

**TESTIMONY OF KAREN KATZ**  
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Before the U.S. International Trade Commission  
Sodium Nitrite from Germany and the People's Republic of China, Inv. Nos. 701-TA-  
453 and 731-TA-1136-1137 (Final)

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Good afternoon, I am Karen Katz and I am the Senior Product Manager for BASF Corporation in Evans City, Pennsylvania. I have been with BASF since 1998 and have been in my current position since 2004. My responsibilities include the marketing of a variety of products, including sodium nitrite.

It is important to note that BASF only sells one form of sodium nitrite in the U.S. market – granular. General Chemical, by contrast, sells not only the granular form of the product but also sodium nitrite in its solution and flake forms. General Chemical has an essentially uncontested market for these two forms in the United States, since BASF does not produce flake and it is uneconomical to ship solution to the United States.

Allow me to explain why BASF Corporation does not sell solution in the United States. While BASF does produce sodium nitrite solution in Germany and sells it in the European Union, shipping solution internationally means shipping approximately 60% water, dramatically increasing the unit shipping cost of the sodium nitrite. It is simply not economical for BASF or any other foreign producer to sell solution in the United States.

It is also uneconomical for BASF to ship granular sodium nitrite to the United States and then convert it to solution here. In BASF's production process, sodium nitrite is initially produced as a solution. BASF then produces granular, by driving off the water, a process that is capital and energy intensive. To incur the cost of producing granular, package and ship the granular, and then re-dissolve the granular into a marketable product all add significant costs and effectively prevent BASF from participating in the solution market in the United States.

We understand that General Chemical has claimed that there is competition between domestic solution and imported granular product. However, BASF is aware of only one significant purchaser who switched from using solution to converting granular product to solution in their own facility, and this occurred well before the period of this investigation. At that time, there were two domestic producers of sodium nitrite, each offering dry and solution forms of the product, so BASF's presence in the granular market was not the determining factor. Just as it is uneconomical for BASF to ship granular to the United States and convert it into solution, it is unlikely that major purchasers could be doing this economically, as opposed to simply buying bulk solution from General Chemical. In addition, even assuming that a purchaser has the personnel trained to make such a conversion, they would still need to make a significant capital investment, as described by Mr. Work. Finally, it is our understanding that solution customers are charged based on the contained nitrite. It therefore makes little economic sense for the customer to buy dry material and perform additional processing steps to produce solution when the customer can simply buy solution.

BASF has tried and failed to convert the dry product into solution for a customer in an economically feasible manner. I do not believe that our distributor customers could accomplish that conversion effectively for their customers, and be in any better position to realize a profit than we could. I believe that any effort by distributors to quote granular sodium nitrite as a *substitute* for liquid product, is not commercially plausible, and the US customers for the solution form of the product are aware of this.

We are also aware of this from our own customer experience. In 2006, BASF purchased Engelhard Catalysts. One of their manufacturing facilities requires sodium nitrite solution. Naturally, we attempted to supply that need through BASF's German imports, and could not cover the value added to realize a profit, so General Chemical continues to supply solution to that BASF-owned plant, through a distributor.

It is also important to note that the market for sodium nitrite solution has been declining, a trend that is completely unaffected by imported sodium nitrite. Solution is the form in which significant volumes have traditionally been sold for dyestuffs and rubber chemical applications, industries which have been in decline in the United States for a number of years. Reapauno, of course, lost two of its major customers because of such declining downstream markets, ultimately leading General Chemical to shut down that facility after it purchased the Reapauno business. Those two customers were Chemtura, a rubber producer, and PMC Specialties, a saccharin and tolytriazole producer. Neither of these companies switched from using solution to using imported granular, nor was BASF in a position to solicit their business. Rather, the domestic industry lost these

customers simply because they ceased U.S. production of the downstream product in which they used sodium nitrite solution. It is this decline in the market for sodium nitrite solution, and not imports of granular, which caused any problems for the domestic industry.

These fundamental differences between the solution and dry markets highlight the contrived nature of General Chemical's arguments in their brief about granular price quotes affecting prices for solution. For instance, one significant purchaser of both dry and solution product is a pigments and resins producer. We sell them granular product and we are aware that they have a need for solution in other plants that cannot be filled by our granular supply. However, we have analyzed the value added for us to supply solution and concluded that it is simply not feasible.

In another instance, General cites a purchaser who buys BASF dry product, and allegedly puts it into 55 gallon drums to produce solution, so they leverage the BASF dry price to get lower solution prices from General for their other sites. This seems highly unlikely; BASF dry product has an anti-caking agent, which is susceptible to foaming. Furthermore, the handling costs of such small batch processing would be prohibitive for large volumes. A reasonable supplier would not respond to the threat of such crude and potentially unsafe processing by lowering its prices to supply the bulk solution.

In two other claims, General says that customers for metal treating products who purchase solution attempted to leverage a lower price from General by implying they

would switch to dry material from BASF. However, we cannot supply any metal treatment customers, since that application almost always requires solution. Therefore, any cross-price “leveraging” which General attributes to BASF’s price quotes, is nothing more than a customer negotiating tactic, not supported by documented facts.

The reality in the market is that dry product can technically be converted into solution, but it must be economical for a manufacturer to do so, which includes considerations such as customer handling capability, storage requirements, and the size of the customer’s needs. Virtually all US market needs for sodium nitrite solution can only be met by General Chemical for a combination of reasons, and the customers know that neither BASF or its distributors have been able to play a major role in that segment of the market.

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