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)**

<u>TESTIMONY OF ERIC WARNER</u>

March 26, 2015

Good morning. My name is Eric Warner. I am the Plant Manager at ADM's citric acid plant in Southport, North Carolina. I began my career as a Maintenance Engineer at the Southport facility in 1983, when the facility was owned by Pfizer. I became an ADM employee in 1990, when ADM purchased the plant.

Almost six years ago, when I appeared before you, our plant in Southport was in dire straits. Today, as I come before you, our plant is in much better shape, both financially and physically. This improvement is clearly due to the orders.

The way citric acid is made has not changed much in the past six years. Production of citric acid is capital intensive. ADM's plant in Southport, North Carolina needs to maintain continuous production and high rates of capacity utilization in order to obtain satisfactory yields and acceptable costs. Because citric acid is an organic product, produced by a lengthy fermentation process, it is difficult to slow or stop production. Slowdowns have a significant adverse impact on our per unit fixed cost of production. Shutdowns require a time-consuming flushing and sterilization process in order to resume production.

Citric acid is a very small part of ADM's total global business, but for the approximately 250 ADM and contract employees who work in the Southport plant, the citric acid business is their livelihood. The same is true for the ADM employees in our corn milling facilities in Iowa and Illinois where the substrate for our citric acid is produced. The jobs at the Southport plant are among the best and most sought-after in southeastern North Carolina.

Despite the fact that ADM's plant in Southport is efficient and environmentally friendly, increasing imports from Canada and China seriously jeopardized its continued operation. Our U.S. citric acid operations, including all of the jobs at our Southport plant, were at risk before the orders were imposed. As I explained during the hearing in your original investigation, we had to lay off a large number of employees and contract maintenance workers in 2006. The remaining jobs at our plant were threatened by the ongoing negative effect of imports from Canada and China.

Before the orders were imposed, our unprofitable operations forced us to cut costs very aggressively to maintain our citric acid operations. In addition to the employee layoffs that I mentioned, we had to reduce fermenter output in order to prevent the buildup of inventories. Another major cost-cutting measure we took before the orders were imposed was to defer all but the most critical expenditures to maintain our plant and equipment. Our plant was urgently in need of investment, but the company could not justify additional capital expenditures in light of the negative returns that low-priced imports from Canada and China had caused for several years.

Before the orders, almost all infrastructure repairs (such as siding, roofing, floor, and painting) were placed on hold. Even though equipment needed to be replaced, capital funds were not available for these projects. Instead, the equipment was repaired and patched to try to keep it operational.

The orders against Canada and China resulted in a dramatic increase in the profitability of our citric acid operations. This improved profitability has allowed ADM to justify making substantial investments in our citric acid business every year during the period of review. As you will see from our confidential questionnaire response, our average annual capital expenditures during 2009 to 2013 far exceeded those made during 2006 to 2008. The orders permitted us to make numerous improvements in plant and equipment and also to the rail transportation siding that services the plant.

Attached to our questionnaire response is a two-page, single-spaced list of the specific capital expenditure projects that we did not pursue at our Southport plant during 2006-2008 because of our poor financial performance. We provided that list in the original investigations to show what was needed but not being funded. Also attached to our questionnaire response is an eight-page list of capital projects that we did complete at our Southport plant during the period of review.

In short, the orders on Canada and China have saved our Southport plant. By 2008, we had gone to great lengths to cut costs and improve productivity, but these efforts were inadequate to improve the profitability of our operations in light of unfair import competition from Canada and China. After the orders were imposed, our profitability improved dramatically and we have made significant capital investments in our facilities every year. Revocation of the orders on either Canada or China would quickly jeopardize our profitability and place the continued existence of the Southport plant at risk.

Thank you.