

Before the
United States International Trade Commission

Sodium Nitrite from China and Germany

Inv. Nos. 731-TA-453, 731-TA-1136-37 (Final)

TESTIMONY OF TOM NELSON

Good morning. My name is Tom Nelson. I am the Business Manager, Sodium Nitrite for General Chemical LLC. I have been with General Chemical since 2005, and before coming to General Chemical, I worked for other companies in petroleum distribution and lighting design. I have degrees in mechanical engineering and marketing.

This morning, I'd like to describe the way General Chemical typically negotiates Sodium Nitrite sales and the role played by distributors. I'll also discuss some accounts where dumped imports compete with us, and the changes we've seen in the domestic market since we filed this case and since commerce entered its preliminary anti-dumping duty.

First, sales negotiations differ depending on whether we're talking to a distributor or an end user. Distributors matter. For instance, our three largest distributors account for around 30 percent of our total sales volume. General Chemical's sales rep Tony Gallagher and I typically visit or phone

key distributors must be notified. No doubt, the Director for
it took hours for the members of
the industry, but our best estimate
is that the Director for the
The United States, on formal pri
Director usually says they are the
customers that are
During the week, the Director in the
renowned of American Chemicals, the major
distributors have reported that the import prices
the market are very low.

The Director usually is not to
from the Chemicals. However, the distributors
agreed quantities. Because of the relatively low
distributorship, the Brenner will be pri
retail prices they are to any minimum price. A
distributor often force make contact with the coffee
period, many of the threats to access for
imported.

As shown by the next slide, this customer offered to order from us, but only if we would meet the import price. These communications are routine.

After getting our formal letter, distributors usually tell us one of two things. Either they may purchase a smaller volume from us this year than historically due to the higher price and opt to supply customers with cheaper imports instead, or else they want us to lower our price to them so they can match import prices for certain large end users. We at General Chemical call the second situation “support pricing.” In support pricing, we partner with the distributor to provide a lower price to a specific end user.

Sometimes we will make a joint call or visit to that end user.

For example, an industrial lubricant supplier had been purchasing General Chemical’s Sodium Nitrite through a distributor. On learning that Chinese Sodium Nitrite was available at 31 cents per pound, the end user called the distributor to complain General Chemical’s price was higher. The distributor then contacted us to ask for either a rebate on the previously agreed to price or a lower price, so he could match the Chinese price. In this case we could not match the Chinese price and lost the business.

Sometimes the same process begins directly with my sales force instead of coming through a distributor. For example, many end users want

buy make of G D Chemi... than
truck or LTL. This... Know... the... ports...
... often... the... with
higher... And when... Genera Chemical... in
... than truckload... pri... compara... to...
... and the... LTL...
... proof of...
... support the low price

Whether... proof of...
... the... price when... prod... to end
... mean the...
price for... Then, when...
...
price

Pretty much the same... then we... directly to end
users...
pri

Our...
...
by some amount...
pri... the...
cate... the end users

we are talking to. And the low price that the foreign sales rep offers will be around the same price that the foreign producer is giving to distributors. In the case of Germany, that price has recently been 33 cents per pound delivered, regardless of how little volume the end user might want.

For these end user accounts we compete directly with the importers of German and Chinese Sodium Nitrite.

In short, we are seeing dumped prices spread throughout the market, at all levels of distribution and end use, without regard to geography or volume. National distributors and regional distributors have offered the same, low dumped prices without regard to whether the customers are buying LTL quantities or container loads. Our distributors must compete with these prices at small end user accounts. We compete directly with the same dumped prices at the very largest end user accounts.

In their prehearing brief, BASF argues that dry Sodium Nitrite does not compete with liquid. First, of course, our largest sales volume is dry product. Second, the claim that solution and dry do not compete is wrong. In fact, customers have asked us to quote prices for both liquid and dry Sodium Nitrite. As Douglas explained, virtually every customer that buys dry Sodium Nitrite takes the product and puts it into a liquid solution. It follows that nearly every customer purchasing liquid could switch to dry,

and, our customers actually have made that switch in order to obtain lower prices.

An example is found in Exhibit 8 to our brief and on the next slide. Here the customer asked us if our dry price would be lower than our liquid.

In our questionnaire response we provided examples of lost revenues and lost sales, affecting both General Chemical and Repauno.

The following are examples of customers using sodium nitrite in various forms and the impact that dumped sodium nitrite has had on our pricing and our business:

Example One: A large pigment manufacturer was buying liquid from Repauno to use at two locations. In 2002, BASF offered the pigment manufacturer very aggressive pricing for dry at both locations—pricing in the 20-cents-per-pound range. By lowering its price Repauno kept the liquid business at one location, but lost the business to imported dry at the other location.

After Repauno merged with General Chemical, the same pigment manufacturer's Request For Quote invited General Chemical to submit pricing and samples of both our dry and our liquid to the location currently using dry sodium nitrite. This request was included in Exhibit 7 to our brief.

[Slide 11.] Ultimately, the manufacturer did approve both our dry and our

liquid. Clearly, this end user can use either form and is willing to switch based on the price.

Nevertheless, this manufacturer has not ordered either form from us, because—we're told—our price can't compete with dumped German imports. Technically the manufacturer could use either our dry or our liquid interchangeably with the German product, and in fact we have been told that they used a load of our sodium nitrite solution at this location as recently as 2006, but price is the deciding factor.

Example Two: Another pigment manufacturer has been a longstanding customer of General Chemical. In this case, General Chemical did not lose the customer to BASF. But, to keep the account for 2008, General Chemical had to lower our price for solution so that it would match the German producer's 2007 price for dry material, adjusted for putting the material in solution and transportation.

We also sell granular tech grade to this customer at another location. On those sales we again were forced to reduce our sales price to meet the dumped price offered by BASF.

Example Three: A large chemical company was buying liquid from General Chemical at two locations. These two locations had no incentive to convert from liquid to dry because we'd already lowered our liquid price to

match the German dry price, adjusted for mixing the granular material with water.

At a third location, though, the layout of the plant prevented tank cars from delivering solution. This plant therefore used dry product anticipating that BASF would attempt to take the account. We offered dry at the established import price, but the German pricing got even more aggressive, below the 'typical' 33 cents per pound being quoted. In the end, the customer bought the lower-priced German sodium nitrite.

Incidentally, to convert from dry to liquid, that company simply poured the 50 pound bags of dry material into 55-gallon drums with water. It would then pour the solution from the drum directly into the plant's mixing process. It was as simple as that.

Example 4: A manufacturer of adhesives used to purchase small amounts of dry and to put them into solution in a tank. But when the company's volume grew, it switched to liquid (which required a capital investment in a bulk storage tank, an unloading station and feed system).

We are forced to quote this company very competitive pricing on our liquid, for two reasons. First, this company could go back to dry and again mix the solution itself. Second, this company competes with other companies whose price for Sodium Nitrite has been driven down by German

and Chinese imports. We try to give customers in the same industry similar pricing. Thus, if the German or Chinese imports penetrate any market segment even at one customer, that affects our price at every customer in that segment.

To address the issue of flake material raised by BASF – this is a form produced by General Chemical primarily used by one customer. This form represents less than 10% than the total sodium nitrite market. In November of 2001, BASF went after this business at this one account with their untreated granular material. We were told by this customer that they preferred our flake material and would pay us a premium for it but the premium was only 5% over the quoted price from BASF.

went to visit the purchasing agent at this customer on June 1th to discuss current market conditions, the forecast for the remainder of 2008 and the potential of a large project. While the purchasing agent was flipping through his sodium nitrite folder he flipped past the BASF product data sheets. So although BASF does not offer this form of sodium nitrite, if offered a low enough price this customer has the ability to modify its process to accept granular sodium nitrite. Incidentally this customer's major competitors use sodium nitrite in granular form to make competing products, and they have used sodium nitrite from BASF.

These are just a few examples that demonstrate the impact of dumped sodium nitrite on our business.

In customer negotiations for 2008 that took place in November and December of 2007, the German producer had maintained pricing flat at 2007 pricing levels, and the Chinese had largely disappeared from the market. We were forced to respond to the aggressive pricing action of the German producer. We were able to get a modest increase in early 2008 based on increasing raw material costs, but the benefit of increases has been more offset by the astonishing increase in ammonia costs in the past 3 to 4 months.

Our customer base is well aware of the increase in all the commodity chemicals since they purchase a majority of them and follow them as closely as we do; and most are aware of the increases in ammonia and soda ash prices from industry publications such as Green Markets. Our annual pricing letters have locked us into our previously quoted prices through the end of June or July. Meanwhile, raw materials costs continue to rise, gobbling up the price increases that we were able to push through.

Since we filed the petition and won the preliminary determinations, circumstances have shown an improvement. As you know, Commerce's preliminary determination imposed a dumping margin of 237 percent on

Germany and 190 percent on China. We increased our production since the end of 2007, so that we would be ready to supply any customers that wanted to replace their German or Chinese sources. We did this because we strongly believe that the antidumping case will result in fair trade in our market, and customers will return to us to fill their needs.

As Douglas has reported, this strategy definitely reduced our costs per unit and our first quarter 2008 raw material costs had just started to see the affect of the market rise in ammonia pricing. Customers that we haven't supplied in over 2 years have approached us looking for supply of sodium nitrite and we have seen a modest increase in sales volume. At the same time, Tony and I have been quoting higher prices for customers looking for current pricing on sodium nitrite. We have not only pointed out that the competition is dumping, but we have also cited the amazing increase in ammonia prices. Therefore, since we filed the antidumping petition, we have been much more successful in obtaining increased prices.

Therefore, if the Commission finds injury or threat of injury, we at General Chemical would expect: (1) to capture additional volume; and (2) to increase prices. In short, without relief from dumped imports our output, shipments, sales and profits will decline. What we have experienced since the petition was filed has given us hope. But, we very much need your vote

if we are to sustain our business and return to a reasonable level of profitability, one that would warrant continued investment in this business.

Thank you very much for your attention.

1621668v5