digit level also suggests that  
3 the volume of Vietnamese Laminated Woven Sacks entering the  
4 U.S. market increased substantially over the POI.

5           Third, based on the questionnaires we've  
6 reviewed and various public data, we believe that the  
7 aggregated data once tabulated will show that the subject  
8 imports increased relative to production and consumption.

9           Slide 12 illustrates the increase of imports  
10 over the POI, especially in 2017. And slide 13 suggests  
11 that the subject imports likely increased substantially more  
12 than apparent consumption over the final year of the POI.

13           The subject imports have also had adverse price  
14 effects on the domestic industry. As an initial matter,  
15 Vietnam is a major supplier of Laminated Woven Sacks to the  
16 U.S. market and the prices offered for those sacks influence  
17 this market. The domestic industry needs to keep its  
18 machines running and must match or approach subject prices  
19 in order to maintain capacity utilization rates. Given  
20 these dynamics, decline in subject prices lead to declines  
21 in domestic prices.

22           Now petitioners know they're being undersold in  
23 the market. They know they are losing sales to the subject  
24 imports. They know they're being precluded from even being  
25 from bidding for certain business because subject prices are

1 so low. We anticipate that the fully tabulated underselling  
2 data will be consistent with these facts.

3           There is a reason that Vietnam is a dominant  
4 source of imports. Vietnamese prices are low. Slide 15  
5 shows the official U.S. monthly data on import average unit  
6 values from the top four suppliers of imports and all other  
7 non-subject countries combined. Subject imports from  
8 Vietnam are the blue diamonds at the lower portion of the  
9 graph. These low subject unit values relative to  
10 non-subject unit values explain why the subject imports  
11 account for more than three-quarters of import supply  
12 according to official data.

13           The pricing pressure applied by subject imports  
14 and the higher manufacturing costs caused by decreased  
15 production and shorter runs and more frequent changeovers  
16 have resulted in a cost price squeeze that harmed the  
17 domestic profitability over the POI.

18           This combination of underselling, price  
19 depression, and shrinking gross margin represent significant  
20 adverse price effects by reason of the subject imports.

21           The subject imports have had adverse impacts on  
22 the operational and financial performance of the domestic  
23 industry as well.

24           First, some background. The domestic industry  
25 has taken full advantage of the relief from dumped and

1       subsidized imports from China provided by the Commission.  
2       Production capacity has increased, output has increased,  
3       capacity utilization has increased, the industry became  
4       profitable.

5                 The domestic industry has not rested on its  
6       laurels. As you heard, it has continued to invest in new  
7       machinery and take other measures to increase efficiency and  
8       enhance its product offerings.

9                 But at the end of the day, the Laminated Woven  
10      Sacks market is price sensitive. Whatever advantages there  
11      may be in domestic production are not sufficient to overcome  
12      consistently low prices offered by the subject imports as  
13      they seek to capture market share from large U.S. customers.

14                These efforts intensified over the period of  
15      investigation and have taken a severe toll on the domestic  
16      industry. Production and capacity utilization have declined  
17      while the overall market was expanding.

18                The decline in production has been especially  
19      dispiriting because investments in efficiency improvements  
20      should have benefited the domestic producers. Production  
21      workers were underutilized and operations were less  
22      profitable.

23                The volume and value of net sales both declined.  
24      U.S. producers reduced prices over the POI and still were  
25      not able to maintain sales volume.

1                   Profitability deteriorated over the POI. The  
2                   unit value of sales decreased more than the unit value of  
3                   COGS and the gross margin compressed over the POI.  
4                   Operating profits shrank substantially. Net income and cash  
5                   flow also declined.

6                   The domestic industry made substantial  
7                   investments in 2015 and '16. These declined in 2017 as cash  
8                   flow shrank. The domestic industries' capital expenditures  
9                   helped to stabilize the industry's asset base over the POI.  
10                  However, operating income has decreased, leading to a  
11                  declining return on investment. This is not good in a  
12                  capital intensive industry.

13                  Make no mistake the subject imports were a  
14                  material cause of injury. The conditions of competition  
15                  that the Commission found to have facilitated injury by  
16                  unfairly traded imports 10 years ago continue to exist.  
17                  Laminated Woven Sacks produced by the domestic industry and  
18                  Vietnam are highly substitutable.

19                  The market for laminated sacks is inelastic.  
20                  Competition in the market is largely based on price.  
21                  Consequently, the low prices charged by the subject imports  
22                  have led to lost sales and lost revenues in the domestic  
23                  industry. The resulting decreases in sales volumes and unit  
24                  values have reduced domestic revenues and domestic profits.

25                  There are no alternative causes that explain

1 away the current injury. Non-subject imports play a smaller  
2 role in the market and do not provide, as the graph shows,  
3 the same pricing pressure as the subject imports do. The  
4 domestic market has been expanding. The products provided  
5 by the domestic industry are of high quality and the  
6 domestic industry has the ability to produce more.

7 The record before the Commission is clear,  
8 imports of Laminated Woven Sacks from Vietnam have had  
9 adverse volume effects, adverse price effects, and adverse  
10 operational and financial impacts on the domestic industry.

11 The subject imports have materially injured the  
12 domestic industry. And thus, there is a reasonable  
13 indication that the domestic industry has been materially  
14 injured by reason of the subject Laminated Woven Sacks  
15 imports from Vietnam. Thank you.

16 STATEMENT OF PATRICK TOGNI

17 MR. TOGNI: Good morning. I am Patrick Togni, here  
18 from King and Spalding, and I am appearing on behalf of  
19 Petitioners today.

20 You have heard today from other witnesses about  
21 the compelling evidence of present material injury. I will  
22 discuss significant evidence demonstrating that this is an  
23 industry threatened with additional material injury.

24 Applying the statutory criteria in this case  
25 confirms that an industry in the United States is threatened

1 with material injury by reason of imports of Laminated Woven  
2 Sacks from Vietnam.

3 First, imports of the subject merchandise are  
4 increasing rapidly, and this increase is likely to continue.  
5 From 2016 to 2017, subject imports from Vietnam grew by 30  
6 percent by volume, gaining significant market share. U.S.  
7 market shares also demonstrate an accelerating market  
8 penetration, with Vietnamese imports increasing their market  
9 share over the Period of Investigation.

10 These rates of increase in the volume and market  
11 penetration of imports indicate a strong likelihood of  
12 substantially increased subject imports in the near future.

13 Second, imports from Vietnam are entering the  
14 United States at increasingly lower prices that  
15 substantially undersell domestic products. This has  
16 significant depressed or suppressed domestic prices, and is  
17 almost certain to continue to take market share from U.S.  
18 producers. The unfair and declining prices of subject  
19 imports for this very price-sensitive product will stimulate  
20 demand for additional Vietnamese imports in the near future.

21 Third, Vietnam's capacity to produce Laminated  
22 Woven Sacks is significant, and it is growing. And  
23 producers in Vietnam are expanding capacity to produce  
24 Laminated Woven Sacks well beyond any forecasted increase in  
25 domestic demand.

1           This new capacity is therefore targeted at export  
2 markets, and the U.S. market in particular. As explained in  
3 Petition Exhibit 3-5, the Government of Vietnam has enacted  
4 an industrial plan, a master plan in Government of Vietnam  
5 parlance, that is relevant to the production of Laminated  
6 Woven Sacks.

7           Known as the decision approving the planning on  
8 development of Vietnam's plastics industry up to 2020, with  
9 a vision toward 2025--and I will refer to this as "the 2020  
10 Vietnam Plastics Industry Master Plan"--this industrial plan  
11 confirms, quote, "plastics packaging," end quote, is the  
12 largest segment of the Vietnamese plastics industry and will  
13 continue to hold that dominant position at least through  
14 2025. This document sets growth rate goals for, quote,  
15 "industrial production value of the plastic industry," close  
16 quote, of 17.56 percent for the period of 2011 through 2015,  
17 increasing to 18.26 percent for the period 2016 to 2020.

18           The 2020 Vietnam Plastics Industry Master Plan  
19 also calls for annual production goals of 7.5 million tons  
20 in 2015, nearly doubling to 12.5 million tons by 2020.

21           Export turnover is also encouraged to double from  
22 \$2.15 billion in 2015 to \$4.3 billion in 2020. This  
23 significant increase is occurring against the backdrop of  
24 intensive funding by the Government of Vietnam designed to  
25 integrate, quote, "advanced and modern equipment," close

1 quote, into existing and new production lines.

2 The 2020 Vietnam Plastics Industry Master Plan  
3 also mandates that, quote, "the production capacity of  
4 plastic packages will increase by 1,218,000 tons" close  
5 quote, for the period of 2011 to 2015. That significant  
6 increase in production capacity is merely a prelude to the  
7 2016-2020 period, however, when the Master Plan mandates  
8 another increase to the, quote, "existing capacity of  
9 existing production establishments so that the capacity of  
10 producing plastic packages increases by 1,550,000 tons."  
11 Close quote.

12 Using the conversion factor being used in this  
13 case for units of quantity--that is, one short ton equals  
14 eight thousand sacks--this creates the potential for  
15 additional manufacturing capacity in Vietnam of over 20  
16 billion Laminated Woven Sacks products for the 2011-2020  
17 time period.

18 Now even if Laminated Woven Sacks comprise only  
19 some portion of that overall total, this growth in the  
20 manufacturing capacity of Vietnamese producers is  
21 staggering.

22 In sum, the Commission should make an affirmative  
23 threat determination in this case due to the existing unused  
24 production capacity and an imminent substantial increase in  
25 production capacity which indicates a likelihood of

1 substantially increased imports of subject merchandise.

2 This is particularly true in light of the fact  
3 that Laminated Woven Sacks production is so capital  
4 intensive, because producers have a strong economic  
5 incentive to export their excess capacity to lower their  
6 fixed per-unit cost of production.

7 Significant growth in Vietnamese Laminated Woven  
8 Sacks production capacity also is attributable to Chinese  
9 Laminated Woven Sacks producers who are currently covered by  
10 both antidumping and countervailing duty orders in the  
11 United States, with prohibitive rates of duties.

12 As we detailed in the Petition, some affected  
13 Chinese producers responded to this by establishing  
14 manufacturing facilities in Vietnam. Petitioners provided  
15 examples of website pages which herald the absence of  
16 antidumping duties on Vietnamese exports of Laminated Woven  
17 Sacks to the United States, in addition to low-cost  
18 production advantages in Vietnam.

19 This confirms that Chinese companies are setting  
20 up facilities in Vietnam in order to avoid tariff barriers  
21 in the United States. Thus, Vietnamese Laminated Woven  
22 Sacks capacity increased as a direct response to the  
23 imposition of trade remedy orders in the United States, and  
24 is continuing to increase.

25 Finally, Petitioners' financial condition has

1       worsened, leaving domestic producers extremely vulnerable to  
2       further material injury in the absence of trade relief.

3                 In conclusion, the Commission should make an  
4       affirmative preliminary determination that an industry in  
5       the United States is threatened with material injury by  
6       reason of subject import--of imports of the subject  
7       merchandise. Thank you.

8                 MR. JONES: Mr. Corkran that concludes our  
9       presentation. We would be happy to answer your questions.  
10      And I would just like to remind the witnesses on our panel  
11      to state your name before you answer a question of the  
12      staff. Thank you.

13                MR. CORKRAN: Thank you very much, Mr. Jones.  
14      Thank you very much to all of the panel for your  
15      presentation. We will turn first to Mr. Dushkes to begin  
16      our questioning.

17                MR. DUSHKES: Thank you. Good morning. Drew  
18      Dushkes, Office of Investigations. Thank you all for your  
19      testimony here today.

20                I want to start by turning back to the  
21      Commission's investigation of imports from China back in  
22      2008. Have there been any--are there any significant  
23      differences between, product differences between the imports  
24      that we saw from China then and the imports coming in from  
25      Vietnam now?

1                   MR. JONES:    Steve Jones.  The question, Mr.  
2                   Dushkes, is whether the products coming in from China are  
3                   similar to the products coming in from Vietnam today?

4                   MR. DUSHKES:    Correct.

5                   MR. JONES:    Industry witnesses?  Mr. Bazbaz?

6                   MR. BAZBAZ:    Yes.  They are practically the same  
7                   identical product.

8                   MR. BUCCI:    I would add--this is Art Bucci from  
9                   ProAmpac--I would add that the products are very similar.  
10                  The quality is certainly better coming from Vietnam, as  
11                  they've gotten used to making the products.  They have  
12                  improved in their quality to be able to compete with us at  
13                  much lower pricing than we can do.

14                  MR. DUSHKES:    And more broadly, not just  
15                  country-specific, but have there been any major changes in  
16                  the product over the last decade overall in the market?

17                  MR. BAZBAZ:    The products have basically  
18                  remained the same.  There is a big need for making the  
19                  product with easy-open features, you know, to package the  
20                  goods.  There have been some developments in other closures,  
21                  and there are very few bags made with reclosable zippers, or  
22                  reclosable ways of--reclosable means.  And lately there has  
23                  been some development in making a pinch-bottom bag.  But  
24                  typically it's the same structure, the same bag, same  
25                  fabric, same OPP, print reverse, and same market, same

1 segment.

2 MS. MUELLER: Louann Mueller from ProAmpac. The  
3 samples that I provided earlier demonstrate a pinch-closure  
4 that was not available back in 2008. So there are other  
5 additional advancements made in the closures that Mr. Bazbaz  
6 alluded to.

7 MR. JONES: And, Steve Jones. Mr. Dushkes, this  
8 is a topic we were discussing yesterday. Back at the time  
9 of the 2007-2008 investigation of imports from China, there  
10 was a mix of bags that were back-seam closed and tubular in  
11 nature, I believe. And today it's gone more to almost all  
12 back-seam. Is that correct, Mr. Bazbaz?

13 MR. BAZBAZ: Yes. This is Mr. Bazbaz. All the  
14 bags currently are made with a back seam, very nontubular  
15 bags.

16 MR. DUSHKES: Thank you. And have there been  
17 any--you mentioned increased efficiencies at your company.  
18 Have there been any major changes in the technology, the  
19 production technology over the last decade? Or even within  
20 just the last three years?

21 MR. BAZBAZ: There have been some improvements  
22 in terms of speed of the machines, lamination machines, and  
23 speed of the weaving machines, a little bit more  
24 sophistication in the printing processes that make pretty  
25 much similar all the flexographic process which is typically

1 used in the United States and is very comparable to the  
2 rotogravure process that is mainly used in Asia.

3 So the quality of printing is pretty much the  
4 same. So printing technology has evolved, and speed of the  
5 machines has evolved.

6 MR. DUSHKES: How much of the market today is  
7 comprised of paper-Laminated Woven Sacks versus BOPP  
8 laminated?

9 MR. BAZBAZ: Can you repeat?

10 MR. DUSHKES: Yeah, isn't it the case that you  
11 can either laminate with a BOPP film for the printographic,  
12 or you can use paper and laminate paper? How much of the  
13 market today is the paper-laminated versus the BOPP?

14 MR. BAZBAZ: For the Laminated Woven Sacks,  
15 right?

16 MR. DUSHKES: Yes.

17 MR. BAZBAZ: Yes, more than 90 percent is--more  
18 of--like 90 percent of the Laminated Woven Sacks are done  
19 with BOPP. Very few with paper.

20 MR. DUSHKES: Thank you. I believe it was  
21 stated, but I just want to confirm, you all are not taking  
22 the position that Laminated Woven Sacks are commodity  
23 product. Correct?

24 MR. JONES: That is correct, Mr. Dushkes.

25 MR. DUSHKES: Okay. Back in--

1                   MR. JONES:    I'm sorry.  Just to add, our  
2                   position, though, is that although the products are not  
3                   commodities, they're made-to-order.  And so when they're--in  
4                   comparison, and I think our industry witnesses would be able  
5                   to tell you about instances where they were producing the  
6                   identical product that producers in Vietnam were producing,  
7                   and that would be a situation where a customer split the  
8                   order essentially and purchased some of the product from  
9                   domestic producers and some from Vietnamese producers.  And  
10                  the products are virtually identical at that point.  But  
11                  they are not a commodity product as the Commission typically  
12                  understands that term and applies the term in its practice.

13                 MR. DUSHKES:   The 2008 report mentioned that at  
14                 that time many of the sales were done on a spot basis due to  
15                 uncertainty in the industry because it was a very new one.  
16                 Is that still the case?  How are sales today conducted?

17                 MR. BAZBAZ:   Most of the sales are done on  
18                 short-term contracts where it might be a few weeks to a  
19                 quarter, maybe two quarters, to supply a certain demand.

20                 MR. DUSHKES:   And how many of your sales are  
21                 done from inventory?

22                 MR. BAZBAZ:   The contract is issued, one, the  
23                 manufacturer would produce the order to a minimum amount to  
24                 have an inventory, to be able to ship after--when there is a  
25                 release of that order, within 24 to 48 hours, from

1 inventory.

2 MR. DUSHKES: Okay, but that inventory is  
3 specific to that customer? You're just doing a build-up to  
4 meet their demand over time? You're never selling that  
5 inventory to someone else?

6 MR. BAZBAZ: All the bags are made to order with  
7 specific designs. I wanted to say something, that what  
8 makes the product commodity like is that once the bag is  
9 made the fabric looks the same, the BOPP is produced by  
10 many, many producers in the world. The printing, once the  
11 printing is made, the bags are indistinguishable between the  
12 United States and the overseas bags made in Vietnam.

13 So what we are saying is that when we receive an  
14 order or a contract, you fill out the contract and put it in  
15 inventory. And for inventory, you ship. Before the  
16 inventory gets depleted, you hope to get another contract  
17 for the next quarter or the next number of weeks, but it's  
18 short-term by short-term contracts.

19 MR. DUSHKES: Thank you.

20 MR. JONES: Mr. Dushkes?

21 MR. DUSHKES: Yes.

22 MR. JONES: Steve Jones. If I could just add to  
23 what Mr. Bazbaz said, and I don't have any quibble at all  
24 with what he said, but I would just add that although in the  
25 China investigation the Commission found that the products

1 were not commodity products, they found because they are  
2 made-to-order products based on the same artwork, the same  
3 dimensions, same specifications, that the decisions, the  
4 purchasing decisions are based primarily on price. And that  
5 was an important finding that the Commission made in that  
6 investigation, and it applies equally today.

7 MR. DUSHKES: Thank you. One more question  
8 relating to the 2008 report. That report mentions that  
9 laminating the BOPP film is the most technologically  
10 advanced step in the manufacturing process. Is that still  
11 the case today?

12 MR. BAZBAZ: It is still the case.

13 MR. DUSHKES: Can you describe in more detail  
14 why that is?

15 MR. BAZBAZ: The film is printed reverse, so  
16 that the print is never subject to scratches from the  
17 surface once the bag is filled and is going through  
18 distribution channels.

19 So the challenge is to bond the ink to an  
20 extrusion lamination film that also adheres with the fabric.  
21 And since they are different chemistry involved in the inks  
22 and the polypropylene of the lamination, it's a challenge to  
23 bond these two structures together.

24 So if you were to print the film on the outside,  
25 then it would be very easy to just bond and laminate the

1 BOPP with the polypropylene because they are the same blend,  
2 the same substance, same chemistry. So the challenge is how  
3 do you blend something that is absolutely different minerals  
4 and other chemicals to the polypropylene of the lamination  
5 and to the fabric.

6 MR. DUSHKES: Thank you for that explanation.  
7 That was very helpful.

8 Then to the best of your knowledge, do all the  
9 producers in the United States have the ability to laminate  
10 BOPP today?

11 MR. BAZBAZ: To my knowledge, it is possible.

12 MR. DUSHKES: Okay. And do all producers in the  
13 U.S. print their own BOPP film? Or do they ever purchase it  
14 and laminate it themselves?

15 MR. BAZBAZ: The question again, please?

16 MR. DUSHKES: Yeah, do you print your own  
17 graphics? Or do you ever purchase already printed film?

18 MR. BAZBAZ: No, no, everyone prints its own  
19 material.

20 MR. DUSHKES: Okay, thank you very much. I will  
21 pause my questions at this time.

22 MR. CORKRAN: Thank you. Now we will turn to  
23 Ms. Viray-Fung.

24 MS. VIRAY-FUNG: Good morning. Thank you for  
25 coming. I just want to ask Drew's last question in a

1 slightly different way, just to confirm what I'm hearing,  
2 that all domestic producers are vertically integrated. Is  
3 that correct? Meaning, they're capital intensive. You're  
4 transforming the pellets into sacks, and then laminating it?

5 MR. JONES: Steve Jones, Ms. Viray-Fung. It  
6 wasn't exactly what he asked--

7 MS. VIRAY-FUNG: Okay.

8 MR. JONES: But I'll answer your question.

9 MS. VIRAY-FUNG: Okay.

10 MR. JONES: Which is, the answer is: No, not all  
11 producers are vertically integrated. And you have an  
12 example of each on the panel today. Mr. Bazbaz's operation  
13 is vertically integrated. The ProAmpac operation starts  
14 with purchased fabric and then goes from there.

15 MS. VIRAY-FUNG: Okay. Thank you for clarifying  
16 that.

17 MR. BAZBAZ: Could I add something to that?

18 MS. VIRAY-FUNG: Of course.

19 MR. BAZBAZ: Although we are vertically  
20 integrated making the fabrics and the yarns, there are  
21 thousands of manufacturers of fabrics in the world. So the  
22 fabric is not difficult material to manufacture or to make.  
23 So it's very available, as available or more than the BOPP  
24 that everyone can buy.

25 But from there on, the processes are the same.

1 It has to be printed. It has to be bonded. It has to be  
2 converted into bags.

3 MS. VIRAY-FUNG: Okay, thank you. Could you  
4 please describe demand trends in the U.S. market during the  
5 Period of Investigation, and particularly the factors  
6 accounting for such trends?

7 MR. BUCCI: So this is Art Bucci from ProAmpac.  
8 So you're talking about trends of the bags in the market,  
9 how they're used, the growth of it? Is that--

10 MS. VIRAY-FUNG: I'm talking about demand trends  
11 in the Petition. According to you guys, it says that there  
12 was a decline in apparent U.S. consumption. So I'm trying  
13 to get at what--why that is.

14 MR. SZAMOSSZEGI: Hi, Andrew Szamosszegi from  
15 Cap Trade. You know, my presentation included some graphs  
16 on the underlying demand--covering the underlying demand  
17 trends.

18 One looked at dog and cat food, and the other  
19 looked at animal feed industrial production. And those are  
20 two end-use markets, two series that capture some of the  
21 changes in end-use markets.

22 In the Petition, you know, you have some  
23 production data, and you have official import data. And so  
24 that's what was available for the Petition. Now we're  
25 getting back questionnaires. We see other information that

1 we'll be able to expound upon posthearing, but we probably  
2 can't get into detail here about what was in the Petition  
3 and what is going to be in your report once everything is  
4 aggregated.

5 But--and that's the economic portion. As for the  
6 remaining parts about what's going on in number of pets and  
7 things like that that might also influence demand over time,  
8 I'll allow the industry witnesses to handle that.

9 MR. BUCCI: And I can answer the question as far  
10 as the trends in the market, and my colleagues can jump in.  
11 I don't know how many people on the panel have pets, but the  
12 growth of pets in the United States and North America are  
13 very high. And the type of feed and treats that we use for  
14 our pets continue to increase as pets become family members.  
15 And there's a very big trend in our market that pets are  
16 treated as family members, as in the past they were not--a  
17 very big trend in the market.

18 So as that continues, we continue to buy food.  
19 We continue to buy better food. We continue wanting better  
20 types of packaging, high printing graphics. When you walk  
21 into Petco or into Walmart, you want a product that looks  
22 very good. You want a product that you are happy to buy,  
23 that you're proud to buy, that your pet will eat.

24 So that continues to be a trend in woven sacks is  
25 a very big part of that. It's a very durable product. It's

1 much different than multi-wall paper bag in that it goes  
2 through the distribution very well. It arrives to the  
3 retail store in great shape. We'd be proud to pick it up  
4 and put in in your car. As silly as that sounds, it's a  
5 very big deal.

6 And the printing on it is very high-end. I think  
7 it was stated in our testimony that it's photographic-like,  
8 if you look at most of those bags. So that is a huge trend  
9 in the market, and will continue to grow this market.

10 It is also true with not just pet food but even  
11 in the seed part of the business. It's not just pet food,  
12 but seed, and that type of thing. You also want to have a  
13 good, durable looking bag for that. So those trends are  
14 also strong in those markets also.

15 I will say that a lot of that market we have not  
16 been able to compete in lately. So we are continually not  
17 being able to quote on that business as we move forward, and  
18 that has really hurt us.

19 MS. VIRAY-FUNG: Thank you. If Laminated Woven  
20 Sacks are produced to order in a wide variety of dimensions  
21 and strengths, wouldn't AUV comparisons be influenced by  
22 differences in product mix?

23 MR. BAZBAZ: I'm not sure I understand your  
24 question.

25 MS. VIRAY-FUNG: What I've been hearing is that,

1       you know, a lot of the Laminated Woven Sacks are produced to  
2       order, and they are also in a wide variety of sizes, shapes,  
3       with different features, different closures. So this  
4       suggests to me that AUVs would be influenced by the  
5       differences in the various products.

6                   MR. SZAMOSSAZEGI:     Andrew Szamossazegi from Cap  
7       Trade. The answer to your question is, if you--yes. Right?  
8       Yes, it would be influenced by that if say the U.S. Customs  
9       authorities collected information on a per-bag basis. But  
10      the Customs authorities collect it on a per-kilogram basis,  
11      and I think that reduces some of--it probably doesn't  
12      eliminate it, right, but reduces the chance of a distortion  
13      that appears in the import data.

14                   So if you look at the trends in imports over the  
15      POI on a per-kilogram basis in the official data, that still  
16      probed who is charging what for the products.

17                   MR. BAZBAZ:     I would like to try to add to this  
18      in this way. Most of the bags are sewn at the bottom and  
19      opened at the mouth. And most of the bags have three parts,  
20      the BOPP, the lamination, and the fabric. Most of the bags  
21      are the same weight per square yard, or per square meter.

22                   So, you know, the only thing that typically  
23      varies is the size of the bag to accommodate different  
24      weights of the pet food or product that they are going to be  
25      shipped, and the printing outside. The printing process

1 might take, you know, seven, eight, nine colors, ten colors,  
2 but typically it's more than 200 percent in coverage. And  
3 after the bags are printed, all the bags typically have the  
4 same amount of printing and same amount of sophistication in  
5 the printing.

6 So although it may appear that there are a lot of  
7 variations, the variation comes from the printing and the  
8 size of the bag than anything else.

9 MS. VIRAY-FUNG: How about closures? How does  
10 that fall in?

11 MR. BAZBAZ: The closure is--more than 80 or 90  
12 percent of the bags now are closed with sewing. So it's new  
13 developments to do zippers or, you know, pinch, or any--the  
14 market might be trending to more of the pinch bag, instead  
15 of sewing, because it might be more attractive, but anybody  
16 can make a pinch bag. It might be maybe a challenge to have  
17 an easy-open once the bag is pinched, but the vast majority  
18 of the bags have an easy opening at the bottom so the  
19 consumer can open the bag easily.

20 MR. BUCCI: If could add--this is Art from  
21 ProAmpac--just to kind of move that discussion forward, as  
22 the bags are made very similar and they get shipped to our  
23 customers, they don't have to change their manufacturing  
24 process at all to run a domestic-made bag or a Vietnamese  
25 bag. It is exactly the same bag.

1           It may be a different print, as described by Mr.  
2   Bazbaz, but the manufacturing itself is identical. So they  
3   don't change one thing in their manufacturing process to run  
4   a bag from U.S. or Vietnam. It's the exact same process.

5           MS. VIRAY-FUNG:   Okay, thank you. Let me see.  
6   According to the Petition, and in--is this slide 12? No,  
7   slide 12, I'm seeing a decrease in subject import volume  
8   between 2015 and 2016. What accounted for this?

9           MR. JONES:   This is Steve Jones from King  
10   Spalding. We are going to be addressing the import trends  
11   in our postconference brief. The import data in the  
12   Petition was based on a classification that is specific to  
13   the subject merchandise. There may be imports that came in  
14   under other classifications. We capture that in the scope.

15           There's really not a whole lot I can say in a  
16   public forum about what we've seen in our initial reviews of  
17   the questionnaires, so I think we would like to reserve the  
18   response to that question for our posthearing.

19           MS. VIRAY-FUNG:   Okay.

20           MR. JONES:   Thank you

21           MS. VIRAY-FUNG:   So I've been hearing this panel  
22   say that Laminated Woven Sacks are sold on the basis of  
23   price, and that subject imports and domestically produced  
24   sacks are excellent substitutes for each other. If that is  
25   the case, could you explain why--could you also make--and

1 this might be for postconference--could you also explain why  
2 subject import volume and market share declined despite the  
3 under-selling trend shown in Table I-13 of the Petition?

4 MR. JONES: Thank you. Steve Jones. I think  
5 again that will be a topic for our post-conference brief.  
6 And we will be sure to address it.

7 MS. VIRAY-FUNG: Okay. To what extent do  
8 demand trends exert downward pressure on the price of  
9 domestically produced Laminated Woven Sacks during the  
10 Period of Investigation?

11 MR. SZAMOSSZEGI: I would say that on the  
12 underlying trends that I had in my presentation, and based  
13 on our original read -- and we'll discuss this more  
14 post-conference, demand was lightly -- apparent consumption  
15 likely was stable to rising, so it would've exerted no  
16 downward pressure on prices -- at least that, demand trends  
17 wouldn't have.

18 MS. VIRAY-FUNG: Okay. According to the  
19 petition, subject imports consistently undersold  
20 domestically produced laminated wool from sacks by a large  
21 margin throughout the period of investigation. Given this,  
22 why was the domestic industry's financial performance so  
23 much stronger in 2015 than in 2017?

24 MR. SZAMOSSZEGI: Well, again, because that  
25 involves confidential data in the pricing analysis, we'll

1 have to go over that post-conference. But I will say this,  
2 there's been some compression since the very beginning and  
3 the end and we'll be able to address that more specifically,  
4 post-hearing, and I mean within the price series.

5 MS. VIRAY-FUNG: Okay.

6 MR. JONES: I would just add to that, that we've  
7 testified publicly today that the industry's financial  
8 condition deteriorated over the period of investigation. It  
9 was better in '15 than it is now.

10 MS. VIRAY-FUNG: Okay, alright.

11 So according to the petition, the absolute  
12 increase in subject import volume was smaller than the  
13 decline in the domestic industry's U.S. shipments during the  
14 period. What other factors contributed to the decline in  
15 the domestic industry's U. S. shipments? Is it fair to say  
16 that most of the decline in the domestic industry shipments  
17 resulted from factors other than subject imports?

18 MR. JONES: We'll be addressing, again, the  
19 industry data that have come in by questionnaire response.

20 MS. VIRAY-FUNG: Okay.

21 MR. JONES: And in relation to the import data  
22 that have come in by questionnaire response and so on and  
23 we'll give you a very detailed response to that question in  
24 our post-conference.

25 MS. VIRAY-FUNG: Okay. Could you also -- I'm

1 going to guess in your post-conference discuss to what  
2 extent trends in the domestic industry's capacity during the  
3 POI contributed to trends in the industry's rate of capacity  
4 utilization operating income.

5 MR. JONES: We'll be certain to do that as well;  
6 happy to.

7 MS. VIRAY-FUNG: Okay. And Mr. Togni, I believe  
8 I thought I heard you say that -- something about projection  
9 from laminated woven sack demand increasing; is that  
10 correct, and could you speak a little more to that?

11 MR. TOGNI: I think I was speaking to goals that  
12 were set forth in the 2020 Vietnam plastics industry master  
13 plan in terms of increases for plastic production volume.  
14 Would it be helpful to go over that?

15 MS. VIRAY-FUNG: No, no, no, what I was getting  
16 at -- I mean I guess what I'm asking is what is your  
17 production for demand within the United States over the next  
18 few years?

19 MR. JONES: I think as Mr. Szamosszegi's  
20 presentation went through the data showing the increase in  
21 consumption of pet food and animal seed and so on, based on  
22 public data, and the fact that demand for Laminated Woven  
23 Sacks is derived from demand for the products for which the  
24 bags are used would suggest that demand is increasing --  
25 demand increased during the POI and we'll discuss that in

1 further depth based on the confidential record, but I think  
2 that's what our industry panelists would say, that demand  
3 increased during the POI.

4 MS. VIRAY-FUNG: Okay, thank you.

5 Did you have something to add?

6 MR. SZAMOSSZEGI: I think I'll reserve it for  
7 post-conference. Thanks.

8 MS. VIRAY-FUNG: Okay, thank you. That  
9 concludes my questions.

10 MR. CORKRAN: Thank you very much. And now  
11 we'll turn to Ms. Stiger.

12 MS. STIGER: Good morning. Thank you for being  
13 here today. My name is Porscha Stiger and I'm with the  
14 Office of Economics.

15 So my colleagues, and in your respective  
16 presentations you talked a lot on demand, and I had one more  
17 question and then I'll move onto a different topic. But in  
18 the Laminated Woven Sacks from China case there was a lot of  
19 testimony about the multi-wool paper sacks and how the shift  
20 away from multi-wool paper sacks affected demand. And I  
21 believe someone testified earlier that paper sacks make up a  
22 relatively small portion of the market. Is it still the  
23 case that there is a shift away from those paper sacks and  
24 that still has influence on demand trends?

25 MR. BAZBAZ: We're still seeing a lot of

1 multi-woven paper bags, so they are going to be shifting  
2 into the Laminated Woven Sacks and we still see a growth in  
3 demand. There is public information that the pet food  
4 industries is still growing and more at a higher rate than  
5 the Gross National Product, so one would conclude that if  
6 the Laminated Woven Sacks should be growing on the pace and  
7 on top of that there is still some substitution which also  
8 increases demand for Laminated Woven Sacks.

9 MS. STIGER: Okay, thank you. And so I'd like  
10 to turn to the pricing products that we have in our  
11 questionnaire and that were presented in the petition. So  
12 I'd like to know -- I think the Respondents mentioned that  
13 they are very -- in their opening remarks that they're a  
14 very broad swath of product and there was a lot of  
15 discussion about how a lot of laminated sacks are  
16 made-to-order, so I'd like to get your feedback on how well  
17 the products that we have -- how well you believe they would  
18 capture competition in the market and/or the breath and are  
19 they representative of the markets and there seems to be  
20 very customized orders.

21 MR. BAZBAZ: So is your question how easy is it  
22 to react to those demands?

23 MS. STIGER: No, I'm asking about the pricing  
24 products that we have; the ones that we used in the  
25 questionnaires. How well do you believe that they capture

1 competition in the market and how representative are they of  
2 the market, if many of these products are made-to-order,  
3 like if there are standard sizes. There's a lot of various  
4 -- you know they seem very broad.

5 MR. BAZBAZ: These products that for collection  
6 of pricing in our case constitute more than 70 percent of  
7 our sales would be captured in this four-product category.  
8 So even though it may appear that there is a lot of  
9 variation, ultimately, the bags are sold you know 10 pounds  
10 or 14 pounds or 25 pounds, 30 pounds. They are distinct  
11 number of pounds are using the package the same way and  
12 typically, within certain variation of density of raw  
13 material or in this case of the pet food the bags might be  
14 in those sizes with a little bit of variation in the length.

15 MS. STIGER: In the length, okay.

16 MR. BUCCI: This is Art Bucci from ProAmpac.  
17 The variation is really it's in the print, not in the raw  
18 materials that are being used. So for example, you might be  
19 buying the dog food that is chicken flavor and then you want  
20 a beef flavor. Really the majority of the print's the same,  
21 except for maybe the ingredients, so it's very similar as  
22 you move forward.

23 MS. STIGER: Okay, so you were saying that the  
24 variance is in the print and not so much in the size based  
25 on a customer order.

1           MR. BUCCI: Yes, it is with the print and even  
2 sometimes the print variation is very minor, so it might be  
3 the same logo, which is a different flavor, beef to lamb,  
4 lamb to chicken, or whatever, very minor.

5           MS. STIGER: Okay, great.

6           MR. JONES: The pricing products submitted  
7 proposed for the Commission's use in the petition are --  
8 some of them are the same products for which you collected  
9 pricing data in the China investigation. And we thought  
10 about that, we talked to the industry about whether things  
11 had changed or whether these were still representative, and  
12 the answer was they're still representative. So I think  
13 that as we go forward, if there's a final investigation,  
14 we'll think about whether the pricing products can be  
15 modified, improved in some way for your analysis, but that  
16 was the thinking behind what we proposed in the petition.

17           MS. STIGER: Okay, great. I'd like to turn to  
18 raw materials. I think the polypropylene was mentioned, the  
19 polypropylene resin as the major raw material. I would like  
20 to know if there are others and from where do you source  
21 these materials?

22           MR. BAZBAZ: Primarily, polypropylene and the  
23 BOPP, but there could be -- you could use a woven, high  
24 density polypropylene laminated with high density with a  
25 BOPP or a polyethylene film, but still the vast majority, or

1 if not, all are polypropylene with wit BOPP, which is also  
2 polypropylene.

3 MS. STIGER: Okay. And have you seen any trend  
4 -- have the prices of polypropylene affected the prices of  
5 Laminated Woven Sacks over the period of investigation?

6 MR. BAZBAZ: We have seen that the price of  
7 polypropylene affect the price of the Laminated Woven Sacks  
8 over the period of the investigation, but although it's very  
9 -- even between you know quarter-to-quarter it has been  
10 somewhat stable.

11 MS. STIGER: Okay. And do you expect any  
12 changes in the trends in the next one to two years with the  
13 polypropylene prices?

14 MR. BAZBAZ: Well, polypropylene prices would be  
15 -- that is a commodity that is driven globally, so the  
16 prices are set global. So the U.S. prices for polypropylene  
17 would be pretty much the same as the price in Asia, with the  
18 exception of the freight. So as there is more production  
19 being done for polypropylene the prices will tend to go  
20 down. With more shell oil maybe more polyethylene will be  
21 less expensive than polypropylene, but we don't know at this  
22 time.

23 MS. STIGER: Right, okay. And maybe you can do  
24 this in your post-conference brief if you have sources that  
25 would recommend for the best sources of the raw materials.

1       Could you present those, please?

2                   I'd now like to ask about grades or  
3       specifications.  If there are any grades -- you know, say,  
4       for instance, if you're -- I know primarily you testified  
5       that you are producing product that goes to the pet food  
6       market, but say, for instance, other grades for pet food  
7       versus seed grade or some other agricultural use is there  
8       any difference in product based on that, on grade.

9                   MS. MUELLER:  It is the same raw materials that  
10       we use for any market.  The only thing that would change  
11       would be the printing design that's provided by the  
12       customer.

13                  MS. STIGER:  Okay, so the customer don't have  
14       any sort of standard that they ask you to meet or a certain  
15       kind of certification based on their end use.

16                  MS. MUELLER:  Yes, it's the same certification,  
17       whether it's pet food or non-food.

18                  MS. STIGER:  Okay.  Now are there any instances  
19       -- now you've testified that the Laminated Woven Sacks  
20       produced domestically and the subject imports are highly  
21       interchangeable, but are there any instances in which the  
22       Laminated Woven Sacks imported from Vietnam are not  
23       interchangeable with the domestic-like product?

24                  MR. BAZBAZ:  We haven't seen that.

25                  MS. STIGER:  Okay.  And can you talk about the

1 type of end users that you sell to? I think it was kind of  
2 divided between the large consumer groups and then the  
3 co-packers and the differences of how they use the bags. The  
4 co-packers are packing their material and then closing and  
5 what is the difference between the consumer groups that you  
6 are selling to?

7 MR. BUCCI: There's a couple of distribution  
8 ways to get to the market. The first one is we sell  
9 directly to the consumer products company, so that would be  
10 the manufacturers of like a brand called Pedigree or other  
11 brands that you see in the market. We sell directly the  
12 bags to them. They fill it themselves and send it through  
13 distribution.

14 The second would be a co-packer or a filler.  
15 It's really the same thing. A lot of things they will fill  
16 for smaller brands in the marketplace. So we may sell the  
17 bags to the co-packer or we may also sell the brands -- to  
18 the brands, consumer product company ship them to the  
19 co-packer, but either way they fill them and then they ship  
20 it through distribution for the smaller brands.

21 The third way would be -- and this would be  
22 mostly for very large private labels like a Wal-Mart brand.  
23 The large CP's would fill for them, so they would fill for a  
24 Wal-Mart and then they use their distribution to get to the  
25 Wal-Mart stores. So those are the three basic ways that we

1 go to market 90 percent of the time.

2 MS. STIGER: Okay, thank you.

3 Now in the China case there was a lot of talk  
4 about the tubular sack versus the vertical seam sacks, and I  
5 think that Mr. Bazbaz testified that it's pretty much -- all  
6 of what is being produced domestically are all vertical  
7 seams; is that correct?

8 MR. BAZBAZ: Yes, all the bags are made with a  
9 bag seam.

10 MS. STIGER: Okay, so there're really no tubular  
11 products at all?

12 MR. BAZBAZ: No tubular products.

13 MS. STIGER: Okay.

14 MR. BAZBAZ: That I know of.

15 MS. STIGER: And the product that's coming from  
16 Vietnam as well, from what you've seen?

17 MR. BAZBAZ: All the bags that we've seen from  
18 Vietnam will also have a bag seam.

19 MS. STIGER: Okay. Alright, so that will  
20 conclude my questions at this time.

21 MR. CORKRAN: Thank you very much. Ms. Kim.

22 MS. KIM: Good morning everyone and thank you  
23 for being here today. And Petitioners claim that the  
24 production of the Laminated Woven Sacks is capital  
25 intensive. Please elaborate on why this is capital

1 intensive for production compared to other products.

2 MR. BAZBAZ: Well, in our case the extrusion of  
3 yarns and the weaving process is capital intensive by  
4 itself, but a good portion of the intensity of expenditures  
5 -- in the capital expenditures are going to be in the  
6 lamination process, in the printing processes in the bag  
7 making. The biggest part would be probably in the  
8 lamination and the printing processes, so it's still very  
9 capital intensive.

10 MR. JONES: Ms. Kim, I would just add that this  
11 is not -- and I think Ms. Mueller testified to this. This  
12 is not an industry where you can turn the machines on and  
13 off when demand declines or you lose a sale. You have to  
14 keep the machines running and that way it's similar to other  
15 industries that you've investigated where continuous  
16 production is necessary.

17 An opposite example that I can think of is the  
18 furniture industry where it's more of a situation where you  
19 can produce when you have an order and then if things are  
20 slow you know people can take the day off. It's not like  
21 that in this industry. Both of these companies, anyway,  
22 need to be running their machines continuously.

23 MS. KIM: So are you saying the machine never  
24 stops because the Petitioners you said the plants are  
25 designed to operate 24/7, so the machine runs 24/7?

1                   MR. JONES: Just for changeovers, right, Ms.  
2 Mueller? That's when they would stop.

3                   MS. MUELLER: Correct. When we say 24/7, we  
4 would man those machines and run them, with the exception of  
5 changeovers or the maintenance that needs to be done on  
6 those pieces of equipment.

7                   MS. KIM: Thank you. I have one last question  
8 and it is related to electricity costs. Which cost element  
9 in the profit and loss statements in the questionnaire  
10 includes electricity costs and do you think it is material  
11 to the overall cost?

12                  MR. BAZBAZ: Electricity costs is an important  
13 factor, but it is not one of the most important ones. Of  
14 course, you know raw materials are very important, fabric  
15 cost is important, the BOPP and the inks are very high and  
16 labor is still higher than the electricity cost, so  
17 electricity is not so high in the classification.

18                  MS. KIM: Do you -- go ahead.

19                  MR. SZAMOSSZEGI: Was your question directed at  
20 where -- when they reported in the questionnaires where they  
21 put electricity costs, either as other factory costs or  
22 somewhere else; is that what you were referring to? I just  
23 want to make sure we answered your question.

24                  MS. KIM: A lot of times like electricity cost  
25 is included in other factory costs and I wanted to ask you

1 this question. Do you have estimated share of cost-to-goods  
2 sold for electricity costs?

3 MR. SZAMOSSZEGI: I think maybe we'll be able to  
4 get that post-conference because it's confidential, at least  
5 for these firms. We'll try to get that exact information  
6 for you.

7 MS. KIM: That's good. Thank you.

8 MR. CORKRAN: Thank you very much. Ms. Hanson.

9 MS. HANSON: Thank you and good morning  
10 everyone. Thank you for the very helpful information that  
11 you provided with production processes Mr. Bazbaz. I'm a  
12 textile industries specialist here at the Commission. Prior  
13 to joining the Commission, I was with U.S. Customers, so I  
14 apologize for the technical nature of the questions that are  
15 about to come, but I'm struggling a little bit with the  
16 description as it's written in the scope as I'm sure you  
17 struggled with it as well because of the variety of tariff  
18 numbers that it could go to if you do something differently  
19 at one of the steps.

20 So I think a number of my colleagues have asked  
21 about the place where the product is customized for the end  
22 user and if you could just answer that one more time.  
23 Because of the production steps it seemed there was a place  
24 where you could change the width of the strip before it's  
25 extruded. You could also do different widths to the fabric.

1 How common is that or is there one fabric that's commonly  
2 used for this product?

3 MR. BAZBAZ: I'll be glad to, Ms. Hanson. The  
4 extrusion process produces a film that is strip and you can  
5 change the width of the strip before it gets stretched to  
6 the final width of the yarn. The purpose is to accomplish  
7 about 100 percent coverage of the yarns. So you can  
8 accomplish 100 percent by having eight tapes of 3  
9 millimeter, each one, to be about 24 millimeters, which is  
10 about an inch, 8x8, with a thousand linear and to make,  
11 let's say, 70 grams per square meter fabric.

12 But you can also do that by using four or six  
13 tapes or five and a half tapes of 5 millimeters, each one,  
14 still to cover 100 percent. You increase the proportion on  
15 the linear but you still have the 70 grams per square meter  
16 fabric. Ultimately, most of the bags are done with 70 grams  
17 per square meter of fabric, approximately, 20 to 25 grams  
18 for the extrusion lamination per square meter and  
19 approximately 20 grams per square meter for the BOPP, so all  
20 the structures are pretty much the same. You have 70 plus  
21 25 plus 20, about 115 grams per square meter. Ninety-nine  
22 percent of the bags come like that.

23 The reason why we have been struggling with  
24 this, the public information, is because at the time of the  
25 China investigation we asked for a different category to

1 capture the Laminated Woven Sacks because before they were  
2 bringing them in as a textile bag, polypropylene textile  
3 bags. We've asked the U.S. Customs to set aside different  
4 specification and that's the specification that we've been  
5 tracking, but since then there have been certain  
6 developments in the export market which many suppliers of  
7 the bags, by making the yarn more than 5 millimeters in  
8 width then that specification that we have is not applicable  
9 because it's no longer treated as a textile bag even though  
10 it's still a textile.

11 So you know many imports can come on under  
12 different specification other than a textile bag just by the  
13 fact of making the yarn more than 5 millimeters wide.

14 MS. HANSON: Is that very common that you're  
15 seeing in imports now?

16 MR. BAZBAZ: It is more and more common  
17 recently, so this might explain why there is a dip in the  
18 data from one year to the next year and I'm -- you know I'm  
19 sure of what we've seen is like if the market is growing and  
20 we've seen more of the bags come in that certain it -- this  
21 is not consistent with the market and what we'd seen.

22 MS. HANSON: And just to clarify, the  
23 classification for which you're seeking the relief is the  
24 classification in Chapter 63?

25 MR. JONES: The written description of the scope

1 is what we're seeking relief for and we have tried and we  
2 will continue to try to include in that written description  
3 all of the -- tariff code classifications that may be  
4 applicable, that people may be using that maybe arguably  
5 correct. We're not taking the position on whether  
6 anything's being misclassified. We don't know. What we're  
7 trying to do and what we have tried to do -- and we will  
8 provide in our post-conference the scope as modified. There  
9 have been a few changes. It really didn't change the  
10 coverage at all, but they hopefully have clarified what's  
11 covered. But you're right, it's complicated, it's  
12 difficult, but it's the written description that will govern  
13 what is subject merchandise and what is not.

14 MS. HANSON: Of course. Thank you for that.

15 MR. BAZBAZ: And if I can add, I don't think  
16 we'll end up with 100 specifications, you know, but I think  
17 it's going to be at least two of them that they are bringing  
18 those bags at.

19 MS. HANSON: Okay. I have to say I wasn't here  
20 for the China case and when I saw this description I said  
21 that's a lot of different options there.

22 Anyway, again, looking to the written scope that  
23 was supplied in the petition, I just wanted to clarify for  
24 myself that the alternate classifications that you're  
25 working with might end up as a plastic if the fabric itself

1 is coated with plastic on both sides it's a plastic product,  
2 not a textile product. If the plastic coating on the fabric  
3 is on only one side, it's a coated fabric. If the yarns are  
4 wider, you end up in a plating material, not the textile  
5 material. And I'm really just saying this out loud to get  
6 your confirmation that that was your intention is to cover  
7 all of those various options.

8 MR. JONES: Ms. Hanson, I will not dispute your  
9 interpretation of the HTS. You may be absolutely correct,  
10 but what we've really focused on is the written description  
11 and not the HTS classifications. So what you see in the  
12 scope is what we're trying to cover, not necessarily -- we  
13 haven't thought about it that way, but I think we will  
14 increasingly think about it that way because I know CVP  
15 relies on classifications, to some extent, to determine  
16 what is subject and what is not and want to work with them  
17 and make their job as easy as possible. So we will continue  
18 to look at that and we'll clarify if we need to.

19 MS. HANSON: Thank you. The other question I  
20 have regarding the description of the scope, as it's  
21 written, is the last sentence of the first paragraph, which  
22 says that the Laminated Woven Sacks produced in Vietnam are  
23 subject to the scope regardless of the country of origin of  
24 the fabric and yet, without looking it up, it's my  
25 understanding that it's the country of origin of the fabric

1 that determines the marking of this product, unless one of  
2 you would be kind enough to correct me.

3 MR. BAZBAZ: The fabric is widely used in many,  
4 many places, but the biggest added value comes from the  
5 printing and the lamination process, not the fabric.

6 MR. JONES: I would just add, Ms. Hanson, that  
7 that language was added because of a circumvention dispute  
8 that arose out of the China investigation and we felt it was  
9 necessary to clarify in the scope that that was our  
10 intention, to make it clear that where the lamination was  
11 done or the printing was done and where the bag is made is  
12 the country of origin of the bag for purposes of the scope  
13 and not the country of origin of the fabric.

14 MS. HANSON: And Ms. Mueller, if I may ask you,  
15 you said you're not as integrated as Mr. Bazbaz's operation  
16 and you are using purchased fabric. Where do you source  
17 your fabric?

18 MS. MUELLER: We do source from several  
19 countries and we can give you the list of those in the  
20 post-conference brief.

21 MS. HANSON: Do either of your companies make  
22 other products, other than these bags?

23 MR. BAZBAZ: In our case, -- we manufacture more  
24 than 90 percent are these type of products. We manufacture  
25 polypropylene bags as well in the same facility.

1                   MR. BUCCI: We do manufacture all kinds of  
2 flexible packaging for the market, not just laminated sacks  
3 -- woven sacks.

4                   MS. HANSON: Thank you. That's all my  
5 questions.

6                   MR. CORKRAN: Thank you very much and thank you  
7 to the panel. I'm pretty new to this product and I  
8 appreciate the questions that have been asked already. The  
9 questions that I have left will probably jump around just a  
10 little bit.

11                   One of the questions I had goes to the  
12 Respondent opening which indicated that there was a  
13 different collection of customers for imported product and  
14 domestic product. I believe, if I'm characterizing it  
15 correctly, that the distinction was between pet food  
16 purchasers and animal feed purchasers, so I've got a couple  
17 of questions that I'd like to follow up on that. Starting  
18 with I'll ask if you agree or disagree with that  
19 characterization, but I want to get one or two questions in  
20 first before I do that.

21                   Can you discuss for me whether there are  
22 differences in the bags that are used for pet food and those  
23 that are used for animal feed and what type of differences  
24 those might be?

25                   MR. BUCCI: So this is Art Bucci from ProAmpac.

1 From my experience and in my opinion, there was no  
2 difference in the markets at all. It's the same bag that is  
3 used for both markets. We have sold many feed companies, so  
4 we have participated in that market. The reason it is not a  
5 growth market for us is because we can't compete in that  
6 market today because of the imported bags from Vietnam.

7 It's not that we don't want to, it's not that we  
8 don't have the capacity to do so, it's not that we don't  
9 have the contacts to do so. We just can't be competitive.  
10 But we have supplied in the past, and in my opinion, the  
11 bags are extremely similar. The only difference would be  
12 the printing on the face of the bag.

13 MR. BAZBAZ: This is Isaac Bazbaz. I concur  
14 with this. What we have seen is, although the feed bags are  
15 not sold typically in retail outlets for consumer, the  
16 ability of the printing, to be printed on the BOPP on the --  
17 and use it on the fabric strength has allowed the feed  
18 manufacturers to make very sophisticated printing products  
19 for their sales.

20 And what people have seen is that the brand  
21 owners for each category, as the bag has moved to the BOPP  
22 as laminate woven sack without PP, they have seen growth in  
23 their brands, so it's enticing then to do a little bit more  
24 sophistication in the print. So we have not seen any  
25 differences in the fabric, in the requirements for the

1 printing or in the requirement for the lamination between  
2 the pet food and feed business.

3 MR. CORKRAN: Okay. On a related issue, you've  
4 addressed differences, or the lack thereof, in bags that are  
5 sold to the feed and to the pet industries, how would you  
6 characterize the market participants for each of those? Or  
7 do you have a concentration of very large purchasers in one  
8 group versus the other? You mentioned the prevalence of  
9 sales to consumers for pet food, are there differences in  
10 the groups of customers who buy pet food bags and those who  
11 buy feed bags?

12 MR. BUCCI: This is Art Bucci from ProAmpac.  
13 The answer's actually yes and no. So, there are certain pet  
14 food customers that, all they do is pet food. So examples,  
15 that would be, like the Pedigree brands and that type of  
16 stuff. And there are customers who play in both markets.  
17 They do both feed and pet food.

18 And then there's some suppliers that do just  
19 feed. Sometimes the definition of the way you consider bird  
20 seed and whether that's a feed or pet food, so some of the  
21 definitions are gray. But it's a combination of all three.  
22 I'm not sure it's that specific, whether you're just a feed  
23 company or just a pet food company.

24 MR. BAZBAZ: Mr. Corkran, I think that you also  
25 asked whether they are -- the large customers are

1 concentrated in the pet food or in the feed. There are  
2 large, very large customers in the pet food, very  
3 concentrated, but there are also very large customers in the  
4 feed industry, very concentrated. I'm talking in the tens  
5 of millions of bags a year requirements.

6 MR. BUCCI: If I may add -- I'm sorry -- in our  
7 market, one of our customers could own hundreds and hundreds  
8 and brands. So just because there's an X brand and Y brand,  
9 it could very well be coming from the very same manufacturer  
10 and actually the same feed and/or pet food in the bag. So  
11 just because there's thousands of brands, it doesn't mean  
12 there's thousands of customers for us to sell.

13 MR. CORKRAN: Okay. Let me summarize what I'm  
14 hearing and then ask for your reaction to my summarization.  
15 It sounds like what I've heard is that there is some overlap  
16 in the customers who buy for pet food and for agricultural  
17 or feed purposes, and some differences, but irrespectively,  
18 both groups of customers seem to be characterized by very  
19 large purchasers in a fairly concentrated customer base.

20 MR. BAZBAZ: This is Isaac Bazbaz. This is what  
21 we're saying, yes, you're right.

22 MR. CORKRAN: Okay, thank you. Now having  
23 discussed the product and the universe of customers who are  
24 buying that, can I now get your reaction to the  
25 characterization that there are differences in customers,

1 perhaps even a segment and market between pet food bags and  
2 feed bags?

3 MR. BUCCI: If I understand your question, I  
4 completely disagree with that statement. There is no--in my  
5 opinion and my experience of twenty-eight years in the  
6 flexible packaging business--there is no separation between  
7 feed companies and pet food companies.

8 Certainly there's different buyers and there's  
9 different companies. But they buy the same product. It  
10 generally goes through the same distribution process, quite  
11 frankly, to get to the end user, whether that's a Walmart or  
12 whoever -- it's the same bag -- it's different print.

13 So in my mind, and I look at our manufacturing  
14 process and our factories -- we can make any of those bags,  
15 and quite frankly, have enough capacity to do it all. So I  
16 don't see any difference whatsoever.

17 Mr. SZAMOSSZEGI: This is Andrew Szamosszegi  
18 from Capital Trade. If I may just add. The data collected  
19 in the questionnaires--and we may have a more detailed  
20 analysis post-conference--I think you, if you look at that,  
21 you will see that there are very similar channels of  
22 distribution, that there are common customers among the  
23 importers and the domestic producers, and that the domestic  
24 producers compete in the food and feed sectors.

25 And you also have testimony today that they are

1 shut out of certain sectors because of price. So even if  
2 there are differences in the volumes sold into certain  
3 sectors, part of that is a result of the unfair trade.

4 MR. CORKRAN: Okay. My next question relates as  
5 much to this case as some of the others that I've seen in  
6 the last decade or so. We heard testimony today that --  
7 numerous times -- that Chinese producers shifted production  
8 to Vietnam.

9 So my question is, of what relevance is that?  
10 Isn't the focus of this proceeding the industry in Vietnam  
11 and the imports that are coming from Vietnam? And is it --  
12 in what sense would it be relevant, the ultimate ownership  
13 of those particular companies?

14 MR. JONES: Mr. Corkran, this is Steve Jones.  
15 The shifting of production or investment by Chinese  
16 Laminated Woven Sacks' producers in Vietnam, and the  
17 industry there, is relevant because of the know-how and the  
18 knowledge that the Chinese had to, not only of how to make  
19 world-class bags, world-class competitive bags, but also the  
20 knowledge of the U.S. market, and the import channels, and  
21 who the customers are, and how to penetrate the market.

22 And so we think it's very relevant that that's  
23 how the industry in Vietnam, perhaps, not got started, but  
24 was able to--I think the word I used in my opening was  
25 "jump-start"--it really, after the China order, that's when

1 the Vietnamese industry really picked up and really started  
2 to add capacity, increase exports become world-class  
3 competitors. It was after the China order, and it was  
4 based, at least in part, on the investment and know-how that  
5 they received from Chinese producers. So we think it's  
6 relevant.

7 MR. TOGNI: And this is Pat Togni with King and  
8 Spalding. The only thing that I would add to that, in a  
9 more macro level is, we're seeing exactly the same type of  
10 aggressive price and volume competition from Vietnamese  
11 producers now that we saw with regard to Chinese producers  
12 with respect to that preceding investigation that you opened  
13 your question with.

14 MR. CORKRAN: Thank you. That's helpful. Could  
15 I take from that though that it, in one sense, wouldn't  
16 matter where that investment was coming from if it was  
17 coming from a group of producers that was experienced in  
18 terms of production practices and in terms of participation  
19 in the U.S. market? I mean the China aspect in that sense  
20 is not particularly important, as opposed to the level of  
21 experience that the investors were bringing with them.

22 MR. JONES: I think that's correct, Mr. Corkran.  
23 I mean China's a different country than Vietnam. They're  
24 both nonmarket economies under U.S. law, both that have  
25 centrally planned economies, very strong Communist parties.

1 And there's similarities, but they're different countries,  
2 so we don't wanna, we don't wanna overstate it, but I think  
3 you've identified why we think it's important and why we've  
4 talked about it in the petition and in our testimony today.

5 MR. CORKRAN: Thank you very much. I appreciate  
6 that. We talked a little bit earlier about differences  
7 between bags for pet food and for animal feed. One of the  
8 things I'm wondering about is, I'm comparing the Capital  
9 Trade Slide 5 versus Slide 12. And one of the questions I  
10 have is, is one potential reading of these slides that  
11 subject imports are essentially following a somewhat similar  
12 trend as animal feed production?

13 MR. SZAMOSSZEGI: If you just consider the --  
14 you could make that -- use that analysis if you really put  
15 aside the fact that there are a lot of products that are not  
16 captured in that particular HS category that may be captured  
17 in the questionnaire responses.

18 And I think we'll have a fuller data set with  
19 the questionnaire responses, and that I think will enable us  
20 to answer your questions post-hearing or post-conference  
21 with the needed detail. Because what we're seeing is that  
22 your interpretation is gonna be different than what the data  
23 show.

24 MR. CORKRAN: Okay. I appreciate that, and I  
25 was in part extrapolating from what I -- one of the things I

1 took from the opening statement, which might suggest a  
2 greater concentration of imports in a segment that was  
3 showing essentially a demand pattern that seemed to mirror  
4 some of those import data. Thank you very much. I  
5 appreciate it.

6 I believe this is my last question. But I also,  
7 I do want to ask for your view of the characterization in  
8 the opening statement that characterized an industry--and  
9 I'm paraphrasing here--but an industry that reflected a  
10 higher cost structure and necessity for large production  
11 runs and efficiency issues. That's my characterization of  
12 what was presented this morning.

13 And I wanna juxtapose with some of Mr. Bazbaz's  
14 description of production process that, with respect to  
15 density, with respect to fabric weight, with respect to  
16 width, were all characterized as easily changed. So I've  
17 got -- it sounds like I've got two different  
18 characterizations of the entire industry. Can you please  
19 address the characterizations this morning?

20 MR. BAZBAZ: I'd be glad to. Well, we think  
21 that we have different equipment. The equipment that we  
22 have is used everywhere in the world. You know, the  
23 extrusion process is the same everywhere. The lamination  
24 equipment is the same everywhere.

25 Printing processes might vary between United

1 States and overseas in the fact that overseas might use  
2 rotogravure more than flexographic printing presses.  
3 Rotogravure requires the engraving of cylinders and the  
4 flexographic process engraves the printing plate and applies  
5 it into the matter. But both produce at the end with a new  
6 technology of flexographic with the same graphics.

7 So I really do not understand the statement, why  
8 we have more expensive processes other than normal costs in  
9 United States, well, of course we pay more for labor. Of  
10 course we pay more for, you know, maybe transportation here,  
11 but ultimately, we can compete with any country that is not  
12 subsidized, with any exports that are not helped by the  
13 government. We can't compete with governments and that's  
14 basically -- that's the same question.

15 We manufacture the fabrics, and we believe our  
16 custom fabric, manufacturing fabric is very competitive to  
17 the custom fabric made in every place in the world. And  
18 with larger producers in Turkey or in Latin America,  
19 anyplace. So we don't believe that we have any disadvantage  
20 in terms of equipment, or any disadvantage in terms of cost,  
21 other than labor. But of course, you know, we are not  
22 complaining about labor.

23 MR. CORKRAN: Okay. Well, that -- I'd like to  
24 thank the panel -- before you're dismissed, I'd like to turn  
25 to other members of our team to see if there any additional

1 questions? Mr. Dushkes?

2 MR. DUSHKES: Drew Dushkes, Office of  
3 Investigations. Mr. Bazbaz, I wanna make sure I correctly  
4 understood a part of your response to one of Ms. Hanson's  
5 questions. So from the customer perspective, there's no  
6 significance as to the width of the strip used to make sack,  
7 specifically the 5mm cutoff?

8 MR. BAZBAZ: Can you repeat the question? I'm  
9 not sure --

10 MR. DUSHKES: Yeah. Is there any customer  
11 significance -- from the customer perspective, is there any  
12 significance to the width of the strip used to make the  
13 laminated woven sack at the 5mm width or any width? Or is  
14 that purely as, I think you stated, just to make sure you're  
15 using 100% of the material?

16 MR. BAZBAZ: Yes, basically what we want to  
17 accomplish certain strength in the fabric. And the strength  
18 of the fabric is accomplished by the tension strength in the  
19 vertical direction and the cross direction. You can achieve  
20 the strength by making -- you know, a 10x10 count per square  
21 inch, or a 5x5 count per square inch. As long as you make  
22 the wider tape and the same thickness, you can accomplish  
23 the same purpose.

24 MR. DUSHKES: So the customer never specifies in  
25 their order what width they would like the strip to be?

1                   MR. BAZBAZ: Well, the customer specifies  
2 everything, but the specification of the customer might come  
3 something like this: You know, the fabric should be 8x8, or  
4 something, something as an equivalent structure, or  
5 equivalent weight per square meter.

6                   MR. DUSHKES: Thank you.

7                   MR. BAZBAZ: You're welcome.

8                   MR. DUSHKES: I'd also like to follow-up --

9                   MR. SZAMOSSZEGI: Can I just follow-up with  
10 that? There's also a difference in the tariff treatment, I  
11 think, also. For an article with less than 5mm strip and  
12 greater than 5mm strip with strip. So we'll discuss that  
13 post-conference.

14                   MR. DUSHKES: Right, yeah. That's what my  
15 question was sort of getting at -- is, does that distinction  
16 in the tariff classification match up to a market  
17 distinction at that width. So if you could address that in  
18 post-conference, that'd be helpful.

19                   I'd like to also follow-up with a question that  
20 Ms. Stiger asked regarding certification. She asked, I  
21 believe, on end use basis, and does it differ between end  
22 uses, but are there general, across all end use types,  
23 industry certifications or standards? Respondents mentioned  
24 food-grade certification. I'm not familiar with that, so if  
25 you could discuss that a bit.

1                   MR. BAZBAZ: Food-grade certification is  
2 required when the fabric is in touch with pet food or feed  
3 or anything. But all the manufacturers of polypropylene  
4 supply a polypropylene that is capable to be in touch with  
5 food products. So anybody can, that using the same  
6 polypropylene will be able to have an inert substance that  
7 would not be adequate with food.

8                   MR. DUSHKES: So is that a U.S. government  
9 standard? Versus an industry standard? Therefore, it's  
10 applied to both domestic and imported product?

11                   MR. BAZBAZ: It's a customer -- might be a  
12 customer requirement. But not a U.S. requirement.

13                   MR. DUSHKES: Okay. So there's no industry-wide  
14 specific certification? Just on a customer-by-customer  
15 basis?

16                   MR. BAZBAZ: It's customer-by-customer base.

17                   MR. DUSHKES: Okay, thank you.

18                   MR. BAZBAZ: You're welcome.

19                   MR. DUSHKES: So is it the case that all of your  
20 production machinery is specific to the production of the  
21 product we're discussing here today, or is it just certain  
22 elements and other parts of the machinery can be used to  
23 create different types of flexible packaging?

24                   MR. BAZBAZ: Well, in our case, all our  
25 equipment is directed to manufactured laminate woven sacks,

1       so -- I mean we could manufacture the Non-Laminated Woven  
2       Sacksaminated Woven Sacks by just not laminating, but we got  
3       out of that market a long time ago.

4                 MR. DUSHKES:  Okay.  So if I'm understanding  
5       you, the machinery does have some degree of product  
6       flexibility, but your business decision is to only make one  
7       type of product at the moment?

8                 MR. BAZBAZ:  The only flexibility was to make a  
9       woven bag that is like you would see on like a sand bag.  
10       But most of those bags are now made overseas.  There is no  
11       production in the United States for that.

12                MR. DUSHKES:  Mr. Bucci, Ms. Mueller, your  
13       companies, you said you make many types of flexible  
14       packaging.  Is that the case where you can use the same  
15       machinery?

16                MS. MUELLER:  We do.  And in looking at how Mr.  
17       Bazbaz introduced how they manufacture, we do purchase our  
18       woven fabric from other suppliers.  We use a printing press  
19       which can be used to print other papers or films.  But once  
20       it's printed and we go to the bag extruder, the bag extruder  
21       and the bag equipment is dedicated just to Laminated Woven  
22       Sacks that cannot be used for anything else.

23                MR. DUSHKES:  Thank you.  And my final question.  
24       And I understand if this is proprietary and you wish to  
25       address it in post-conference.  But I'm just trying to get a

1 sense of sort of the range in the market here. What is the  
2 range of pricing -- so your lowest-value product and your  
3 highest-value product that you sell? What's the gap between  
4 that in terms of cost?

5 MR. JONES: Mr. Dushkes, Steve Jones. We'd be  
6 happy to discuss that in our post-conference. I'm sure  
7 it'll have to get into some proprietary pricing data, but we  
8 would happily address that.

9 MR. DUSHKES: Sure, and if you could be sure to  
10 include a very specific production description with both the  
11 high-end and the low-end, that'd be helpful.

12 MR. JONES: We will do so. Thank you.

13 MR. DUSHKES: Thank you. Mr. Corkran, that  
14 concludes my questions.

15 MR. CORKRAN: Thank you. Ms. Stiger?

16 MS. STIGER: Okay, I just have two additional  
17 questions. I was wondering if you could comment on--and if  
18 it's something you can't comment on publicly, that's fine,  
19 even in post-conference--if there've been any disruptions in  
20 the market in terms of the supply, or if there've been any  
21 availability issues.

22 MR. BAZBAZ: There have been some, in our case,  
23 there have been some raw material supply restrictions, you  
24 know, with the Harvey Hurricane in Houston. But typically  
25 all the manufacturers of plastic products, they don't just

1       await, or only having one week of inventory. They typically  
2       have six to eight weeks in inventory. So therefore, nobody  
3       that we know was damaged by those force majeure, so there  
4       are no restrictions that we've seen.

5               MS. STIGER: Okay. So you just source it from  
6       inventory, even if there was the polypropylene or the raw  
7       material supply was disrupted because the hurricane, it  
8       really didn't cause an issue in the availability of the  
9       product?

10              MR. BAZBAZ: Yes. No. We did not see any  
11       issues.

12              MS. STIGER: Okay. Thank you. And in Capital  
13       Trade's presentation, on Slide 9, and during the discussion,  
14       it was mentioned that, you know, competition is very  
15       sensitive based on price, that is I think, if I'm  
16       characterizing in what you all testified to accurately, that  
17       you said purchasers, the primary sort of purchasing factor  
18       that they are basing their decisions on, are price.

19              But are there other factors that purchasers  
20       consider when they're, you know, when they're trying to  
21       source between different Laminated Woven Sacks? Is print  
22       quality an issue? Is that one of the factors that they may  
23       consider?

24              MR. BUCCI: I would answer -- you certainly have  
25       to have a certain level of quality to be able to

1 participate. So you have to have a certain print quality, a  
2 certain -- you have to meet the specifications of the  
3 customer. Many, many people can do that. So once that is  
4 decided, it's 100% price. In my opinion.

5 MS. STIGER: Thank you. That concludes my  
6 questions.

7 MR. CORKRAN: Look to the rest of the panel.  
8 Are there any additional questions?

9 MS. HANSON: Yes. If I could just clarify  
10 again, stuck on the fabric for another moment. How common  
11 is it for the customer to request that the fabric be coated  
12 with plastic prior to the lamination process and the  
13 printing?

14 MR. BAZBAZ: What you mean? Coated on the  
15 inside?

16 MS. HANSON: So the -- again, going to the  
17 description and the different classifications that are  
18 possible, the one that would move it into a different H2S  
19 number is if there's a plastic coating on the fabric prior  
20 to the printing and the laminating. And I just -- what  
21 would be the purpose of that and how common is it?

22 MR. BAZBAZ: There is no purpose for that.  
23 There is no need. There is no requirement. And the  
24 customer will not require that because that will increase  
25 the price of the bag.

1                   MS. HANSON: Thank you. That answers the  
2 question.

3                   MR. CORKRAN: With that, I'd like to, once  
4 again, thank the panel. We very much appreciate your  
5 testimony. It has been very helpful to us. With that, I  
6 will dismiss the panel and we will take a ten-minute break  
7 until 12:00 noon. Thank you very much.

8                   (Whereupon a brief recess was taken, to reconvene  
9 this same day.)

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

2                   MR. CORKRAN: Thank you very much. Are there  
3 any preliminary matters?

4                   MR. BURCH: There are no other preliminary  
5 matters, just a note. The panel in opposition to the  
6 imposition of the anti-dumping and countervailing duty  
7 orders witnesses have been all sworn in and are seated.

8                   MR. CORKRAN: Thank you very much. I appreciate  
9 it. Welcome to the panel. My apologies for a delay.  
10 There's some fairly intense petition activity, but I am now  
11 very eager to hear your presentation. Please begin when you  
12 are ready.

13                   MS. QUAIA: Good afternoon. I am Diana Quaia  
14 with Arent Fox. I'm joined today by John Little and Kevin  
15 Greene from Commercial Packaging, a U.S. importer of  
16 Laminated Woven Sacks. Mr. Little is a packaging engineer  
17 with decades of experience in the industry and Mr. Greene is  
18 the company's supply chain manager.

19                   A few introductory remarks. An accurate  
20 assessment of the industry of -- and of the impact of  
21 Vietnamese imports on the U.S. LWS market must take into  
22 account that LWS users occupy different segments of the  
23 market. The competition among those market segments is  
24 attenuated and the driver for that attenuation of  
25 competition is the U.S. market segmentation and the domestic

1 industry's focus on pet food. Everything we heard this  
2 morning confirms this. The economic presentation of  
3 petitioners shows separate segments: the pet food segment  
4 and the animal feed segment.

5 We heard nothing regarding raw material changes  
6 this morning in the direct presentations. We'll hear about  
7 more of that today. And with those remarks, I would like to  
8 turn now to our panel of witnesses.

9 STATEMENT OF JOHN C. LITTLE

10 MR. LITTLE: Hello, can you hear me? I'm John  
11 Little, the woven division manager of Commercial Bag  
12 Company. We are known as Commercial Packaging. Our company  
13 is a family-owned and family operated business located in  
14 central Illinois, that provides innovative packaging  
15 solutions including Laminated Woven Sacks, multi wall bags,  
16 bulk bags, and flexible packaging.

17 I'm an engineer with a degree in packaging  
18 engineering with more than 28 years of experience in the  
19 flexible packaging market. 18 of those have been with  
20 commercial packaging, working with the product we are to  
21 discuss today.

22 My purpose today is to discuss key  
23 characteristics of the U.S. market for Laminated Woven Sacks  
24 and why imports from Vietnam are not injuring or threatening  
25 to injure the petitioning LDS producers.

1                   Commercial packaging imports Laminated Woven  
2                   Sacks from Vietnam for reasons that have little to do with  
3                   price. This decision is primarily linked to specifications,  
4                   quality, and innovation to meet the market needs.

5                   I will also talk about price, but I want to talk  
6                   first about specifications, which is a key factor for our  
7                   business. In the U.S. market, there are several market  
8                   segments for Laminated Woven Sacks, pet food, bird seed,  
9                   animal feed, agricultural products, micro ingredient bags,  
10                  et cetera. Each of these market segments requires different  
11                  specifications.

12                  Petitioners are focused on the first two  
13                  segments, pet food and bird seed. Our customers are  
14                  primarily companies that package and sell animal feed, bird  
15                  seed, agricultural products and to a lesser extent pet food.  
16                  Most of our business is in the animal feed segment.

17                  What do I mean by specification? Specification  
18                  is determined by first understanding the product being  
19                  packaged, then the filling equipment that fills the bag,  
20                  then the marketing and the sales needs of the customers.  
21                  All of these elements are used to define our specification.

22                  Customers in the animal feed segment require  
23                  more specifications than customers in the market segment  
24                  where domestic producers are concerned. I mean, the pet  
25                  food segment. That is because there are many more product

1 types in animal feed business and each of them requires  
2 different bags.

3 If you allow us on the table before, we have  
4 samples that later through questions, we can demonstrate  
5 some of these specifications.

6 Our customers typically try to source all of  
7 their bag specifications from the same supplier. They  
8 select their suppliers based on whether they can meet all of  
9 their specification needs.

10 For example, some of our largest customers  
11 require 11 base specifications. Most of our customers  
12 require 3 to 7. These base specifications are defined in  
13 terms of number of plys of material, the finish on the bag  
14 like matte versus gloss, the type of closure, block bottom,  
15 sewn bottom, the number of colors, breathability, i.e. if  
16 they're using hot pin perforations. The U.S. producers do  
17 not and cannot offer such a variety of specifications.

18 Most U.S. producers offer three ply bags. From  
19 our suppliers in Vietnam, we offer Laminated Woven Sacks in  
20 three plys, four plys, and five plys. Working with our  
21 customers and suppliers in Vietnam, we've also developed  
22 some innovative type Laminated Woven Sacks specifically for  
23 animal feed that respond to specific needs as fat that might  
24 be in the feed, breathability to prevent mold, pest control  
25 to eliminate bug infestation, anti-skid to make the bags

1 easier to manage through a factory, bags with 10 colors  
2 that are printed in pantone, bag lengths to meet customer  
3 needs, rotogravure printing for consistency, color depth,  
4 and depth definition. None of the U.S. producers offer all  
5 of these specifications.

6 The range of customers' needs in the animal feed  
7 segment can be quite wide and the U.S. producers simply have  
8 problems meeting such customer demands.

9 The U.S. producers' business model is focused on  
10 a few specifications with high volume orders, what we would  
11 call large runs of 100,000 Laminated Woven Sacks per order.

12 Our customers need more variety, more consistent  
13 pricing across run -- any run quantity, and lower production  
14 runs.

15 We participate in bids to supply woven laminated  
16 sacks to large U.S. consumers of this product and had  
17 instances where U.S. producers have declined to bid simply  
18 because their inability to supply diverse specifications and  
19 to meet customer bag quantity demands. We've seen this  
20 recently.

21 In terms of quality, our customers also require  
22 food grade certifications. In fact, 80 percent of our  
23 Laminated Woven Sacks that we supply from Vietnam require  
24 such certifications.

25 We are able to supply bags that meet the highest

1 food grade certifications that is the global food safety  
2 initiative or GFSI.

3 In fact, we've been offering food grade  
4 Laminated Woven Sacks since 2015, almost one to three years  
5 before U.S. producers could do so. So much for petitioner's  
6 theory that all purchasing is based on price. With food  
7 grade certifications, you either have them or you don't.

8 We take quality inspection very seriously. We  
9 have quality inspection on 100 percent of our finished bags.  
10 In contrast, we learned from our customers that U.S.  
11 produced bags had high rejection rates than our bag sourced  
12 from Vietnam.

13 The technical limitations and quality concerns  
14 related to the U.S.-produced Laminated Woven Sacks render  
15 them not interchangeable, not comparable, and not an option  
16 for some of our customers.

17 The sourcing of Laminated Woven Sacks from  
18 foreign suppliers is far from a new phenomenon. Commercial  
19 Packaging has sourced LWS from Vietnam for over 10 years.  
20 Historically, the production and printing of LWS has long  
21 tradition in Vietnam and throughout Asia.

22 Whereas in the United States, the laminated  
23 woven sack is a relatively young industry. That gap in  
24 experience is critical and has been visible over the years  
25 in the quality of printing and lamination of bags that we

1 have sourced from Vietnam compared with the domestic supply.

2 As with any new industry, there's been a  
3 learning curve for the U.S. industry and it takes time to  
4 reach the same quality level and efficiency as their  
5 counterparts in Vietnam.

6 To briefly describe the U.S. industry, I would  
7 say that it is less integrated in the Vietnamese industry  
8 and much more automated. It is no wonder petitioners claim  
9 that LWS production is capital intensive. The majority of  
10 U.S. producers do not employ all the steps of production  
11 process described in the petition because their production  
12 processes covers only the last stages of production, namely  
13 lamination, printing and assembly of the bags fully on  
14 automated machines.

15 Most domestic producers start with woven fabric,  
16 not with resin. This fully automated process means higher  
17 cost for domestic production, high capital expenditures for  
18 the equipment, and higher costs to source the fabric.

19 In contrast, the producers in Vietnam are  
20 integrated and they perform the entire production process  
21 from resin to finished bag. You'll hear more about this  
22 from the rest of the representatives here today.

23 The domestic industry has a number of  
24 significant advantages in this market that serve to insulate  
25 it from a significant import competition.

1           First, the petitioners produce and sell large  
2 quantities of Laminated Woven Sacks to one market segment,  
3 pet food. Most of the subject imports do not go into this  
4 market segment. This is primarily due to lead times.

5           In addition, the U.S. producers offer certain  
6 enhancements that are not available from imports from  
7 Vietnam. This preference to supply the higher end pet food  
8 packaging market as opposed to other packaging needs  
9 explains the new investment heat sealed technologies, easy  
10 open, and re-close features.

11           Second, there's an end user customer preference  
12 for made in America when it comes to the pet food segment.  
13 This is a market segment where they clearly dominate. They  
14 have very little competition from imports in the LWS in this  
15 market segment.

16           They do face competition in the pet food market  
17 from other types of bags. For example, laminated flexible  
18 bags like a quad sealed bag. These are non-woven bags that  
19 are clearly not subject merchandise.

20           Quad sealed bags of similar non-woven products  
21 are new innovative bags for the pet food segment that have  
22 four heat-sealed edges. They have superior shelf appeal and  
23 graphics and they come at a premium price. One does not  
24 seek quad sealed bags in the other market segments.  
25 Therefore in the pet food segment, domestic competition from

1 non-subject products is more a factor than imports from LWS  
2 from Vietnam.

3 It is difficult to see how domestic laminated  
4 bag producers are injured by imports that serve different  
5 market segments and different customer needs.

6 So let's talk about prices. LWS -- prices for  
7 LWS have declined since January 2015, but that appears to be  
8 the result of a combination of factors having little to do  
9 with Vietnamese overall imports.

10 First, the price of polypropylene, the main raw  
11 material for Vietnamese producers, has decreased in the last  
12 three years. In 2014, just before the POI, the price of  
13 polypropylene quoted on the CFR base as China was well above  
14 the 10 year average. Starting in 2015, the polypropylene  
15 prices started to trend down to historic lows and stayed at  
16 those low levels throughout the remainder of the POI.

17 Second, the raw material price fluctuations  
18 impact us more than the U.S. producers. The pricing of LWS  
19 in Vietnam, including the pricing that we have with most of  
20 our customers, is different than how the U.S. producers  
21 price their Laminated Woven Sacks. 72 percent of our  
22 business is priced based on the weight of the bag and resin  
23 pricing formula. It's tied to an index for polypropylene.  
24 Our changes then change as the resin changes.

25 Additionally, since the price of resin is a high

1 percentage of the -- of our suppliers' product cost, the raw  
2 material variations impact us more than it impacts the U.S.  
3 producers.

4 In the U.S., the price of polypropylene quoted  
5 on a delivered U.S. basis has also fluctuated over the POI.  
6 However, at all times, the price of resin in the U.S. has  
7 been approximately \$400 per metric ton higher than the price  
8 of resins available to Vietnamese producers. This is a  
9 built-in cost difference and the U.S.-produced LWS has  
10 nothing to do with import competition.

11 Third, with the ITC's three year period,  
12 additional domestic capacity has been added by petitioners  
13 and other U.S. producers. New capacity has created  
14 additional pressure on the domestic market sectors of the  
15 market place as they compete with each other for market  
16 share.

17 And there's one other issue the ITC should be  
18 aware of in terms of pricing. The variety of specifications  
19 that I discussed earlier is not adequately captured in the  
20 four pricing products for which we reported data in the  
21 questionnaire responses. Pricing is clearly influenced by  
22 market segments with the high end pet food base commanding  
23 the highest prices.

24 While our bags have the traditional sewn  
25 closure, the pet food bags, mainly the U.S. producers, have

1 heat-sealing easy open features that amount to significant  
2 price gaps of up to 20 percent. But in the questionnaires,  
3 the pricing products were defined without regard to closure  
4 type or market segment.

5 Also, none of our bags have 200 percent ink  
6 coverage that was characteristic for the four pricing  
7 products. Most of our bags have less than 100 percent ink  
8 coverage. The size and weight tolerances within each  
9 product category could yield price differences of up to 20  
10 percent for us.

11 Therefore, it seems that the pricing analysis  
12 would end up comparing pet food bags with heat-sealed  
13 closures, high ink costs with animal feed bags that do not  
14 have these pricey features. That will not be apples to  
15 apples comparison.

16 Finally, the outlook for the laminated woven  
17 sack industry is positive. Indeed, the domestic industry  
18 clearly believes in the U.S. market for Laminated Woven  
19 Sacks. Since 2015, the domestic industry has gone through a  
20 period of consolidations, as well as continued investments  
21 in capacity and new costly technology. That level of  
22 investment is not done on a whim. Rather, it reflects a  
23 belief that the fundamentals of the market provide a solid  
24 basis for projecting profitability for the domestic  
25 laminated woven sack producers in the foreseeable future and

1 beyond. Thank you for your time today to hear my testimony.

2 MR. LOWE: Good afternoon. My name is Jeffery  
3 Lowe. I'm with the law firm Mayer Brown. I'm here today  
4 with my colleague Jing Zhang sitting to my left. We  
5 represent a number of Vietnamese producers and exporters of  
6 the Laminated Woven Sacks, as well as one importer.

7 And what I'd like to do is turn the microphone  
8 over to an importer of the subject product who is here today  
9 to testify on behalf of the domestic -- I'm sorry, the  
10 Vietnamese industry and in opposition to the imposition of  
11 anti-dumping and countervailing duty orders.

12 Rett?

13 STATEMENT OF RETT SCHULER

14 MR. SCHULER: Good afternoon, my name is Rett  
15 Schuler. Thank you for the opportunity to speak with you  
16 today.

17 I'm the president of Fulton Denver Packaging  
18 Company. We're located in Vacaville, California, with  
19 offices in Portland, Oregon; Denver, and Monte Vista,  
20 Colorado.

21 Fulton Denver is part of an international  
22 packaging company based out of Melbourne, Australia. We  
23 have offices throughout Australia, New Zealand, Sri Lanka,  
24 and Europe. We've been producing and distributing various  
25 types of flexible packaging for over seven years. We

1 started importing bags and other packaging materials in the  
2 United States back in 1988.

3 I have been one of the packaging -- I've been in  
4 the packaging industry for 25 years, all of it with Fulton  
5 Denver company. We have been importing converting bags and  
6 flexible packaging materials for the -- this entire time.

7 I first started importing the subject WS -- LWS  
8 in the early 2000s. At this time, we were importing these  
9 bags for our Ag sector customers in the western United  
10 States.

11 I'm going to present to you why petitioners  
12 claims against three cases of why the petitioners claims of  
13 Vietnam LWS bags are unfounded. My first one is importers  
14 introduced the subject product into the U.S. market. LWS  
15 bags are a relatively new product in U.S. market. It was  
16 originally developed in China and Thailand initially in the  
17 mid to late 1990s and started being imported into USA soon  
18 after.

19 LWS bags quickly replaced clay-coated paper bags  
20 due to their durability and strength, exceptional graphics  
21 capabilities from gravure printing and the ability to be  
22 recycled. This was something our west coast customer base  
23 needed for this domestic and export markets.

24 Imports of WLS (sic) bags began entering the  
25 U.S. market based on a superior product and remain a

1 superior product today. Imports from Vietnam do not rely on  
2 aggressive pricing as a key strategy to compete in the U.S.  
3 market.

4 For one, Vietnam LWS bags are far more versatile  
5 than domestic supplier LWS bags. The Vietnamese do not  
6 require long continuous print runs, can accommodate -- they  
7 can accommodate my customer base, which needs smaller, more  
8 flexible print jobs.

9 The Vietnamese gravure printing technology is  
10 also far superior to the flexive print technology used by  
11 the domestic producers. Gravure print capabilities are --  
12 capabilities offered are greater quality and more flexible  
13 options to our diverse customer base in the Western United  
14 States.

15 Unlike U.S. producers, Vietnamese WS producers  
16 make both tubular which we -- already speaking about earlier  
17 bags and back seam bags. My company imports both types of  
18 bags for the sales in the Western United States. Our Ag  
19 market uses a lot of tubular bags, but we are also used both  
20 styles in our animal and bird seed markets -- animal feed  
21 and bird seed markets.

22 Vietnam -- my second point is Vietnam versus USA  
23 production process. In general, Vietnamese LWS bags are  
24 produced the following way. One, manufacturers extrude and  
25 weave their own woven fabric cloth to make the sacks. Two,

1       they gravure print the biaxially oriented polypropylene, BOP  
2       film. They then -- three, they then laminate the BOP film  
3       to woven fabric to make a final bag. And four, they cut and  
4       finish the bag based on the customer's needs and then pack  
5       it and ship it.

6                       This means that the Vietnamese producers of WLS  
7       are vertically integrated for the entire LWS production  
8       process. By contrast, U.S. producers do not make their own  
9       fabric. They import a significant amount of their major raw  
10      materials from overseas. Import data from the import  
11      service Import Genius shows that both Polytex and ProAmpac  
12      import woven propylene PP cloth from foreign sources. The  
13      key component to the strength and flexibility of an WS  
14      product in the woven PP cloth is the woven PP cloth.

15                      This is something the domestic suppliers cannot  
16      do -- cannot produce the -- in making the LDS bag -- LWS  
17      bags. I apologize there.

18                      The non-integrated nature of the U.S. producers'  
19      operation makes this production less efficient. This, in  
20      turn, makes the cost of structure less efficient than the  
21      Vietnamese producers.

22                      To summarize, domestic producers are not able to  
23      produce the fabric and must import large standard cut rolls  
24      of fabric. Therefore, the domestic producers must further  
25      manufacture the imported fabric by cutting it to the size

1 required by the different customers. This increases the  
2 domestic producers' waste factor compared to the Vietnamese,  
3 thus making domestic production process even more  
4 inefficient.

5 PP -- my last subject is PP resin price is the  
6 most significant driver for LWS price. Woven PP fabric  
7 accounts for approximately 60 percent of the total raw  
8 material cost of LWS bags. Therefore, PP price is the most  
9 significant driver for LWS price.

10 You negotiate prices with LWS customers based on  
11 PP resin prices. We have been following PP prices based on  
12 the ICIS pricing information since 2010. Our company has a  
13 live worksheet documenting PP and other plastic material  
14 prices dating back the past eight years.

15 To the extent that you may see the price from  
16 Vietnam LWS decreases from 2015 to 2017, the price of the  
17 key LWS component also dropped significantly during that  
18 period. When the price of PP resin started to recover,  
19 towards the end of 2017 through today, the price of  
20 Vietnamese LWS also increased as we would expect.  
21 Likewise, we have increased our prices to our customers.

22 For as long as Fulton Denver has been importing  
23 and selling imported LWS bags, I have never once competed  
24 directly with either the two petitioners in our Ag or animal  
25 feed or birdseed market on the West Coast. Thank you.

1                   MS. LEVINSON: Good afternoon. I'm Lizbeth  
2                   Levinson. I'm with the law firm of Fox Rothschild. I'm  
3                   here today with my client. My client is Material Motion,  
4                   Inc. They are an importer and distributed of Laminated  
5                   Woven Sacks and Mr. Steve Schneider, the president of  
6                   Material Motion is to my left and will make his statement.

7                   STATEMENT OF STEVE SCHNEIDER

8                   MR. SCHNEIDER: Good afternoon. My name is  
9                   Steve Schneider. I'm president of Material Motion, Inc. As  
10                  president, I'm responsible for handling our larger accounts,  
11                  overseeing the development of new products and managing our  
12                  sales team. I've been in the industry for over 18 years and  
13                  have a degree in packaging from Michigan State University.

14                 Material Motion imports a variety of bags from  
15                 overseas, including multi wall paper bags, poly bags,  
16                 straight woven, and laminated woven bags. The largest  
17                 customer segment that we serve for laminated woven bags is  
18                 the feed industry. Our customers use our bags to package a  
19                 variety of feed, such as chicken, cow, and horse feed.

20                 The attraction of the laminated woven bag over  
21                 other bags lies in its strength, durability, and visibility.  
22                 Over the years, the packaging for feed has evolved as  
23                 different technologies have been more finely developed. At  
24                 one time, feed was packaged in burlap bags. Burlap bags  
25                 were replaced by paper bags and some woven bags and

1 eventually by Laminated Woven Sacks.

2 As the Asian producers, not the domestic  
3 producers, were paramount in the development and  
4 proliferation of Laminated Woven Sacks marketed in the  
5 United States.

6 Material Motion has never encountered Polytex in  
7 the feed market and our understanding is that Polytex mainly  
8 sells to the pet food segment. Texas is a huge feed market.  
9 Material Motion has three sales reps in that region and  
10 never has come across them. That should speak volumes.

11 We do compete with ProAmpac in the feed market,  
12 but our customers have told us over and over again that our  
13 customer service far exceeds what ProAmpac has to offer.  
14 Petitioners claim that price is the only factor that  
15 customers take into account when making purchasing decisions  
16 concerning Laminated Woven Sacks. I strongly disagree with  
17 petitioners and believe that customers purchase from  
18 Material Motion because of our strong customer service and  
19 responsiveness.

20 Our sales and technical people are constantly in  
21 the field, assisting our clients with artwork, applications,  
22 and any quality issues that might arise.

23 Our clients tell us that it is a very different  
24 story when it comes to ProAmpac, that it's difficult to even  
25 get ProAmpac on the telephone, never mind to the customer

1 site of business. We have a 95 percent retention rate among  
2 our customers, a fact of which we are very proud of. Our  
3 smaller, shorter run customers tell us that ProAmpac  
4 requires a lead time roughly six to nine weeks.

5 Our required lead time from overseas is  
6 approximately nine weeks, which in and of itself speaks to  
7 the inefficiencies of ProAmpac with regards to the  
8 scheduling of production for small runs.

9 That concludes my testimony. I welcome any  
10 questions from the Commission staff.

11 MR. LOWE: This is Jeffery Lowe with Mayer Brown  
12 again. Our last witness is Mr. Doug Snyder, who is a  
13 manufacturer's representative with one of the Vietnamese  
14 exporter producers, CP Packaging Vietnam Industries Company.  
15 So I'll turn to the microphone over to Doug now.

16 STATEMENT OF DOUG SNYDER

17 MR. SNYDER: Thank you, Mr. Corkran. My name is  
18 Doug Snyder. I'm president of Pacific Rim Manufacturing.  
19 We're a manufacturing representative that works solely with  
20 CP Packaging.

21 I have over 25 years in the packaging industry.  
22 We have been selling Laminated Woven Sacks to the U.S.  
23 marketplace since 2002. Our history of producing and  
24 importing Laminated Woven Sacks predates both Petitioners  
25 and the domestic manufacturers and their operations with

1 Laminated Woven Sacks.

2 I am here as CP Packaging's representative with  
3 experience in this industry to help explain the production  
4 process for Laminated Woven Sacks, and the history with this  
5 product.

6 I began selling Laminated Woven Sacks in 2002,  
7 which at the time was being primarily serviced by the  
8 multi-wall paper sacks. Laminated Woven Sacks have  
9 exceptional strength and durability, as you've heard, that  
10 greatly benefit the end users in terms of their entire  
11 supply chain from damage, infestation, things of that  
12 nature.

13 Laminated Woven Sacks have very high-quality  
14 print graphics and a very big point are 100 percent  
15 recyclable, which has been brought up today.

16 CP Packaging's Laminated Woven Sacks are sold to  
17 large-scale end users. Our customers are multinational  
18 consumer brands, and demand supply reliability and  
19 stability. We do compete in the marketplace on our product  
20 quality, our history with this product, and the  
21 manufacturing the reliability of our established supply  
22 chain, not price.

23 In fact, we have actually lost market share to  
24 the domestic industry during the past three years of this  
25 POI. The domestic producers have an advantage in their

1 market timing, bringing bags to the customers. The  
2 customers that we supply generally require multiple  
3 suppliers due to the stability of their supply chain.

4 My lead time for the U.S. market is about 10 to  
5 12 weeks. The U.S. producers can be as short as one week in  
6 certain cases.

7 As you've heard already, the Laminated Woven  
8 Sacks in Vietnam begin with--the production of them begin  
9 with the PP resin pellets being extruded into a flat sheet.  
10 At that point in time they are slit into small strands which  
11 are then gathered onto the bobbins or spools.

12 These spools are then used to weave the fabric  
13 into a circular tube or a flat sheet. At this point the  
14 tube can be slit and maintain its tubular form--it can be  
15 slit, or maintain its tubular form. Once the sheet of  
16 fabric is complete, a printed BOPP laminate is laminated to  
17 the fabric.

18 The printing is done using rotogravure printing  
19 versus flexographic printing here in the U.S. There's a  
20 significant difference compared to the U.S. producers  
21 printing technology.

22 After this process, the laminated printed fabric  
23 is formed into a bag. As you can see from the description,  
24 CP Packaging's Vietnam production process is fully  
25 integrated and starts with the PP resin, like many other

1 Vietnamese producers' current processes, and unlike the U.S.  
2 producers.

3 I wish to note that from 2015 to 2017 the company  
4 did not add any capacity for Laminated Woven Sacks targeting  
5 the U.S. market, and has no plan to increase our U.S.--and  
6 has no plans to increase our U.S. shipments.

7 In closing, we still serve the same customers  
8 that we began to sell 17 years ago. We in fact have lost  
9 only one significant customer in that time, and that is also  
10 being serviced by the Petitioners here today.

11 Thank you very much for your time and am happy to  
12 answer any questions.

13 STATEMENT OF BARRY CORMAN

14 MR. CORMAN: (Off microphone). I'm sorry. I'll  
15 start over. My name is Barry Corman. I'm the president of  
16 the Textile Bag and Packaging Association. We're a  
17 nonprofit trade organization of about 104 members. Our  
18 members encompass manufacturers, domestically manufacturers  
19 of the LWS, foreign manufacturers who are not from Vietnam,  
20 one manufacturer who is, as well as U.S. importers of  
21 Vietnam and equipment manufacturers who make some of the  
22 equipment for making LWS, all of its components, as well as  
23 those that make the equipment to close the bags, U.S. paper  
24 bag manufacturers, and U.S. companies who sell not only LWS  
25 but all types of bags.

1           My goal in appearing here today is to be neutral.  
2           That is in our bylaws. On a personal perspective, my  
3           company is an importer of LWS from Vietnam. We have  
4           provided a submission which you hopefully all have copies  
5           of. That submission was not mine alone. The way that we  
6           structured it was that a paper bag manufacturer in the U.S.,  
7           our vice president who also imports LWS but not from  
8           Vietnam, and a U.S. manufacturer of LWS who also imports.  
9           The three of us were the ones that had the final say to try  
10          to make the submission as factual as possible.

11           There are things that I've heard today that I  
12          disagree with in terms of from both the Respondents as well  
13          as the Petitioners with regard to the bags. Our purpose  
14          here is to really try to educate you as best we can about  
15          those bags.

16           And to try to do that there are a couple of  
17          things I do want to point out that I think are important.  
18          And that is, there are different styles of LWS. The  
19          pinch-bottom style with the stepped-in closure is being  
20          demanded by the marketplace, particularly the pet food  
21          marketplace. There are no machines currently in operation  
22          in Vietnam that are making those machines. The machines are  
23          very expensive. ProAmpac has one of them, as does the  
24          Petitioner Polytex.

25           The goal to do that is to provide a hermetic

1 closure. There was some talk about food safety. And that  
2 is sew holes, insects, and moisture and other things can  
3 come in through sew holes. That is a developing trend in  
4 the marketplace.

5 So there are not only differences in the styles  
6 of LWS that are important; they also obviously service  
7 different markets. You're not going to have the stepped-end  
8 closure necessarily in the animal feed market right now.  
9 That is a pet food market substrate.

10 There is also different equipment required to  
11 make and close the bags. In the Petition they talk about  
12 you just sew these. No, it's much more complicated than  
13 that. If you have a pinched-bottom stepped end, you have to  
14 invest in the equipment as the end manufacturer to put your  
15 product in the bag.

16 There are many commonalities and  
17 interchangeability between sewn and multi-walled paper and  
18 LWS. There's also a huge section here on complete  
19 specifications.

20 It is very important to have accurate  
21 specifications. Having an apples-to-apples comparison is  
22 just critical. Small deviations, and there are tolerances  
23 in the specifications, but small deviations can make a huge  
24 difference in the cost as a percentage. And you can read  
25 through that.

1           There are a couple of things that I did want to  
2 comment on. I was very interested to hear some of the  
3 questions that were asked. And I believe, Mr. Dushkes, you  
4 had asked if all U.S. producers print their own film. They  
5 do not. Two of our members are producers who do not print  
6 their own film.

7           I believe that it was Ms. Fung who asked if there  
8 are vertical integration among the Petitioners. There are  
9 nine known U.S.--I'm sorry, ten U.S. producers that I know  
10 of that make LWS. Only one is vertically integrated.  
11 Everybody else buys their fabric.

12           There are tremendous differences--and this came  
13 up in the questions and may have been addressed--  
14 polypropylene resin, which is a large component of the cost  
15 of the bags. There are differences in the cost of resins  
16 overseas versus domestically. And it is significant.

17           There are indices that track that, and it just--  
18 the price per pound, or per metric ton of polypropylene does  
19 differ. There's also one other thing. And there have been  
20 a lot of questions, and I think it was Ms. Fung--I don't  
21 mean to single you out again--but who asked about trying to  
22 explain some of the market trends, and perhaps why U.S.  
23 domestic production of LWS, particularly in the pet food  
24 industry, is down.

25           And there are increases in what was termed a

1 quad-seal bag, which is a flexible laminated structure,  
2 laminated with a reverse-printed polyester sheet typically,  
3 doesn't have to be reverse printed, either, but it can be.  
4 This is the fastest growing segment of the market in pet  
5 food.

6 Both of the Petitioners sell those types of bags,  
7 and they are to service the pet food market. They are more  
8 expensive than an LWS. We sell them. My own company sells  
9 them. And that is the trend. It is hermetically closed,  
10 and it provides better graphics than an LWS because the  
11 print substrate is smooth.

12 Any time you have a woven substrate and you  
13 laminate a print surface on it. It is not as flat a surface  
14 and will reflect light. So that is an important market  
15 trend and something that you're going to see in the pet  
16 food, and could easily explain why market share is down in  
17 that industry.

18 There were some questions about wide weave. I  
19 believe Ms. Hanson asked. I use the term generically "wide  
20 weave." The Harmonized Tariff Code, to bring in a bag with  
21 yarns of greater than 5 millimeters, which is the standard,  
22 does come in under a category that is different than the  
23 6-305 that ends in four-zero for three colors. All it does--  
24 --forgetting LWS, it's a 3.5 percent I believe duty versus  
25 8.4 percent. So it gives the importer an advantage in the

1 cost of the bag because they're not paying the normal duty  
2 on the bag.

3 LWS, absent any antidumping duties, comes into  
4 the U.S. at 8.4 percent. You don't see a tremendous amount  
5 of wide weave. It exists. Because the yarns are thicker,  
6 it probably doesn't provide as good a print substrate. And  
7 not every manufacturer overseas has the ability to make the  
8 tapes consistently, or of good quality in that wide weave,  
9 but it does exist.

10 But I hope that addresses your question on the  
11 wide weave.

12 One thing that was touched on, and I do want to  
13 make clear, which is the food grade aspect. There are two  
14 drivers of food grade issues in the United States. One is  
15 the Food Safety Modernization Act, but more importantly it  
16 is an industry standard where people wish to have clean  
17 manufacturing facilities. It is more than just having  
18 virgin resin. And companies that have certifications,  
19 whether they're BRC, FSC-22,000, the companies that are  
20 buying the bags use that as a determining factor in their  
21 purchasing decision.

22 And that's it. I appreciate your time. And if  
23 there are any questions, I am more than happy to try to  
24 answer them.

25 MR. CORKRAN: Thank you very much. Does that

1 conclude the various witnesses' testimony?

2 MS. QUAIA: Yes, Mr. Corkran.

3 MR. CORKRAN: It does. Okay. I would very  
4 much like to thank you for all the testimony today.

5 Before I turn to our panel, I actually wanted to  
6 ask a question, because if I don't ask it now I am sure I  
7 will forget it. So with your indulgence.

8 I just want to straighten out something, two  
9 statements that I thought I heard that seemed to point in  
10 different directions. One was the prevalence of whether  
11 customers require a single supplier, prefer a single  
12 supplier, or whether they prefer multiple suppliers.

13 I thought Mr. Little suggested that customers  
14 preferred to source from the same firm. And I thought I  
15 heard Mr. Snyder testify that customers prefer multiple  
16 suppliers.

17 I want to understand if I characterized that  
18 right factually, and if there is a difference in your  
19 particular customers, or the particular parts of the market  
20 that you occupy.

21 MR. SCHNEIDER: Steve Schneider. Mr. Corkran,  
22 no, I did not mention multiple--ah, Doug Snyder. I thought  
23 you said me.

24 (Laughter.)

25 MR. SCHNEIDER: That "Snyder." You said Mr.

1 Schneider and it threw me off there. Sorry about that.

2 MR. LITTLE: Okay, John Little with Commercial  
3 Packaging. I think it's customer-specific. In our case,  
4 the majority of our customers prefer to go single-source,  
5 but it could be if it's broken between customers--sorry,  
6 suppliers, that customer is going to expect to have that  
7 same base back with the other suppliers.

8 MR. SNYDER: Doug Snyder, CPPC Marketing,  
9 Pacific Rim. Our customer base, again, large,  
10 multinational consumer brand products, it's just simply not  
11 a strategic move to have all of your sourcing with one  
12 supplier of a given item. And so typically they do utilize  
13 multiple sources.

14 MR. CORKRAN: Okay, and similarly I had a  
15 question about production runs. Mr. Steve Schneider, I  
16 believe you indicated that your production runs tended to be  
17 on the shorter--production time for your runs tended to be  
18 on the short end. And Mr. Doug Snyder, I think you  
19 indicated the opposite, that yours tended to be longer than  
20 the domestics.

21 Can you tell me whether I've got that correct?  
22 And if so, is there a difference in the parts of the market  
23 that you occupy?

24 MR. SCHNEIDER: Steve Schneider, Mr. Corkran. I  
25 sell mainly to the feed industry. They are more into the

1 consumer, more pet food market. And the feed industry is  
2 very--I can just tell you, for instance I have a PO on my  
3 phone right now. In one order I've got four bags that have  
4 10,000 piece runs. So the very small runs, multiple specs,  
5 I think I have seven items in one container for the same  
6 customer for one order, very small stuff. So, you know, you  
7 have to be able to handle that in different sizes, all the  
8 way through in different prints.

9 MR. CORKRAN: So it's a difference in the  
10 customer base.

11 MR. SNYDER: Doug Snyder. Yes, correct.

12 MR. CORKRAN: Thank you very much. Thank you  
13 for indulging my questions. And I'm going to turn to the  
14 experts on the panel. Thank you very much.

15 Mr. Dushkes?

16 MR. DUSHKES: Drew Dushkes, Office of  
17 Investigations. I would like to thank you all, as well, for  
18 being here today and providing your testimony.

19 So I want to start with Mr. Steve Schneider. I  
20 think you mentioned that your lead time from Vietnam was  
21 about nine weeks, correct? I'd like to ask that same  
22 question to the rest of the panel. What are your lead times  
23 for your imported product?

24 MR. LITTLE: We usually claim 10 to 12 weeks.

25 MR. SNYDER: Doug Snyder. Same, 10 to 12 weeks

1 is a number we like to use, just for--

2 MR. DUSHKES: Okay, so approximately in the  
3 three-month range. And why is it then, given that based on  
4 your testimony that imports are more focused on the feed  
5 market, why is it that they are less sensitive to lead times  
6 than the pet food industry?

7 MR. LITTLE: Well the main reason, pet food is  
8 sold with all of the ingredients, all the nutritional  
9 statements, all of the things that are critical to a pet to  
10 eat. The animal food industry, they actually print all of  
11 that on a tag in the production facility. And you can have  
12 the same bag used in Maine, at the same month be a different  
13 product formula in there that's produced down in Florida.  
14 So our changes are not as often in artwork.

15 So when you're in a market that is changing,  
16 which pet food is, on a regular basis, they are constantly  
17 changing artwork and design. So that's the first thing.

18 The second thing, the pet food customer tend--or  
19 the animal feed customer tends to be very loyal. And when  
20 they go in, they buy. It's a much more predictable  
21 purchase. Where the pet food customers, which everybody  
22 knows you're trying to buy a different food brand for your  
23 dog, so that also affects their market. So it really forces  
24 the pet food market to in general have a need for a shorter  
25 lead time.

1                   MR. DUSHKES:    Mr. Doug Snyder, is that your  
2                   experience, that the pet food industry will change labeling  
3                   very often and not do it in a manner where there can be  
4                   enough buildup ahead of time to match an imported lead time?

5                   MR. SNYDER:     Doug Snyder.  It's absolutely  
6                   correct.  The nature of the pet food industry, just  
7                   competition alone, promotional items, every brand specific  
8                   wants to get their customers buying their product as opposed  
9                   to somebody else's product.  So they might offer five pounds  
10                  free, or they might have a get a free thing of wet cat food  
11                  with your dry cat food, or some kind of sticker promotion.  
12                  And these types of things occur on a very frequent basis by  
13                  the leading brands.  And that type of turnaround and  
14                  response time is not set up for the type of lead times that  
15                  we have.  So that's the kind of lost market share that  
16                  we've experienced.

17                  MR. DUSHKES:    Alright, thank you very much.

18                  Mr. Little and Mr. Schuler, I think you both  
19                  mentioned the impact of differences in resin prices on the  
20                  ultimate price of Laminated Woven Sacks.  Could you explain  
21                  that again for me?  I'm not sure I caught all of that, and  
22                  why--I forget who, someone testified that--or, Mr. Corman,  
23                  you stated that the prices in Vietnam for resin are  
24                  significantly different than in the U.S.

25                  Why is that the case?  Is resin not sold on a

1 global basis?

2 MR. LITTLE: There's many factors, but the  
3 simplest way to break it down--

4 MR. BURCH: Mr. Little, could you please  
5 announce yourself?

6 MR. LITTLE: I'm sorry. John Little with  
7 Commercial Packaging. I broke that rule a couple of times.

8 The simplest form of this is the resin cost for a  
9 woven bag in Vietnam, or throughout Asia, is so strongly  
10 based percentagewise, is resin. The capital and the plant  
11 and all of that is a small percentage.

12 So when the resin market is falling, our prices  
13 fall fast. This is also the reverse. When the resin market  
14 goes up, we go up fast. And, you know, so that is the  
15 primary. When you're in the U.S. market, the cost of  
16 capital is so much stronger it pushes the resin cost, as you  
17 heard earlier, they say their resin, everything has been  
18 stable. So that's why there's in that three-year POI, and  
19 we've seen dramatically low periods in the resin market.  
20 That is a significant factor why the Vietnamese prices have  
21 come down.

22 MR. DUSHKES: But aren't the Vietnamese  
23 producers also performing the same end-steps that the U.S.  
24 producers are, beyond--after the fabric is produced, in  
25 terms of the laminating, printing, et cetera, so wouldn't--I

1 understand, in looking at their whole cost structure, you  
2 know, they may be able to spread the capital out more.

3 MR. LITTLE: Well you've heard of the little bit  
4 of difference between flexography and rotogravure printing  
5 process. So as one example, a press--you've also heard that  
6 they've brought their printing to come close to the  
7 Vietnamese suppliers. Those printing presses are like \$5  
8 million. Our printing presses that run on rotogravure are  
9 like \$400,000. So, yes, we get the same end product of a  
10 printed bag, but that is a significant cost. And  
11 especially if you're running 10,000 bags across a \$5 million  
12 machine versus a \$400,000 machine. That cost is going to  
13 drive into the cost of the bag.

14 MR. DUSHKES: Mr. Corman, did you want say  
15 something?

16 MR. CORMAN: Barry Corman. I think your  
17 question more to me perhaps was the difference in resin  
18 cost, not the other production costs. While resin is a  
19 worldwide market, there are differences in the cost of resin  
20 if you're purchasing it overseas in Asia versus in the  
21 United States.

22 It is generally--it could be upwards of \$200 per  
23 metric ton. There was a recent meeting that we had where  
24 somebody who produces FIBCs gave a report on them. Then he  
25 broke down the actual difference in resin costs in the North

1 America versus over there. So there are differences in the  
2 cost of the raw material.

3 MR. DUSHKES: Any particular reason for that  
4 that you can identify?

5 MR. CORMAN: I don't know the answer to that.

6 MS. QUAIA: If I may add, for our  
7 post-conference we can provide the indices with the monthly  
8 pricing data for the same index that's tracking prices as  
9 polypropylene resin, CFR China, and price of polypropylene  
10 resin in the United States. And as Mr. Little stated in his  
11 testimony, we have seen price differences over the POI of  
12 \$400 per metric ton. That's something you can see in our--  
13 in the postconference brief.

14 And one other point regarding the pricing, what  
15 Mr. Little had mentioned is that for 72 percent of our  
16 customers, our commercial packaging customers, the pricing  
17 of the finished bag is tied to the index for polypropylene  
18 resin in China.

19 So there are essentially, by contract, the price  
20 immediately adjusts--immediately, not the same day, but  
21 within a few weeks, has to adjust up or down compared to the  
22 price. So their selling practices are very price sensitive  
23 to the polypropylene price.

24 MR. DUSHKES: My next request was going to be  
25 for some indices in the briefs. So thank you very much, Ms.

1 Quaia.

2 MS. QUAIA: We can provide that, yes.

3 MR. GREENE: Kevin Greene, Commercial Packaging.

4 One of the drivers, or a couple of the drivers of the  
5 difference between polypropylene prices in Asia and the  
6 United States are primarily around the feedstocks. Whether  
7 that's cracked out of propane, or out of oil. And basically  
8 wherever your feedstocks are closest, and also where you  
9 have what they call "crackers" which makes the resin, where  
10 the proximity of those and the capacity of those is will  
11 drive the actual price of the polypropylene in that region.

12 So there's a lot of natural gas up by Russia, and  
13 there's a lot of crackers up there. They put on in the last  
14 two years, as far as capacity wise goes, that's what's been  
15 driving the price of Asia down.

16 MR. DUSHKES: Thank you. Mr. Schuler, I believe  
17 it was you that mentioned that you import both tubular and  
18 back seam sacks. Why would a customer prefer one over the  
19 other?

20 MR. SCHULER: My name is Rett Schuler. I'm with  
21 Fulton Denver Company. Basically in the ag market there is  
22 a need for breathability. So a lot of these people for  
23 export programs will do a one-sided bag. So they'll do a  
24 tubular bag for that.

25 There's also, let's call it an extra-strength

1 factor in the circular bag versus the back-seam bag. Your  
2 weakest point in the back seam, being it's a strong bag, but  
3 your weakest point is always the unnatural connection in the  
4 back. So in certain cases I have clients that want to buy a  
5 circular bag for that additional strength. That's the main  
6 two reasons that I can give you from my clientele.

7 MR. DUSHKES: Just for a follow-up, and from my  
8 own personal experience, I have grown up with pets and I can  
9 picture some pretty big pet food bags that weigh a lot. For  
10 the feed bags, are we talking even larger than that in terms  
11 of strength requirements?

12 MR. SCHULER: No, more to the fact that they've  
13 had problems--in the clientele that I can give you, they  
14 have had problems with back seams in the past. So when they  
15 went to circular, they found that the bag was better suited  
16 for their markets. And as we joked around yesterday, I said  
17 it's just about how you can sell it. So at the end of the  
18 day, it was a product that they were looking for a need, and  
19 so we were able to fill it for them on that case.

20 MR. DUSHKES: And does the seam technology  
21 impact price in any way?

22 MR. SCHULER: The seam is typically a little bit  
23 more expensive. You have to pay for the overlap, and you  
24 have to pay for the additional process of running it  
25 through--you have more material with the overlap. And then

1 you have to run it through the process of actually tubing  
2 it.

3 And the circular bag tends to need more plate  
4 cost just because you have to print--double up on the  
5 plates. So it's got an additional cost there, but the back  
6 seam would be more expensive in general.

7 MR. DUSHKES: Okay, thank you .

8 Mr. Little, I think you mentioned that, at least  
9 in your customer industry, there are many different  
10 specifications and the U.S. producers can't or won't meet  
11 all of these. Is it a matter of they are unable to based on  
12 their equipment? Or it's just a volume issue and they don't  
13 see enough volume to make it worthwhile?

14 MR. LITTLE: Well it's customer based. It's  
15 production based. Sorry, it's John Little with Commercial  
16 Packaging. And we could--they probably have the capability  
17 to learn and go through the processes like we did to develop  
18 some of these specs that I could show you later.

19 Some of these specs took us years to develop.  
20 So, yes, they would be able to with training, and if they  
21 had the expertise they could get themselves to those levels.

22 MR. DUSHKES: Thank you. And I see my red light  
23 is blinking, but I just have one final question.

24 Mr. Corman, you mentioned that even different  
25 types of sewing closures require different types of

1 machinery. Can you expand upon that a little more, and  
2 where in the production process would you require different  
3 types of machinery, and who possesses those capabilities?

4 MR. CORMAN: Barry Corman. It's not different  
5 sewing equipment. It's, if you have an LWS that's sewn on  
6 the manufactured end, versus a machine that takes that end  
7 and folds it over, which is what is called a pinch bottom,  
8 different machinery on the manufacturing side, very  
9 different machinery that's needed to do that.

10 The pinch bottom, which is the newer one, there  
11 are only five or six machines that I know of that are in  
12 service right now. That's because the people that make  
13 them, there are two companies that primarily make them, if  
14 there's somebody in Asia that makes it I don't know about  
15 it, but they sell worldwide. They are members of our  
16 organization, so I have talked to them, you know, how many  
17 machines do you have? Do you have any in Vietnam? And the  
18 answer was no. But there are two of them in the United  
19 States that we know of. So those machines, to make that  
20 end.

21 The end that is closed by the person filling the  
22 bag, if there's--whether it's a sewn paper bag, or a sewn  
23 LWS on the bottom, it needs what we call a flush cut, which  
24 is a straight-across cut, that gets sewn.

25 In order to use a pinch bottom or a heat seal--

1 because the pinch can be closed by glue or heat sealing,  
2 it's a flap that is folded and is either adhered by glue or  
3 heat sealing, that you're not going to sew. So the end user  
4 would need to take out their sewing equipment and invest in  
5 equipment to either heat seal or fold over and glue that.

6 Does that answer your question?

7 MR. DUSHKES: Mr. Corkran, no further questions.

8 MR. CORKRAN: Thank you. Ms. Viray-Fung.

9 MS. VIRAY-FUNG: Good afternoon. Thank you for  
10 being here. I have two quick follow-up questions before I  
11 want to get to my prepared questions.

12 Mr. Little, I believe I heard you say that your  
13 product makes the highest food grade certification or  
14 specification. That sounds to me like you're implying  
15 there's different grades within the food grade specification  
16 range; is that true?

17 MR. LITTLE: There is a differentiation between  
18 the U.S. market and the international market. We can put  
19 more specifics into the dates, but three, four, five years  
20 ago there was a big push by FSMA to make sure that importers  
21 that bring packaging into the United States are following  
22 the GSFI, so that's specifically for the global market. And  
23 so yes, that differentiates that.

24 The U.S. uses things like the FDA, uses  
25 different requirements of the market, CON AG or Proposition

1 65, so yes, there are different traders.

2 MS. VIRAY-FUNG: And this global one is a higher  
3 grade. Does everything within the U.S. standard that also  
4 meet the global grade? I mean I guess which is the  
5 umbrella?

6 MR. GREENE: So he'd mentioned earlier about the  
7 Food Safety Modernization Act. As part of that, a global  
8 bunch of food company leaders got together and came up with  
9 this initiative and it basically took all the best and all  
10 the highest levels of food safety and put it under one Act  
11 and became Global Food Safety Initiative, and that's based  
12 on either FSC2200 or BRC, which are two different ways you  
13 can actually run your food safety system. It's all around a  
14 hazard management system.

15 So what that basically means is we were held  
16 accountable to follow this Global Food Safety Act or FSMA  
17 because the USA was holding foreign producers to be  
18 compliant with by this -- I think it was 2017. They since  
19 have changed that to 2020, so we got an early lead on in all  
20 of our factories and became GSFI certified.

21 MR. CORMAN: I told you when we try to be  
22 neutral because I don't think what you said is -- it's  
23 close, but it's not really the interplay between what is the  
24 GFSI and the Food Safety Modernization Act. The Food Safety  
25 Modernization Act, which came into effect in 2011, and it's

1 being implemented, there were regulations that deal with  
2 food safety -- food contact surfaces, it covers packaging.

3 U.S. manufacturers of packaging are not required  
4 to register their facility with the FDA. There are  
5 standards currently. They're in the Code of Federal  
6 Regulations. You need virgin resins. You need certain  
7 things before they can contact the food. That is different  
8 than the GSFI. The GSFI is not a law. What it is, is it's  
9 customer driven and there was a provision -- I'll go back to  
10 the Food Safety Modernization Act. There was a provision  
11 that was supposed to go into effect in 2017. It was  
12 delayed till 2019. And the most recent FDA statement is  
13 they're not going to enforce it and that was because of the  
14 way food is defined they were going to require foreign  
15 packaging manufacturers who produce bags or any product for  
16 food contact would have to be -- there was a foreign  
17 supplier verification program. So an importer like myself  
18 would have to go over, self-audit and determine that the  
19 supplier overseas was compliant, but that's the U.S. law.  
20 That has nothing to do with Global Food Safety Initiative.

21 Global Food Safety Initiative covers much more  
22 than just contact surfaces, so customers they give these  
23 lovely 40-page questionnaires to us and you fill it out.  
24 They want to know is there -- it's partly security as well,  
25 so they want to know is there security, what's happening to

1 the water, everything in that plant. Is there negative air  
2 in the plant -- your production processes? It's a hazard in  
3 critical point analysis and you can get certified as a  
4 packaging facility in terms of your production processes.  
5 So that way the end user knows those bags are made in a  
6 clean environment.

7 Companies in the U.S. have gotten these  
8 certifications. There are four of them I believe right now  
9 for food safety and packaging. There are more if you  
10 actually produce food. So it's a voluntary thing. It's all  
11 customer driven. They want to know that their supply change  
12 is safe. If the Commission would like we did a presentation  
13 to our members within the last couple of years on the GSFI  
14 and what food safety is. I can certainly forward that to  
15 you, if you'd like if that would help.

16 MS. VIRAY-FUNG: Yes, it would.

17 MR. CORMAN: Okay.

18 MS. QUAIA: For commercial packaging, we will  
19 also provide more information on the food safety  
20 certifications in our post-conference brief because, as Mr.  
21 Corman said, it's not GFSI. It's the international  
22 standard, it's the highest standard, and there are different  
23 ISO standards that are met by the Vietnamese suppliers to  
24 come to a level of GFSI certification, so we can provide  
25 that more extensively in our post-conference brief.

1 MS. VIRAY-FUNG: Okay, thank you.

2 Mr. Corman, my second follow-up question is  
3 something you stand struck me. You said that even small  
4 differences can make a big difference in price and I was  
5 hoping you could provide an example or two of these.

6 MR. CORMAN: It's actually in this submission,  
7 but I'll briefly go through it. The proposed  
8 specifications, and I don't remember them verbatim, but they  
9 gave tolerances. And there was a tolerance in grams per  
10 square meter of the printed POPP film and the film specified  
11 was 22 grams per square meter. Overseas the typical weight  
12 is 16 grams per square meter. So if I have a bag that has  
13 got a 16 gram per square meter film that is much less as a  
14 cost component than a 22 gram. As a percent of weight, it's  
15 tremendous. And so what I did in here is an analysis. Is I  
16 took the tolerances that were used and I said if you went to  
17 the edge of the tolerances what could be the potential  
18 affect on, just as a percentage, of the cost of the bag.

19 Not included in the specifications, of course,  
20 are things like quantity because it does matter. Printing  
21 plates -- if you have a three-color job versus an  
22 eight-color job you have eight printing plates versus three.  
23 That is a significant cost if you're only running 40,000  
24 bags. It actually matters from an importer's standpoint  
25 because printing plates are an assist, so they are

1 dutiable, just as the bag is when they're coming into the  
2 United States.

3           So if I buy a bag and it's 40,000 and it's 40  
4 cents a bag, but I have eight printing plates and let's say  
5 it's \$3200 for the printing plates, I'm paying duty on that  
6 \$3200. Even if I'm passing that cost onto the customer or  
7 absorbing it, I'm still supposed to declare it. I think  
8 many people may not, but that's a different matter. Does  
9 that help answer your question?

10           MS. VIRAY-FUNG: Yes, it does. Thank you

11           MR. CORMAN: But there's a lot of material in  
12 here on just the specifications and you really need  
13 apples-to-apples to be able to have good cost comparison.  
14 Because if a bag's 40 cents and you're 25 percent off in  
15 your specifications, you have a 50 cent bag, having nothing  
16 to do with anything but the specifications allowed that  
17 tolerance.

18           MS. VIRAY-FUNG: Okay.

19           MR. CORMAN: Okay.

20           MS. VIRAY-FUNG: Thank you.

21           MR. CORMAN: Thank you.

22           MR. LITTLE: The other too, which was stated  
23 earlier, the fabric; there are many, many, many, many  
24 formulas for making fabric. And when you specify fabric,  
25 you have to specify the amount of calcium, the amount of

1 re-grinded and/or recycled, whether it's clear or it's white  
2 and those also are in those product categories not broken  
3 out.

4 MS. VIRAY-FUNG: Okay, thank you.

5 Could some of the market participants describe  
6 how your perception of the various -- I'm sorry -- of the  
7 demand trends in the U.S. market for Laminated Woven Sacks  
8 during the period of investigation and what has driven them?

9 MR. LITTLE: Before this all happened, about a  
10 month ago our team met and really tried to do a five-year  
11 plan. And when you look at our segment of the market, there  
12 are certain areas that you want to focus on that you can  
13 make some headway. One of them might be a paper bag. And  
14 what we've found, looking at the market, because do not  
15 believe we hit the pet food market. The way we're set up  
16 is just going always be a small percentage of our business,  
17 so when you're looking at our key categories of animal feed  
18 and birdseed, there wasn't a lot left, which is companies  
19 like us diversify in different product categories.

20 We even -- our team thought next year might be  
21 our last you know potential year of peak growth growth and  
22 see a complete stabilization in our market.

23 MS. VIRAY-FUNG: Anyone else?

24 MR. SCHNEIDER: Yes, for us it's still a growth  
25 market. You know we're focused on it. Paper, you know they

1 talk about everyone switching over from paper to poly. We  
2 don't see that as truth. We do see a lot of our customers  
3 still are in paper, but they have some of their products --  
4 maybe their high end products in the Laminated Woven Sacks,  
5 but we still growth. We don't see it as much as the  
6 industry's changing. We just see it as us competing with  
7 our peers and that's it, so we're still out there -- yes,  
8 the feed market, by the way, we're talking. I'm not in pet  
9 food.

10 MR. CORMAN: I think the pet food area is the  
11 area of growth and I'm going to look at Multi-Wall Paper  
12 statistics because we, as an organization, have them. There  
13 are about 200 -- I think it was 246 million sown multi-wall  
14 paper sacks in the United States. I hope the number is  
15 right from my memory in here, but it's close.

16 Finch Bottom was about 550 million that were  
17 made in the United States. Finch Bottom is somewhat in a  
18 different marketplace in the U.S. If I go back,  
19 historically, 10 years ago there were about 800 million sown  
20 bags and about 880 million pinch bottom bags. Now pinch  
21 bottom bags are used more than sown in the chemical  
22 industry, but a lot of pinch bottom is pet food. So you  
23 can see LWS and paper woven, which is -- could be a style of  
24 AWS. They have taken away that sown market in the United  
25 States. It's gone from 800 million 10 years ago to 240

1 million now.

2                   So the market is stable, but you can see the  
3 affect that LWS has had because the sown bag is replaced --  
4 and this is more in animal feed than pet food. In the pinch  
5 bottom, what I expect to happen is the growth in LWS pinch  
6 bottom is going to be taking away from that now 550 million  
7 paper pinch bottom bags that many of them are still used in  
8 the pet food market.

9                   I was in the grocery store the other day and  
10 there were still pinch bottom paper bags there, so that's --  
11 but the pet food market, in and of itself, is growing.  
12 There's no question about that.

13                   MS. VIRAY-FUNG: Okay. Alright, very quickly  
14 then, let's try and get through the rest of my questions  
15 because I see the red light is on. Are there any  
16 differences between product mix between subject imports and  
17 the domestic-like product that might account for the  
18 significantly lower average unit value of subject imports as  
19 compared to the domestic product?

20                   MS. QUAIA: We can definitely address this in  
21 the post-conference brief, but in terms of types of bags I  
22 think we've heard today the imports vary from the back seam  
23 bags to tubular bags. There are shopping bags that are  
24 being imported. There are animal feed bags with many  
25 specifications, so again, the variety of bags and the

1 requirements, the specs for those bags are different.

2 A lot of the animal feed bags, as we heard from  
3 the testimony earlier, do not have these heat-sealing  
4 closure features. They are still sown bags, so that  
5 account, in itself, for a fair amount of the price  
6 difference.

7 MS. VIRAY-FUNG: Okay. What if any -- I'm  
8 sorry, Mr. Lowe. Go ahead.

9 MR. LOWE: Thank you. And I wanted to take this  
10 opportunity to establish, on behalf of one of our producers,  
11 in particular, Kimduc Company. That grocery bags made with  
12 laminated woven fabric are a separate like product from the  
13 Laminated Woven Sacks produced by the Petitioners or other  
14 producers in the United States.

15 These grocery bags that are imported from  
16 Vietnam they do not compete with the Laminated Woven Sacks  
17 that the Petitioners produce and therefore the imports of  
18 grocery sacks from Vietnam cannot reasonably be found to be  
19 causing an injury to the domestic industry. So we also  
20 believe that the domestic industry does not produce the  
21 grocery bags and in our post-conference brief we'll spend  
22 some amount of time address the factors that the Commission  
23 normally considers in making a like product calculation.

24 MS. VIRAY-FUNG: Okay, are these in-scope bags  
25 you're discussing?

1           MR. LOWE: We also believe that they should be  
2 found outside the scope. It's a question of how the scope  
3 is interpreted.

4           MS. VIRAY-FUNG: Alright, so you're arguing for  
5 more than one domestic-like product.

6           MR. LOWE: Yes.

7           MS. VIRAY-FUNG: Okay.

8           MR. LOWE: Yes, ma'am.

9           MS. VIRAY-FUNG: And you are going to brief that  
10 more fully.

11          MR. LOWE: Yes, ma'am.

12          MS. VIRAY-FUNG: Okay. What, if any, factors  
13 limit the substitutability of imported and  
14 domestically-produced Laminated Woven Sacks?

15          MR. LITTLE: As I have some examples I can show,  
16 I've provided a basic list in my testimony, but starting  
17 from printing, we use 10-color rotogravures presses. We're  
18 allowed --

19          MS. QUAIA: Would it be helpful to the staff if  
20 Mr. Little would use one of the microphones next to you and  
21 demonstrate the various bags?

22          MR. LITTLE: So if you are an animal feed  
23 producers and you wanted to pack a horse feed that had  
24 molasses in it, if you put molasses in a three-ply bag and  
25 you have light colors, that bag will immediately turn brown,

1       so we have produced a specification, which I'll show you.  
2       We put an inner coating on the inside of our bag so that  
3       when that molasses hits that it does not absorb into the  
4       fabric and you do not see that on the consumer end.

5               I will also show you a typical three-ply bag  
6       first so you can use it as comparison. There's many reasons  
7       to go into what I would I call a five-ply bag, one of which  
8       I'll show you a sample, is in the feed industry the  
9       equipment -- sorry, the seed industry, so for soybeans,  
10      wheat, corn, most of those manufacturers have really old  
11      equipment in their facilities. And when you go to an LWS  
12      bag from a multi-well bag, which is very prevalent in the  
13      seed industry, you lose a lot of stiffness and rigidity that  
14      those old reliance cannot run our bags. So we have  
15      developed a specification for this particular application  
16      where we use five plies of material so that we can gain  
17      stiffness.

18             Okay, in the case of a product called Cube, Cube  
19      bags, Cube is a product sold to the horse and sold to the  
20      cattle industry. It's a large-volume product. And as you  
21      can see by this picture, it's large cubes. These, when  
22      they're packed, are packed over 130 to 160 degrees, very  
23      hot, a lot of moisture in this product. When you take this  
24      product, put it into a LWS bag, which is a really nice  
25      moisture bag, you get condensation almost immediately. When

1       you put this into a dark environment, a warehouse,  
2       condensation turns to mold, so we have developed a  
3       specification that allows this bag to breathe. You heard  
4       one of our gentleman take -- they have another method for  
5       allowing a bag to breathe. So you can look in the sides of  
6       this bag, hold it up to the light and you'll be able to see  
7       the holes that we put in this bag. The process for us to do  
8       that is very unique.

9                       In other segments, our customers want what we  
10       call -- generally, call it a blocked bottom. And what that  
11       means if you go look at a store shelf most bags you have a  
12       very small panel on the bottom of the bag for your marketing  
13       and if you use our typical sown bags, you lose some  
14       marketing space, so some of our customers require -- we call  
15       it a DFOM. So this is one of our bottoms, so when this bag  
16       is filled this bag squares out and it allows for more  
17       marketability.

18                      You'll also notice on this bag that we have  
19       clear fabric. Since we're a fully integrated manufacturer,  
20       we can control the clarity of our material much better than  
21       if you were buying from random sources.

22                      And then lastly on this bag, we actually combine  
23       gloss and matte on one separate bag, so this bag is kind of  
24       special. It's got a lot of our different application on it.

25

1 (Off mic comment.)

2 MR. LITTLE: That is correct.

3 (Off mic comment.)

4 MR. LITTLE: Yes, the gloss and the matte is in  
5 the printing. When we talk about 10 colors, rotogravure  
6 versus flexor, for example, what the customers' desire -- if  
7 you can see all these different colors on this bag, you've  
8 got pictures. In the industry that uses four colors, CYMK  
9 process -- there's a lot of different terms for that, but  
10 you have all these other bold colors.

11 The feed industry wants to have bold colors made  
12 in what's called pantone or solid. They do not want to  
13 actually have those colors made. So this would be a  
14 10-color bag where we get to use all stations of our  
15 printing press to create the 10-color appearance. And that  
16 is also the matte bag, but that is not too uncommon.

17 And lastly, this bag, because of the rotogravure  
18 process, we are allowed to make a bag longer than you can  
19 make on the United States machines. So this bag is one such  
20 bag that is a length that you would not be able to make in  
21 the United States. Hopefully, that answers the question.

22 MS. VIRAY-FUNG: Thank you, Mr. Little.

23 According to the petition, subject import volume  
24 and market share declined between 2015 and 2017 before  
25 increasing in 2017. What accounted for these trends?

1 MS. QUAIA: I think at this time we're  
2 collecting the data from the staff release, so probably  
3 data, as it will appear from the questionnaire responses,  
4 we'll have a better answer for you regarding that.

5 MS. VIRAY-FUNG: Okay, thank you. And this  
6 might also before post-conference, but were there factors,  
7 other than subject imports, that exerted downward pressure  
8 on the price of domestically-produced Laminated Woven Sacks  
9 during the POI?

10 MR. QUAIA: So other than the raw material  
11 fluctuations that we had mentioned, as also was mentioned in  
12 our testimony earlier, there is competition from non-subject  
13 bags and those are typically going to -- they're these  
14 quad-sealed bags. Quad-seal is not a descriptor for all of  
15 the bags. They have four heat-sealed edges and these are  
16 bags that are becoming very popular in pet food. And to the  
17 extent that there is some softness maybe in that market it  
18 could be due not to imports, we submit, but to these  
19 non-subject sources.

20 MS. VIRAY-FUNG: Okay, thank you.

21 And my last, final question, in the petition,  
22 Petitioners claim that the Government of Vietnam plans to  
23 subsidize the expansion of the LWS capacity in Vietnam. Is  
24 the Government of Vietnam subsidizing the expansion of  
25 capacity in Vietnam?

1                   MR. GREENE: We've had many discussions with  
2 many of our producer, both Chinese and Vietnamese, and there  
3 is no subsidizes that are available in Vietnam.

4                   MS. VIRAY-FUNG: Okay, thank you. Anyone else?

5                   MR. SCHNEIDER: Same. I had the same  
6 conversations.

7                   MS. VIRAY-FUNG: Okay, thank you, and that  
8 concludes my questions.

9                   MR. CORKRAN: Thank you. And we'll turn now to  
10 Ms. Stiger.

11                   MS. STIGER: Thank you all for being here today.  
12 I want to start out by addressing some of the questions I  
13 have related to pricing product and different variation. I  
14 think Mr. Little and Mr. Corman both spoke about a number of  
15 product variations -- you know whether it's the matte versus  
16 the gloss finish, the ply of the materials, the closures.  
17 So I was wondering if you could expand on that a bit and  
18 describe whether there are any price premiums for some of  
19 these different various. Like whether if you're using more  
20 colors or a different type of closure.

21                   MR. LITTLE: Everything that you listed most  
22 likely has a different price point. If it's a bag that's  
23 four ply or five ply, it's going to weigh more. Printing is  
24 not necessarily something that affects our pricing, as it  
25 does in the United States. If you want matte or you want

1 clear or you want us to print matte, that's going to have an  
2 affect. So in general, of those 11 base specifications I  
3 mentioned prior, the all -- if it was the same size bag, the  
4 same number of colors there's a good chance that all of  
5 those are going to have some variation in pricing.

6 MS. STIGER: Okay. And based on the customers  
7 that you supply, do you see any preference for  
8 specifications in particular or does it vary customer  
9 specific?

10 MR. LITTLE: Once again, we have to look at the  
11 customer's product. So if it's molasses, if it's fat, if  
12 it's birdseed, do they want clear, that scenario. We have  
13 to go into the production facility to find out if they need  
14 a really stiff bag, if they can handle the way our ears  
15 stick out in the sewing, how do they want the bags to come  
16 in, that's going to define specification. And then  
17 marketing always gets involved, so that's the trend no  
18 matter who the customer is. I'm not sure if I answered your  
19 question.

20 MS. STIGER: No, that's fine. Thank you.

21 Now in looking at the Textile Bag and Packaging  
22 Association presentation here, and this may go back to the  
23 specification question, I think there's an  
24 interchangeability section that talks about different styles  
25 not being interchangeable based on whether they're pinch

1 bottoms and/or -- because different end users have different  
2 equipment, so do you find a preference based on end users'  
3 equipment and the way they need to fill the bag? Is that  
4 like a strong preference for different types of closures?

5 MR. CORMAN: I don't know if you're looking at  
6 the written or the presentation that the textile Bag --

7 Ms. STIGER: It's the written submission.

8 MR. CORMAN: Okay, because attached to it the  
9 exhibit of just an informational thing we did for our  
10 members. It's part of it. A customer's decision to go to  
11 -- this is all customer based. If a customer wants to have  
12 the graphics on the folded over end, if they want a hermetic  
13 seal, they're going to have to go to a pinch bottom style.  
14 That's a new development. In order to do that, they have to  
15 have a manufacturer who can actually make that style. I  
16 mean there's a hybrid which you can do -- a pincher.  
17 Sometimes it's a roll bottom. It's just how it's made, but  
18 it still gives you that, but the end is flush cut and so  
19 what customers, particularly in the high end pet food, they  
20 want it sealed.

21 And I've seen attempts where they actually with  
22 a nice clear tape they tape it over because they want that  
23 on the end that they do. There are a couple of companies  
24 that are making or developing that equipment to make that  
25 seal. It's either by heat or by glue, but it's all customer

1 driven.

2 MS. STIGER: Okay, thank you. I'm just trying  
3 to get at sort of based on the pricing products that we have  
4 like if there's such a broad specification like what -- I'm  
5 trying to figure out exactly what you believe we're  
6 capturing, if we're capturing more of this pet food market  
7 versus the seed market. Does anyone have any comment based  
8 on the products that we have like what we asked in the  
9 questionnaire?

10 MR. LITTLE: So I can only speak to our  
11 business. And that is what we would call a three-ply bag  
12 and for us a three-ply bag, as defined in that  
13 specification, is only about 50 percent of our products.

14 MR. CORMAN: Barry Corman. I think that part of  
15 it is it's going to be customer driven. And there was a  
16 comment earlier that, and I don't know who made it, that you  
17 know, the product pet food is a very expensive one. My  
18 dog's food costs a lot. And I know the bag doesn't cost  
19 that much.

20 Animal feed is much more competitive as an  
21 industry. So in the animal feed industry, you tend not to  
22 have, other than horse feed, bags with a lot of high quality  
23 graphics. You could have a three color multi wall paper  
24 bag, simple, film barrier on the inside, not polypropylene.  
25 And when you compare the price of that to an LWS, that is

1 going to be the determining factor to some extent but the  
2 LWS may not work as well in automated equipment, which is a  
3 problem with them compared to paper.

4 So you may have a manufacturer with a -- an end  
5 user who has a lower price product and a result, they're not  
6 going to pay a lot for a bag no matter what. When you get  
7 to pet food, doesn't matter. \$60 of pet food, if it's \$1.20  
8 for the bag, makes no difference.

9 MS. STIGER: Okay, I'd like to go back to some  
10 of the discussion about raw material prices. It was the --  
11 during the testimony, you mentioned that there's a  
12 significant difference between the prices that Vietnamese  
13 producers are saying versus domestic prices for the -- that  
14 the U.S. domestic producers are using.

15 Can you talk about where the sources are for I  
16 think Mr. Greene mentioned that Russia was driving down some  
17 of the prices, but where the Vietnamese producer is sourcing  
18 their resin from versus the domestic producers?

19 MR. GREENE: Kevin Greene, commercial packaging.  
20 So when you go into any factory, you're going to see resin  
21 from all different sources. You'll see them from Russia.  
22 You'll see it from the Middle East, from Dubai. You'll see  
23 it from the Philippines. It just depends on where they're  
24 actually packaging it, because everything is done in  
25 50-pound bags as opposed to the U.S., where they're bringing

1 everything in real cars.

2 MS. STIGER: Okay, thank you. And if someone  
3 can go back and talk more about the different printing  
4 technology, the flexographic versus the roto, if there's any  
5 significant difference in I guess the quality of the prints,  
6 but based on the technology that you use?

7 MR. LITTLE: John Little, Commercial Packaging.  
8 So when you're dealing -- rotogravure printing is very  
9 common in the Asian market. It is lower cost. It is the  
10 net result is easier to run to produce really good quality.  
11 So that is just a standard there. That'll -- that process  
12 also uses a whole different ink system.

13 So the rotogravure market, although it's  
14 somewhat similar over the scope of the LWS bag when you go  
15 back to 2002, it itself has improved slightly. The U.S.  
16 market, which was mentioned earlier, they use flexography,  
17 rubber plates. When this market started, the technology has  
18 -- was behind and has been changing and growing.

19 But the thing is once you start printing with  
20 flexo and roto, it does have a domino effect as you go down  
21 to each process. We each have to have different things  
22 occur with our fabric, different things are occurring with  
23 whether you're using primers or white background versus not  
24 and that you just have a general effect. So it's -- we can  
25 probably talk for a day.

1           The end result, we -- the market will stay with  
2           roto is it's more consistent from run to run, which means  
3           when you're running the same bag today, and you're running  
4           the same bag the next time, it's more consistent throughout  
5           the run when you're running at the beginning of a run to the  
6           end.

7           We feel we can get better registration more  
8           simply, which is when you're looking at a photo image of a  
9           dog, for example, than the flexo.

10           And so if you -- if we brought industry experts  
11           in here, you could debate that, but in the end, that is a  
12           general theme rotogravure versus flexography.

13           MS. STIGER: Great, thank you. And I just have  
14           one last question. I think it might have been Mr. Little  
15           who had mentioned that so in the pricing product, our ink  
16           coverage that we -- that was specified is 200 percent, but I  
17           believe you mentioned that Vietnamese producers, it's less  
18           than 100 percent and can you just talk about the difference  
19           between that coverage?

20           MR. LITTLE: John Little, Commercial Packaging.  
21           When we print our bag, we do not have to print any colors  
22           covering the entire bag. We get to -- we can print any  
23           individual. If you look at the one and maybe pick it up and  
24           pass it, the chicken bag that I had thrown as 10 colors. So  
25           if you look in the back of that bag, back bottom right, we

1 have a clear window. We print a trace code on that. We do  
2 not ever print in that area.

3 So we never cover the entire process 100  
4 percent. Plus, we do not ever cover and ever's a big word,  
5 many instances, a bag even near 100 percent.

6 MS. STIGER: Okay, thank you. That concludes my  
7 questions for now.

8 MR. CORKRAN: Thank you very much. Ms. Kim?

9 MS. KIM: Thank you for showing us different  
10 types of bags. And I have one question. Based on Mr.  
11 Little's statement at the beginning of this session, I got  
12 the impression that the Vietnamese production has better and  
13 more efficient production system. And can you elaborate on  
14 that in terms of cost saving?

15 MR. LITTLE: Well there's a couple different  
16 ways to answer that question, but a general theme when  
17 you're dealing with animal feed, the system in Vietnam is  
18 set up, it can be as cost effective running 10,000 bags as  
19 it is of running 20, 30, 40.

20 When we start running 100,000 run quantity,  
21 which is what the U.S. market would prefer, then we're  
22 losing the resin basis on that. So when our pricing goes up  
23 or our quantity, run quantity goes up, our -- the, you know,  
24 the pricing gap because their pricing comes way down.

25 We pretty much run one price for whatever

1 quantity of bags that we produce. Doesn't look like I  
2 answered the question all the way.

3 MS. KIM: So are you saying U.S. production  
4 system, there is a volume discount if they produce more and  
5 the cost is down? Is that what you're saying?

6 MR. LITTLE: Without seeing their price list,  
7 that's pretty traditional in the U.S. that, yes, there would  
8 be a price gap for volume and number of colors.

9 MS. KIM: Okay.

10 MR. CORKRAN: Thank you very much. Ms. Hanson?

11

12 MS. HANSON: Yes, thank you. Thank you for  
13 being here this afternoon. My first question is that it  
14 seems that all of you are suggesting the Vietnamese  
15 suppliers are all vertically integrated or are there any  
16 that are purchasing or importing fabric from other sources?

17

18 MR. LITTLE: I cannot because I have not been  
19 into everyone. We can have others answer. We do know of  
20 one facility that's not vertically integrated, but most of  
21 the facilities I've been into are vertically integrated.

22 MR. SCHNEIDER: Steve Schneider with Material  
23 Motions, Inc. Yeah.

24 MR. SCHULER: Rett Schuler, Fulton Denver  
25 Company. I just travelled Vietnam two weeks ago and I saw

1 six facilities to the entire time there just one each day  
2 that I was there. And each one of them was vertically  
3 integrated. I have come across one or two in the course of  
4 time, but the majority of them are all vertically  
5 integrated. Thank you.

6 MR. CORMAN: Barry Corman. I've probably been  
7 to 15 plants in Vietnam. Every one of them was integrated.  
8 There are a couple -- there was one plant that did not print  
9 their own material. They send that out for printing, but  
10 some of the U.S. producers do as well.

11 MR. LOWE: Jeffery Lowe with Mayer Brown. And  
12 likewise, were not aware of any Vietnamese producers that  
13 are not vertically integrated.

14 MS. HANSON: Great, thank you. And I should  
15 clarify for myself, but just to have it on the record, that  
16 by vertically integrated, I meant pellet to fabric to bag.  
17 Okay.

18 Mr. Little, thank you for the presentation of  
19 the various samples. I'm still struggling a little with my  
20 product description and that's very helpful. When you talk  
21 about the different features from the Vietnamese made bags  
22 from the U.S. produced bags, and you're talking about  
23 multiply, can you perhaps use different multi plys of what?

24

25 MR. LITTLE: If we start with three ply, we call

1 that the woven fabric to a later -- that binds the BOPP,  
2 which is an outer layer to a binding. You could call it  
3 glue or adhesive. The process is called extrusion  
4 lamination. But because it's extrusion lamination, it's  
5 thick enough to be considered a ply. So if you look -- took  
6 a microscope, looked down at that, you would clearly see  
7 three different layers.

8 A fourth ply, we extrude another similar ply of  
9 material that we do on the inside of polypropylene mostly.  
10 So that would be a fourth ply bag on the inside.

11 Fifth ply is where we take BOPP and laminate  
12 that to the inside as one specification. We do make a fifth  
13 ply where we build upwards, where we go fabric, extrusion,  
14 paper, fabric, BOPP. So when we're talking plys, it could  
15 be referenced to multiple different types of substrates.

16 MS. HANSON: Thank you, that was very helpful,  
17 because I was envisioning different layers of fabric and I  
18 couldn't see that. Plus, that would make it a very heavy  
19 bag. So it's additional layers of coatings?

20 MR. LITTLE: Yes, coatings or sheet, like BOPP.

21 MS. HANSON: Okay. Thank you.

22 Mr. Schuler, you mentioned in your comments that  
23 your parent company is based in Australia. And based on my  
24 experience with other textile and apparel importers, very  
25 often, these multinational retailers or parent companies

1 will make their sourcing decisions from one central  
2 location, use the same vendors for multiple markets. Does  
3 that happen in this industry?

4 MR. SCHULER: Ret Schuler from Fulton Denver  
5 Company. Actually, we typically operate as an independent  
6 entity from the Australian group. I'm not going to say that  
7 we don't, you know, find a supplier that will reference each  
8 other, but each company is allowed to make their own  
9 decisions. It's not universally driven by one company.  
10 Thank you.

11 MS. HANSON: Would anyone else care to comment  
12 on that? And if I could, I think, Mr. Dushkes, the earlier  
13 samples are next to you there. And if we could just told  
14 those up for a moment. Just want to make sure that I'm  
15 visually understanding the difference between the pinch  
16 closure and the sewn closure. And I think the -- nope, the  
17 other ones that are on the table. Are both of those pinch  
18 closures?

19 Maybe Mr. Corman, I'm asking the question to  
20 you?

21 MR. CORMAN: I can't see it. This would be a  
22 pinched closure on the manufactured end or rolled bottom  
23 without taking it apart, I can't really tell. But it's the  
24 same effect where you're around, but this is flush cut. And  
25 perhaps the --

1 UNIDENTIFIED SPEAKER: Do you have one?

2 MR. CORMAN: Thank you. When we talk about a  
3 step end, you can see how this end is stepped above it. And  
4 it's usually done with a laser cut. There's another method  
5 of doing it.

6 So the bottom is done in the same way. And  
7 while the bottom of this looks like this, this could be done  
8 a little bit differently, but the machinery to make this is  
9 unique. It's either made by Starlinger, a company called B  
10 and B. W and H is another, but Starlinger now incorporates  
11 their machine. They're the two preeminent companies in the  
12 world. They're members of our organization that have  
13 developed this machine really for the pet food market.

14 Their first machine was sold into I believe  
15 Austria but somewhere in Europe. And that was basically  
16 dedicated to Purina in the European market. They wanted  
17 this.

18 So this top can either be -- have a pre-applied  
19 glue much like a multi wall paper bag, and the machine after  
20 it's filled, folds it over and closes it like this.

21 The other method would be to heat seal. And  
22 it's very hard to heat seal this structure, but closing  
23 equipment has been developed to do that. And so it closes  
24 it over and then it heat seals it there.

25 So you have a bag with great point of sale

1 display and it's hermetic which is very important in terms  
2 of the food safety that we've talked about. Does that help?  
3 Thank you.

4 I believe there's a picture of it as well in the  
5 presentation that is attached to your stuff.

6 MS. HANSON: It helps a great deal. Thank you  
7 all for bringing the samples for the visual aids. And my  
8 last question really just appoint of curiosity because it's  
9 not really overly pertinent to the particular investigation,  
10 but in the data, we saw some imports starting to come from  
11 Colombia and Honduras, I'm just wondering if anyone has any  
12 thoughts on what those might be or are they the same  
13 product?

14 MR. SCHNEIDER: Steve Schneider Material Motion.  
15 Yeah, we work with the company in Honduras. It's like  
16 product. It's more -- they're really more focused -- I  
17 don't know, I can't speak to Colombia, but I can speak to  
18 Honduras, they're more focused into the pet food market. So  
19 more the high end type bags.

20 MS. HANSON: Are they doing the pinched  
21 closures?

22 MR. SCHNEIDER: Yes.

23 MS. HANSON: Okay. Thank you. I have no  
24 further questions.

25 MR. CORKRAN: Thank you very much and thank you

1 very much to the -- to this panel and to -- I have one  
2 question, maybe it's just a clarification. And that is from  
3 the beginning at the opening, there was a point that the  
4 questioning the price data that's been collected. And that  
5 theme has been returned to a couple of times.

6 So I guess what I wanted to know is is the point  
7 simply to question the price data as collected or are you  
8 making an assertion that the imports from Vietnam are not  
9 sold at lower prices in the United States than comparable  
10 domestic product?

11 MS. QUAIA: It would be the second of the two  
12 scenarios. Essentially what we are trying to illustrate is  
13 that if we run underselling analyses using these types of  
14 products, that underselling analyses could show under  
15 selling, but that underselling would not necessarily mean  
16 that you're comparing the same type of product.

17 So the underselling analysis is in some ways  
18 less reliable than would be in other cases where you have  
19 product that are more easily defined in categories. Whereas  
20 here within one product category, you're comparing almost  
21 exclusively pet food bags with all the great features we've  
22 heard about with, you know, with the sewn bottom animal feed  
23 bags.

24 So there are built in price differences in those  
25 bags that in the price comparison, you will see a disparity,

1 but that disparity's not due to -- it's due to the  
2 characteristics of the bag and is driven by consumer  
3 preference.

4 MR. CORKRAN: Okay, thank you very much. I  
5 appreciate that. Let me quickly turn to the remainder of  
6 the panel. Any additional questions? Any additional  
7 questions? One additional question. Okay.

8 MS. STIGER: Just a few additional questions.  
9 So I think Mr. Corman mentioned the quad sealed bag growing  
10 up pretty quickly in the pet food market and they were more  
11 expensive than the Laminated Woven Sacks. I was just  
12 wondering if anybody could comment on whether these  
13 quad-sealed bags -- are you asserting that they're part --  
14 that the domestic producers are losing market share due to  
15 these quad-sealed bags and their growth?

16 MR. LITTLE: I can give -- John Little,  
17 commercial packaging. I can give one example where we were  
18 doing a woven bag in pet food. And we lost that business  
19 because they took that business specifically to the  
20 quad-sealed bag.

21 MS. STIGER: Okay. Are there Vietnamese  
22 producers of quad-sealed bags as well?

23 MR. LITTLE: Yes, I'm aware there are.

24 MS. STIGER: Okay. And I was just wondering if  
25 anyone could comment on some of the industry in Vietnam,

1 maybe. Are the channels of distribution similar to what we  
2 see in the U.S.? Like is it divided with pet food and feed?  
3 Is there much of an industry there?

4 MR. SNYDER: Doug Snyder, CPPC. Definitely pet  
5 food is not a big market in Vietnam.

6 MS. STIGER: Yeah, I wasn't -- seems though.  
7 Okay, and so it primarily is animal feed, and that's what  
8 they're dedicated to in their home market? Okay.

9 MR. LITTLE: John Little, Commercial Packaging.  
10 Animal feed, any goods of cement, any building materials,  
11 anything in the flour, sugar, that whole category is  
12 prevalent over there.

13 MS. STIGER: Okay, and the Laminated Woven Sacks  
14 would be used in all of those industries interchangeably?

15 MR. LITTLE: It is a growing market, the  
16 Laminated Woven Sacks and interchangeably in that  
17 marketplace, yes.

18 MS. STIGER: Okay. Great, thank you. That's  
19 all that I have.

20 MR. CORKRAN: Okay, with that, I would very much  
21 like to thank the panel for your testimony today. It's been  
22 extremely helpful. And with that, this panel is dismissed.  
23 Thank you.

24 We'll move to closing statements in just a  
25 minute. Mr. Secretary, before we begin, are there any

1 matters before we begin with closing statements?

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

3 There are no preliminary matters.

4 MR. CORKRAN: Very good. Thank you. With that,  
5 we will move to closing statements. And Mr. Jones, you may  
6 begin when ready.

7 CLOSING STATEMENT OF STEPHEN A. JONES

8 MR. JONES: Thank you, Mr. Corkran, and members  
9 of the staff. Steve Jones from King and Spalding, on behalf  
10 of the petitioners. First of all, I'd like to thank you all  
11 for your attention today, your time and for your work so far  
12 on these investigations. We know how busy you are here at  
13 the Commission. We very much appreciate your hard work.

14 Let me start off with market segmentation. The  
15 argument seemed to fall -- there were I guess two facets to  
16 this argument. One is that there's a bright line division  
17 in the market between animal feed and pet food.

18 On the one hand, there are no domestic producers  
19 that are trying to compete for sales to animal feed in the  
20 animal feed market. That was one argument. And the second  
21 argument is that there are no Vietnamese producers that are  
22 trying to compete in the pet food market. And neither of  
23 those arguments is true.

24 In our presentation this morning, Mr. Bucci from  
25 ProAmpac testified clearly on the record that ProAmpac tries

1 to sell in the feed segment of the market -- and I use the  
2 term "segment" loosely -- tries to sell to feed suppliers.  
3 Material Motion admitted that they compete against ProAmpac  
4 in the sales to the feed market, which I believe  
5 contradicted what the witness from Commercial Packaging  
6 said.

7 So there's some contradictions here in the  
8 testimony that are apparent and frankly, just not true. The  
9 arguments with respect to product characteristics--we'll of  
10 course discuss this more fully in our brief--let me just  
11 say, going back to pet food, the witness from CPPC stated  
12 that their company is in pet food. They're trying to sell  
13 into pet food.

14 And at the end of the session, Mr. Little from  
15 Commercial Packaging admitted that Commercial Packaging  
16 tries to sell into the pet food market. So this idea of  
17 strict market segmentation is undermined by the testimony  
18 you heard today, and it's just not true.

19 Regarding the products, when Mr. Little went  
20 through in his prepared statement, a list of specifications  
21 that they typically use and then he stood up and showed some  
22 samples and explained those again -- Let me just go through  
23 those because the domestic industry can do all of those  
24 things.

25 First of all, the domestic industry has

1 food-grade certification. ProAmpac has BRC certification,  
2 which was the first GFSI benchmark. Polytex has food-safety  
3 certification FSSC 22000. They both have food-grade  
4 certification. The finish of the film, matte or glass.  
5 Both domestic producers can do either matte or gloss.

6 Closure options. The domestic industry can do  
7 all of the demanded closure options. Number of colors.  
8 They can do ten colors. Readability. They can perforate  
9 readability in the bag. Number of plies. They can do  
10 multiple plies, as Mr. Little was -- See, there is no  
11 difference.

12 Printing is a difference. The U.S. industry  
13 does use flexographic printing, not rotogravure, but the  
14 flexographic printing has developed and improved  
15 significantly over the last several years. They now use HD  
16 flexographic printing. Flexographic and rotogravure  
17 printing are equivalent.

18 In fact -- I lost my next point here -- I'll  
19 come back to it. Oh, yeah, here it is. So in fact, Polytex  
20 shares brands with CPPC. So they sell to the same customer,  
21 the customer prints the same bags. One is printed  
22 rotogravure in Vietnam. One is printed flexographic by  
23 Polytex in the United States.

24 And they sit next to each other on the shelves  
25 in the retail stores. They are completely identical. There

1 is no difference between them. And to say that product  
2 difference is the reason why imports from Vietnam -- or  
3 capabilities to produce different specifications of product  
4 is the reason why imports from Vietnam have increased so  
5 significantly is just not correct.

6 It comes down to one thing. And that's price.  
7 Most imports -- the argument that we heard from Mr. Lowe  
8 again was that most imports from Vietnam do not go into pet  
9 food because of differences in lead time.

10 And if you'll recall, Mr. Bucci testified that  
11 one of the things that he has heard from customers and that  
12 they've experienced, unfortunately, in the market is that,  
13 in the pet food market, they have lost significant volume to  
14 imports from Vietnam because they have been asked to start  
15 off with a new bag, a new product, they do the launch, they  
16 do all of the initial work, they get it started, and in that  
17 period of time between the launch and -- maybe eight, ten,  
18 twelve weeks, that period which is the lead time for imports  
19 from Vietnam, they'll produce the bags for that period of  
20 time, the domestic industry will, and then the imports from  
21 Vietnam will come and take over.

22 And that's a phenomenon that has happened  
23 repeatedly to ProAmpac in the market. And so differences in  
24 lead time, that's been manageable for the purchasers in the  
25 U.S. to be able to get what they want in terms of a new bag

1 design and a product launch, but then get the lowest price  
2 for the long-term, high-value, high-volume purchases.

3 And that's what's especially injurious to the  
4 domestic injury. The loss of that high-volume business is  
5 just crushing. And they've experienced it, unfortunately,  
6 over and over again. I should also mention that warehousing  
7 in the United States mitigates any lead-time advantage to  
8 some extent. I mean the Vietnamese can warehouse here, and  
9 they do.

10 I'd like to talk just briefly about the cost of  
11 resin. There was testimony to the difference in resin  
12 costs, polypropylene resin costs that accounts for the  
13 difference in price. There may be a difference in  
14 polypropylene costs. We'll look into that and we'll comment  
15 on it further in our brief.

16 But, even just with the numbers that were thrown  
17 out there today, it doesn't begin to account for the  
18 difference in price between imports and domestic production.  
19 It's just -- that argument is a red herring. It doesn't  
20 come close to explaining what's going on here.

21 Further, on the cost issue, there was testimony  
22 that, you know, it's all about resin and capital isn't a big  
23 part of the cost in Vietnam and, you know, we're not  
24 surprised to hear that. Because our research shows that  
25 there are a lot of subsidies in Vietnam.

1                   And I heard the testimony today denying that  
2                   there are subsidies or denying that they've been told there  
3                   are subsidies. We'll see. The Department of Commerce will  
4                   determine whether there are subsidies provided to the  
5                   Vietnamese producers and exporters.

6                   But it was an interesting point about the cost  
7                   of capital being such a small part of the overall cost.  
8                   Certainly not consistent with our understanding of this  
9                   industry. Polytex is a vertically integrated company and  
10                  there's a lot of discussion about the U.S. producers not  
11                  being vertically integrated. That's not true. Polytex  
12                  accounts for a significant percentage of domestic  
13                  production. They're vertically integrated.

14                  So it's, you know, to the extent that arguments  
15                  are based on that difference in -- or asserted difference in  
16                  manufacturing capability, it's just not accurate. Finally,  
17                  on the notion that the U.S. producers won't do small  
18                  production runs, I think you heard that testimony this  
19                  morning.

20                  The U.S. can do small runs. They would love to  
21                  have that business, but not at the price that the imports  
22                  from Vietnam are being offered at. They can't do it for  
23                  that price.

24                  And, you know, all of these additional  
25                  specifications that are being done to the bags, certainly at

1 cost, and it's just incredible to our producers that the  
2 pricing is where it is, given the products that are being  
3 imported. That's all I have, Mr. Corkran, members of staff,  
4 thank you very much for your time. Thank you.

5 MR. CORKRAN: Thank you very much, Mr. Jones.  
6 And now we'll turn to Mr. Lowe for closing.

7 CLOSING STATEMENT OF JEFFERY C. LOWE

8 MR. LOWE: Good afternoon. For the record, my  
9 name is Jeffrey Lowe. Again, I'm with the law firm of Mayer  
10 Brown, and I'm here today representing a number of  
11 Vietnamese producers, exporters and importers, and I'm here  
12 to make the closing statement on behalf of the group of  
13 respondent producers and exporters.

14 So we've heard the petitioners today attempt to  
15 support their claims for why the domestic industry is  
16 suffering material injury or threat of injury, and for why  
17 Laminated Woven Sacks from Vietnam are the cause of that  
18 injury.

19 And on behalf of our clients, we will address  
20 the injury issue at more length in our post-conference  
21 brief, including why there is no reasonable indication that  
22 the domestic industry is being injured based on the data  
23 that the domestic industry, the petitioners have submitted  
24 on the record. And I'm sure that other respondents will do  
25 the same.

1           I also wish to note our intention as mentioned  
2           on behalf of Kimduc to address the fact that grocery bags  
3           made of laminated woven cloth should be excluded from the  
4           like product for this investigation.

5           Next, when the Commission properly determines  
6           the universe of subject merchandise, which as some of the  
7           members of the staff in asking your questions had  
8           highlighted, it's very confusing based on the HDS listing  
9           that the petitioners included in their petition. But once  
10          that issue is addressed, we believe it will become clear  
11          that the increase in imports from Vietnam has not been  
12          significant, has not increased significantly, contrary to  
13          what the petitioners allege.

14          Moreover, Laminated Woven Sacks from Vietnam to  
15          a significant extent do not compete with U.S.-produced  
16          Laminated Woven Sacks. The products as we've heard  
17          testified here today tend to compete in different market  
18          segments.

19          Mr. Jones addressed this issue in his closing  
20          remarks at some length, and I would urge the Commission to  
21          study the record that, indeed, there are some Vietnamese  
22          producers who compete in both of these two segments that  
23          have been established, the pet food and generally speaking,  
24          the pet food and then the animal feed and bird seed.

25          And however, Vietnamese producers and importers

1 are focused far more on the animal feed segment of the  
2 market, whereas, as the petitioners and the domestic  
3 industry's testimony established the products that they  
4 produce, and their focus has indeed predominantly been on  
5 the pet food market.

6 So they produce products that are designed to  
7 meet pet food needs and to service pet food customers. And  
8 that creates a different pricing structure, and this brings  
9 us to the question of the pricing products, the products  
10 that the Commission identified, taken from the petition, I  
11 believe, for purposes of doing the price analysis, this  
12 issue was highlighted.

13 We believe that if -- we urge the Commission to  
14 carefully analyze those pricing products and more accurately  
15 reflect the differences between the products that the  
16 Vietnamese are selling and the products that the domestic  
17 industry are selling, and then a comparison is made on a  
18 product-by-product basis, the prices are gonna be much more  
19 comparable than the petitioners have alleged, and perhaps  
20 than the data collected so far might suggest, based on what  
21 we consider to be inaccurate pricing product.

22 Indeed, just to emphasize the petitioners'  
23 representatives stated this morning, one of the--either  
24 Polytex or ProAmpac--that "pet food" is the bread and butter  
25 of their company sales. And this admission, in our opinion,

1       underscores the extent to which the domestic industry  
2       dominates the pet food market segment, whereas the  
3       Vietnamese importers and exporters focus more, much more, on  
4       the animal feed segment.

5                 Moreover, to the extent that the Vietnamese  
6       imports do compete in the pet food segment, they do not do  
7       so on the basis of price. They do so, as the testimony  
8       established, on the basis of product quality and the  
9       reliability of their established supply chain, due to the  
10      domestic producers' timing advantage in the market.

11                The type of customers, in addition, served by  
12      the Vietnamese producers, require multiple vendor sources.  
13      And so the Vietnamese, the importers, attempt to service  
14      that. I'll note regarding threat, that the evidence in the  
15      record demonstrates that Vietnamese producers rely  
16      substantially on alternative markets other than the United  
17      States, and to the extent that the Vietnamese producers have  
18      increased capacity to produce the Laminated Woven Sacks, the  
19      Commission should find that much, if not the majority of  
20      that additional capacity, is intended to serve non-U.S.  
21      markets.

22                As the staff was informed today by the  
23      petitioners in their testimony, not all of the U.S.  
24      producers are vertically integrated. Polytex is, if I heard  
25      correctly, however, they nevertheless do import. Polytex

1 nevertheless does import some of its fabric. And ProAmpac  
2 is not vertically integrated.

3 By contrast, all Vietnamese producers,  
4 virtually, of which we're aware, are vertically integrated,  
5 and that it's inaccurate to claim that the production of  
6 fabric is not an important part of the process, or to try to  
7 minimize the importance of processing the pellets, the  
8 polypropylene and producing the fabric, this is a highly  
9 cost-intensive aspect of the process, and moreover,  
10 additional costs are added when you have to purchase this  
11 relatively expensive major input from overseas. So that  
12 alters the cost structure for the domestic producers, and we  
13 believe has a material impact on the analysis that the  
14 Commission should conduct.

15 One thing that came up repeatedly, I think, is  
16 the importance of non-subject products competing with the  
17 domestic Laminated Woven Sacks. These non-subject products  
18 include Non-Laminated Woven Sacks, the Quad Seal bags, as  
19 well as the continuing paper products in the market. These  
20 products, we believe, will be shown to contribute  
21 substantially to any injury that the domestic industry is  
22 experiencing, assuming that an injury is shown.

23 Couple more points -- in addition, along the  
24 same lines of the import of the woven fabric, not all of the  
25 U.S. producers print their own film. I think Mr. Corman

1 made that point who was here testifying as a neutral  
2 participant.

3 The last point that I would like to highlight is  
4 the impact of the resin prices. The resin prices in this  
5 industry, they drive the price of the Laminated Woven Sacks  
6 to a large extent. And fluctuations in the resin prices  
7 should have an impact on the LWS, or laminated woven sack  
8 prices.

9 So to the extent resin prices decrease, LWS  
10 prices should decrease as well, and vice versa. And over  
11 the course of the POI, resin prices did indeed fall  
12 significantly, and so this had an effect on the pricing  
13 structure of both imports and domestically-produced product.

14 And to the extent that the domestic producers  
15 did not respond to that change in resin prices, and, again,  
16 to the injury that they're claiming cannot reasonably be  
17 attributed to the imported Laminated Woven Sacks. So that's  
18 all that I have and once again, I appreciate the staff for  
19 taking the time and the attention to hear this presentation  
20 today. Good afternoon.

21 MR. CORKRAN: Good afternoon, and thank you, Mr.  
22 Lowe. Very much appreciate it. On behalf of the Commission  
23 and the staff, I'd like to thank the witnesses who came here  
24 today, and the counsel who came here today, for helping us  
25 gain a better understanding of the product and the

1 conditions of competition in the Laminated Woven Sacks  
2 industry.

3 Before concluding, please let me mention a few  
4 dates to keep in mind. The deadline for submission of  
5 corrections to the transcript and for submission of  
6 post-conference briefs is Monday, April 2nd. If briefs  
7 contain business proprietary information, a public version  
8 is due on Tuesday, April 3rd.

9 The Commission has tentatively scheduled its  
10 vote in these investigations for Friday, April 20th, and it  
11 will report its determinations to the Secretary of the  
12 Department of Commerce on Monday, April 23rd. Commission's  
13 opinions will be issued on Monday, April 30th. With that, I  
14 would like to thank you all for coming, and this conference  
15 is adjourned.

16 (Whereupon the meeting was adjourned at 2:20  
17 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: 3-28-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: 3-28-18

SIGNED: Mark A. Jagan

Signature of the Contractor or the  
Authorized Contractor's Representative

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

SIGNED: Christopher Weiskircher  
Proofreader

I hereby certify that I reported the above-referenced proceedings of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceedings.

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