Before the
UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

IN THE MATTER OF **CITRIC ACID AND CERTAIN CITRATE SALES FROM CANADA AND CHINA**	**ITC Inv. Nos. 701-TA-456 and 731-TA-1151–1152 (Review)**

TESTIMONY OF CHRIS AUD

March 26, 2015

Good morning. My name is Chris Aud and since 2013, I have worked at Cargill as Assistant Vice President, Acidulants Product Line Manager. My main responsibilities in that capacity include leading the Citric Acid and Glucosamine businesses for Cargill Corn Milling North America.

Cargill is a privately held, family owned company that is celebrating our 150th year in business. From our small beginnings in 1865 in Conover, IA, we have grown into a global company that produces and sells agricultural-based products like citric acid in many different countries all around the world. We currently produce citric acid at our plants in Eddyville, Iowa, and Uberlandia, Brazil. Our Eddyville plant is part of an integrated Biorefinery and corn processing complex, which provides approximately 1,000 good paying jobs. The

Eddyville citric acid plant uses a share of the dextrose produced in the adjacent corn wet milling complex.

While modest in its location in South Central Iowa, Eddyville is connected to a truly global market. Citric acid is globally produced and traded. There are a small number of world-class citric acid producers supplying the global market. The major global players are located in Austria, Canada, China, Brazil, Belgium and the United States.

The demand side of the equation is also global. The largest citric acid purchasers are global in nature and scope. They have offices and buying agents in foreign countries and purchase citric acid from non-U.S. producers for consumption in many different markets, including the United States. They are well aware of the world's supply and demand balance, pricing, and availability of non-U.S. citric acid. They are motivated to obtain the lowest prices, because citric acid is interchangeable regardless of source or end-use application.

Two of the major net export countries are Canada and China. For both countries, the total production capacity for citric acid far exceeds domestic consumption. Despite the orders, both countries remain highly interested in serving the U.S. market. The JBL plant in Canada and the largest plants in China were built primarily for exporting to other markets. In 2002, JBL Canada built a Greenfield citric acid plant in Port Colborne, Canada, just across the border from

the United States, to serve the U.S. market. Although China's production capacity as a whole is greater than Canada's, there are only a handful of Chinese producers that are world-class and can compete with JBL Canada and the domestic producers for the largest U.S. customers. We see no differences in the abilities and motivations of JBL Canada and world-class Chinese producers to compete in a larger way in the U.S. market if the orders are revoked.

Because citric acid producers strive to run their plants at full capacity, there are powerful economic incentives driving JBL Canada to price below its fully absorbed cost of production if there is no risk of antidumping duties. Given the fact that market prices for citric acid have been higher in the United States than in JBL Canada's other export markets, in my opinion, the only reason that JBL Canada has not shipped more volume to the United States in recent years, is because of the restraining impact of the antidumping order. To sustain needed levels of production at its Canadian plant without incurring U.S. antidumping duties, we have seen JBL Canada accept lower prices in other markets such as Brazil, and in the process, undercut our local producer prices. This volume would surely return to the United States if the order on Canada is revoked.

Before the petitions were filed in 2008, Cargill was losing money on citric acid. Every year, during the annual negotiation cycle (which my colleague, John O'Dwyer, will discuss), our customers were receiving extremely attractive price

offers from JBL Canada and importers from China. We could not even pass along cost increases to our customers, despite the fact that demand conditions at the time were robust. Since antidumping duties were imposed, Cargill has been able to achieve profitable pricing levels for the first time in many years.

After minimizing investments in our plant due to negative profits during the 2006 to 2008 period of investigation, Cargill has made significant investments during the 2009 to 2014 period of review that enhance productivity and expand capacity. We have also increased our investment in general plant maintenance to be able to reliably and consistently supply customers. There is no doubt that citric acid prices in the United States are much higher than in other markets, where imports can be sold at dumped prices.

If the orders are revoked, the volume of imports would increase and prices would fall. We would lose substantial volume to imports from Canada and China that would undersell our product, resulting in lost sales volume and overall revenue. The negative impact on our operations and our employees and their families would be significant. These impacts would likely occur almost immediately upon revocation, because there is no impediment to increased sales by JBL Canada or Chinese producers in the U.S. market. The lower market prices caused by increased underselling by subject imports, combined with the negative price effects of declining demand and non-subject imports, would place our citric

acid operations at serious risk. Volume losses would compromise our ability to operate at the high levels of capacity utilization that are necessary, and lower prices and profits would mean a reduction in investments in our assets. If the orders are revoked, continuation of our citric acid operations would be in doubt.