Final Hearing
International Trade Commission
October 20, 2009

Commodity Matchbooks from India
Inv. No. 701-459 (Final)

Statement of
Julia Bartlett
Petitioner D.D. Bean & Sons Co.

My name is Julia Bartlett and I have worked for D. D. Bean 21 years now. It's true – I am a second generation match-maker. My job title is Vice President of Fulfillment Management, but like so many of our employees I am frequently asked to perform tasks well outside my job description. This certainly creates a stimulating but challenging work environment. I wanted to share that with you because it helps to explain why I am part of this team and why I am here presenting information about the injury we have sustained because of the dumped and subsidized matchbooks from India.

I have read the Staff Report, public version, dated October 2, 2009. Although the proprietary information has been excluded, the report did help me to understand the types of injury indications you would be considering when making your determination, and ultimately awarding trade relief.

What I want to cover in my statement is evidence of injury we have sustained by reason of the dumped and subsidized imported matchbooks from India.

Volumes of dumped and subsidized commodity matchbooks from India are significant

We began tracking import volumes in 2003 using an online subscription customs data source. In just three years, from 2003 to 2006, reported Indian import volumes increased 22 times from 3,250 cases in 2003 to an alarming 74,318 cases in 2006. It was during that year – 2006 – that we started fighting back. In 2006 we introduced price discounts and roll backs because the volumes of Indian imports were increasing at such a dramatic rate. It was in 2007 that our aggressive pricing efforts began impacting the volume of imports and we were effective in reversing the trend of increasing volumes because we continued to match the dumped prices. In 2008 and into 2009, we kept fighting for customers and sales in the marketplace by lowering and holding prices. And then, in May 2009, subject imports ceased entirely because of the temporary dumping and subsidy orders.

We believe that if we had not dropped our prices to keep and win-back market share, the dramatic trend of increasing volumes of dumped and subsidized imports would have continued, causing the domestic industry to rapidly lose sales and volume. This is a straight-forward scenario where significant volumes of dumped imports greatly impacted the domestic industry and the only defense, albeit an unsustainable one, was to meet and beat the dumped pricing.

Because of the rapid run-up in import volumes, as well as our 2003 communications directly with Triveni about their production volume capabilities, we believe dumped and subsidized commodity matchbooks imported from India have not only already caused material injury to the domestic industry, but also continue to represent a significant and very real threat to the domestic industry.

<u>Significant Price Underselling Causes Price Depression & Price Suppression</u>

Large volumes of dumped and subsidized commodity matchbooks first targeted the biggest matchbook markets – the Northeast and mid-Atlantic regions. Customers were reporting very low prices in the market; this price underselling is now further supported by the prehearing staff report, which also indicates price underselling by an average of 16.4% (page V-11), with no instances of overselling. In fact, we believe this reported underselling margin <u>understates</u> the actual degree of underselling, because it reflects the difference between our already-depressed and already-suppressed pricing and the pricing of the imported product.

We needed to respond to the low prices quoted our customers and we did respond. We lowered our prices in 2006 to avoid losing sales. In some instances, we were forced to cut our best price - for a truckload of commodity matchbooks - by 50% to make the sale. I believe the Commission has had the opportunity to verify many of these lost revenue claims through the investigation process. For a small company like ours, losing approximately $2 million in revenue from price depression is staggering and the impact on profitability is unsustainable.

Price underselling by the dumped and subsidized imports has also forced us to hold prices without the opportunity to pass on increases in raw material and factory costs. For example, in 2008 when energy costs spiked causing increases to factory costs and increases to raw materials like paraffin, we could not react appropriately and pass on a portion of the expense in our pricing. Furthermore, over this same period, two of our key raw materials, match stem and potassium chlorate, increased in price by 46% and 112% respectively. We haven't been able to pass on these increases because of price suppression from the presence of dumped and subsidized matchbooks from India. In some instances we tried raising prices only to roll them back again to meet competing Indian prices for dumped matchbooks.

With increases to key raw materials, at a time when many industries were passing on price increases, we were holding prices because of the dumped and subsidized matchbooks from India. The result has been a convergence of our net sales value and raw material costs. As a component of cost of goods sold we can isolate the raw material cost trend and see the unit cost increasing and the margin between average net sales value and raw material unit cost decreasing. Price suppression has a direct impact on the ratio because we are not able to pass on the raw material increases.

Furthermore, the pricing problems are not limited to roll-backs or price suppression. We have lost significant sales to dumped and subsidized commodity matchbooks imported from India. We have provided evidence of lost sales and I believe the commission has had the opportunity to verify much of the lost sales claim. When given the opportunity to quote against the dumped matchbooks, we cut prices to get the order or keep the customer. Still, even with our deep discounts we lost sales and we estimate that, in addition to the $2 million in lost revenue, we have lost approximately $1 million in lost sales. Again, we believe the commission has had the opportunity to verify the majority of these claims during this investigation process. We also believe the injury from lost sales is underestimated because we have traced instances of imports from India to our customers where we were not even contacted for a competing quote.

The impact on us of this price depression and price suppression has significantly reduced our total revenue and also the average net sales value for a case of commodity matchbooks. The loss of revenue has contributed to operating losses and marginal profitability throughout the period.

The Domestic Industry and Operations Are Materially Injured by Reason of Dumped and Subsidized Matchbooks from India

Production, Capacity, and Employment are Negatively Impacted

The impact on operations has been severe and pervasive – there is not one aspect of our business that hasn't been harmed by the dumped matchbooks. Production volume fell causing a 10% decline in utilization in 2007. Because of our pricing response – meeting the less-than-fair-value price – the lost sales volumes began to level off and we held capacity, at this reduced level, into 2009. Now, since the Preliminary Order was put in place last spring, our interim 2009 production is up and capacity utilization is rebounding.

We have laid off workers and left empty positions unfilled. Since 2006 our production workforce has been reduced by 20%. This is a significant reduction and we cannot continue to operate at these staffing levels because the reduction is not an indication of better efficiency but rather a practice of stealing from Peter to pay Paul. We are asking production workers, and administrative workers too –

like me, to take on more work, work outside their job descriptions. Other important issues like safety, quality, and maintenance are just not getting the attention they deserve or are only being addressed when a problem arises. The impact of lost volume on production, capacity and workers is injuring the industry and the workers too.

Sales Volume and Sales Revenue are Negatively Impacted

Because of the significant import volumes, our U.S. shipments declined in 2007. The sales volume decline came with a corresponding decline in revenue further influenced by a decline in average net sales value per case. So, in 2007 and 2008 we saw declines in volume over 2006, and declines in revenue caused by dumped imports, but the decline was sharpest in revenue because of the price underselling which caused repeated and widespread incidence of price depression and price suppression.

However, the Preliminary Order was issued last spring and we began to see some relief from the impact of dumped imports. For the interim 2009 period, we have been increasing some of our depressed and suppressed prices and the result has been an increase in average net sales value over 2008. The Preliminary Order has allowed us to begin pricing our product more fairly to reverse the decreasing and depressed trend on our gross profit, and work towards earning a reasonable operating profit again for our product. This is compelling evidence of injury and the importance of trade relief because the impact of the Preliminary Order has already positively influenced our average net sales value.

Profitability has been Negatively Impacted

Profitability has clearly been impacted by the loss of volume and the loss of revenue by reason of dumped and subsidized imports. Our gross profit declined sharply in 2007 after we rolled out aggressive price cuts to fight the dumped pricing from India. The contribution from gross profits didn't cover our SG&A expenses that year and we suffered a significant operating loss.

We knew we couldn't repeat that in 2008; however we were stuck in a difficult situation because we couldn't raise prices to boost revenue because of the dumped imports, and we didn't have any control over our raw material and factory costs, which were climbing in 2008, so we tried to squeeze our direct labor to boost gross profitability in 2008. By asking all of our workers to do more, we were able to cut positions and defer other work indefinitely. Because of these changes we lost some good workers but we stabilized the declining gross profit trend in 2008.

Had it not been for these efforts, the continued decline in revenue and average net sales value would have resulted in another drop in gross profit and ultimately an operating loss. All along, throughout this period, we have been making difficult decisions just to keep in business. But these practices are not sustainable and without trade relief we won't be able to hold out much longer.

Mortgaging our Future

As I've said, all aspects of our business have felt the impact of the dumped and subsidized commodity matchbooks from India. We have put important projects on the shelf and we have re-invested very little back into the business because we don't have the cash or profits to support these expenditures.

In the last three years we have only replaced equipment when it was essential to daily operations. We have overlooked many important maintenance rebuild projects, which will undoubtedly catch up to us very soon. Our decades of manufacturing success have taught us the right way to maintain and reinvest in our equipment and we know that we are not fulfilling that obligation right now, primarily because of cash flow impacted by profitability, which has been hurt by dumped and subsidized commodity matchbooks from India.

Conclusion

We need trade relief to reverse the financial trends we have been struggling with, especially from price depression and price suppression because of dumped imports. It is really no surprise that our operations are so drastically injured at these pricing levels because the dumping margin is so large – 66%. How could we not be injured when that degree of dumping is occurring?