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 CHRISTOPHER CUDDY

March 26, 2015

Good morning. My name is Chris Cuddy. I am the President of the Corn Processing business unit of Archer Daniels Midland Company. I am responsible for all commercial activities of the company's North American sweetener, starch, fiber, and acidulant businesses. I have previously held a variety of merchandising and management roles since I joined ADM in 1998.

ADM is one of the world's largest agricultural processors and food ingredient providers. We currently have more than 33,000 employees serving customers in more than 140 countries. Our corporate headquarters are in Illinois. We connect the harvest to the home, making products for food, animal feed, chemical, and energy applications.

ADM has been in the citric acid business since 1990, when we purchased the business from Pfizer. That purchase included two world-class citric acid plants – one in Ireland and the other in Southport, North Carolina. We closed the plant in Ireland in 2005 due to a flood of low-priced imports from China into the European market. All of our citric acid production therefore takes place at our Southport plant.

Citric acid is a commodity product. Our customers can readily substitute citric acid from Canada, China, or the United States as a drop-in replacement in virtually every end-use. As a result, purchasing decisions are primarily based on price. Citric acid production is capital-intensive, and it is important that our plant operate continuously and at a high level of capacity utilization. Our need to maintain a high level of capacity utilization compels us to follow market pricing to maintain sales and production volume.

Our major customers are sophisticated companies that are well aware of these conditions of competition. They demand that we meet or beat the prices being offered by other suppliers. Purchasers have substantial leverage in sales negotiations because a small number of purchasers account for a large percentage of U.S. citric acid consumption. Many of the large U.S. purchasers of citric acid either currently purchase Canadian and Chinese citric acid in the United States or in other countries, or they have done so in the past. Even the limited number of purchasers who generally purchase citric acid produced in the United States monitor prices for imported citric acid and demand that we meet the import price in order to keep their business.

During the 2006 to 2008 period of the original investigations, imports from both Canada and China increased, took market share, and suppressed domestic producers' prices at a time when demand was strong and increasing. As a result, the domestic industry lost about $40 million over those three years.

Like the domestic industry as a whole, ADM experienced significant negative effects caused by the increasing volume of subject imports during the period of investigation. Thus, ADM had significant and increasing operating losses during 2006 to 2008. The imports from Canada and China caused a cost-price squeeze. Subject imports acted as a lid on the prices we could charge. Even though demand growth was healthy during this timeframe, the readily available supply of dumped imports prevented us from passing increased raw material prices on to our customers. Due to these unfavorable economics, we made a corporate decision to shut down the Southport plant if we were unable to improve returns on the citric acid business.

Since the imposition of the orders, the state of the domestic industry has greatly improved. There is no question that the orders have restrained the volume and prices of imports from Canada and China. As a result, the domestic industry was able to regain lost market share and raise prices to levels that permitted a return to profitable operations during the 2009 to 2014 period of these reviews. The only variable in the market that changed was the imposition of duties to offset the dumping and subsidies.

In particular, the orders returned ADM's citric acid business to a profitable state over the past five years. This has allowed us to invest in our plant, as my colleague, Eric Warner, will explain in greater detail. Our profitability recovered immediately from large losses incurred during the 2006-2008 period, and we were profitable throughout the period of review. In short, the orders permitted us to completely turn around our business, which was headed toward termination due to the unfair pricing and the increased supply of imports from Canada and China.

The conditions of competition today are no different than in 2008, except that JBL Canada now makes sodium citrate and both Canadian and Chinese production capacity has increased. Both of these changes have increased the ability of subject producers from Canada and China to compete directly with each other and with the U.S. producers. The United States is an essential market for JBL Canada and Chinese exporters.

If the duties are removed, JBL Canada and the Chinese producers will again use lower prices to take sales from us. High prices in the U.S. market relative to other world markets will motivate Chinese and Canadian producers to sell as much citric acid as possible into the U.S. market. Large purchasers will use the leverage of unrestrained imports from Canada and China to force us to lower our prices to maintain the volume we need to run our plants on a continuous basis. Profitable operations will quickly become unprofitable.

If the orders are revoked, U.S. market spot prices will fall immediately and contract customers will cite the drop in spot prices to leverage contract prices down. Low-priced imports from Canada and China will undersell our current prices, which will require price reductions on our part in order to maintain volume. We anticipate that U.S. market prices would fall to global price levels and we would not be able to remain profitable. Accordingly, it is likely that we would be forced to terminate our production and sell the production assets for whatever they might bring on the market. In such an event, we anticipate significant financial losses and worker layoffs as part of the termination of this business.

JBL Canada argues that if the orders continue on China, then U.S. producers will not be harmed by revocation of the order on Canada. We strongly disagree. If the order is revoked on Canada alone, JBL Canada would be able to offer dumped prices to gain sales in the United States. That would push our prices to unprofitable levels, as was the case before the order was imposed. We would suffer a sharp reduction in spot prices for the remainder of 2015 and a sharp reduction in existing and future contract prices. Moreover, as Martin Hurt of Tate

& Lyle will describe to you in a few minutes, the imposition of antidumping measures in Brazil against imports from China did not prevent JBL Canada from undercutting Brazilian producers' prices to gain market share in that country. JBL Canada would similarly take advantage of continuation of the order against China alone in the much larger and contiguous U.S. market by using dumped prices to increase its sales volume in this country.

In short, the orders have greatly benefited the citric acid operations of ADM and the domestic industry. Their revocation would cause serious harm to ADM and its employees and their families . Please maintain the orders for another five years.

Thank you.