

Testimony Of Robert Bloom, FBC Industries Inc.

1. Good afternoon. I am Robert Bloom, President and CEO of FBC Industries, Inc. FBC is a manufacturer of liquid food ingredients headquartered in Schaumburg, Illinois. FBC employs more than 25 employees. Among the products FBC manufactures is liquid sodium citrate. A principal raw material for producing liquid sodium citrate is citric acid.

2. FBC pioneered the development and manufacture of liquid sodium citrate, which we sell to food manufacturers. All sodium citrate starts out in liquid form. Most U.S. producers have invested in expensive drying and crystallization equipment to produce dry sodium citrate. By avoiding this step, we can sell our liquid sodium citrate at competitive prices even after accounting for the higher cost of transportation. The liquid form also offers the advantages of ease of handling, stable concentration, and precise metering.

3. There are no substitutes for citric acid in the production of sodium citrate. Therefore, the security and reliability of supply is the most important consideration in selecting a citric acid supplier. Because we sell to food manufacturers, the quality, purity, and safety of the product are essential. Cost is important, but only after the first two criteria have been satisfied. In addition, FBC insists on having multiple qualified sources of supply in order to protect itself against supply disruptions.

4. During the 2006-2008 time frame, FBC purchased citric acid from U.S. domestic producers, Chinese importers, and from Canada. Given the opportunity, FBC would prefer to purchase most of its citric acid supply domestically. The domestic producers are well-known, long-established suppliers who are easy to qualify. Before we buy citric acid, we first have to qualify the producer, which requires an on-sight inspection and audit of their manufacturing facility and the laboratories. The qualification process takes roughly 30 days. We examine all aspects of their operation including cleanliness, equipment size and age, and the qualifications of the operators and technicians. A supplier must also have sufficient energy resources, a sufficient volume of output to service our requirements, be a reliable supplier, and must meet ISO, FCC, Kosher, and other requirements. From 1999 to 2008, I personally inspected between 15 and 20 plants in China and we only approved four or five. Currently, only three Chinese producers are approved to supply us.

5. A second advantage of domestic suppliers is a much shorter supply chain, meaning that our inventory costs are much lower. For Chinese suppliers we have to assume at least 8 weeks lead time, compared with at most two weeks for domestic manufacturers. This means that we need to have at least 8 weeks worth of inventory in our warehouse. Given the quantities of citric acid

we need for our manufacturing operation, the incremental cost of keeping an 8 week inventory vs. a two week inventory is substantial.

6. Despite these advantages of domestic supply, during the past three years we have been forced to increase our dependence on imported citric acid from China. ADM and Cargill both produce and sell dry sodium citrate that competes with the liquid sodium citrate that we are producing. Those two companies therefore have no interest in supplying us. When we have contacted them in the past with requests for quotations, they did not even bother to respond. Tate & Lyle did supply us with some of our citric acid needs in the past, including in 2008. Tate & Lyle's prices have always been competitive, and in many cases lower than the prices of Chinese suppliers. In 2008 Tate & Lyle was the lowest cost supplier by far. Tate and Lyle agreed to a contract at a very competitive price in November of 2007 and then held that price for 2008, despite the fact that our Chinese suppliers were demanding price increases in 2008 to account for higher raw materials costs.

7. Our plan in 2009 was to increase our purchases from Tate & Lyle. However, when we contacted Tate & Lyle in late 2008 to request pricing and available volumes for 2009, they kept putting us off. Eventually, Tate & Lyle told us they would not sell us any citric acid in 2009 because they had determined, as a matter of corporate strategy, to focus on supplying end-users in

the food and beverage sector. As a result, FBC has been scrambling to locate additional supply. As in past years, ADM and Cargill have not even responded to our requests for quotations. We therefore have no choice but to rely completely on imports for our supply.

8. Please understand, the domestic producers have every right to operate their business as they see fit, and to direct their available capacity to the market segments that they regard as the most advantageous. Because U.S. demand for citric acid far outstrips domestic supply capacity, they have the ability to pick and choose their customers in this manner. It is fundamentally unreasonable, however, for the domestic producers to then come before this Commission demanding punitive duties on the imports that the rest of the market depends on. The domestic manufactures target the largest food and beverage end-users for large annual supply contracts each year. To get this business, they offer attractive prices and agree to hold prices fixed for the year. It is the competition for annual contracts among the three U.S. producers that sets the price level in the market.

9. Imposing tariffs on imports from China and Canada will needlessly penalize FBC, a U.S. manufacturer, by denying us access to the citric acid we need to run our business, and which the domestic producers refuse to sell to us.

10. Thank you, and I will be happy to respond to any questions.