

Before the U.S. International Trade Commission

**Melamine from China and Trinidad & Tobago, Inv. Nos. 701-526-527 & 731-TA-1262-1263
(Final)**

**Hearing Testimony of
Scott Hansen, Ineos Melamines LLC**

My name is Scott Hansen, and I am the Operations Manager for Ineos Melamines LLC, located in Springfield, Massachusetts. I have been with Ineos since 2005, and in my current capacity I am responsible for all of Ineos's U.S. purchases of melamine.

Ineos is primarily a producer of melamine resins. We buy melamine crystal, the product subject to this investigation, and through the addition of other chemicals, we produce a wide range of melamine resins that are used in the automotive, paper, and tire industries.

Ineos is a major U.S. consumer of melamine, and for that reason, we buy melamine from a wide range of sources. We have a strategic partnership with OCI N.V., the Dutch producer of melamine. Through a global contract, OCI supplies Ineos Group facilities in the United States and Europe with melamine, and Ineos Melamines LLC obtains 60 to 70 percent of its annual U.S. melamine requirements from OCI. We purchase the remaining amount of our requirements from the open market.

After OCI, our most important supplier for the U.S. market is China. We source from a number of Chinese suppliers, and overall, find their quality to be acceptable for our production process. We rely heavily on Chinese supply because they are able to sell a quality product at a price that is consistently lower than other suppliers in the market. I began purchasing Trinidadian melamine from SCC in 2011, shortly after it began selling Trinidadian melamine in

the U.S. market. Ineos's production facility in Springfield is set up so that we can accept delivery of melamine either by railcar – we own 8 of our own railcars – or by supersack, though for reasons of operational efficiency, we prefer to take delivery by railcar.

In 2012, SCC delivered approximately 1.5 million pounds of melamine to us by railcar. I understand that SCC did so by emptying supersacks of melamine into our railcars at one of their warehouse facilities. However, during transit, SCC's melamine clumped so badly that it did not freely flow from the railcar. For some of the cars, we had to break up the clumped melamine so that it would flow freely, but others that had clumped more severely we returned to SCC. After that experience, SCC only offered to sell us melamine in supersacks, though we do continue to take some deliveries from OCI by railcar.

Finally, during the period being examined by the Commission, we also made a purchase from Cornerstone. As the Commission is aware, Cornerstone was previously part of Cytec Industries, and was spun off as a separate company in 2011. Cytec was a competitor to Ineos, in that we both produce melamine resin products. For that reason, we as a company were uncomfortable with purchasing melamine from a company that is, in essence, a cousin to one of our direct competitors. To do so would raise the possibility that our competitor might learn of the cost of one of our key inputs.

In 2013, after Cytec had divested its melamine resin business to Allnex, we made one purchase of Cornerstone material from a third party for first quarter 2013, and one purchase from Cornerstone directly in second quarter 2013. But from Q3 2013 to Q4 2014, Cornerstone made limited efforts to sell us melamine. The only formal price quotation I recall receiving from Cornerstone was in the third quarter of 2013, when they offered us a price that was higher than the price we were receiving from all of our suppliers at the time, including Dutch material. Since

declining that offer, I do not recall receiving any formal price quotations from them until the end of 2014, after the filing of the petition, for Q1 2015 sales, which is what I informed your staff. While we continue to have discussions with Cornerstone about supply, I can tell you that the prices they are quoting continue to be higher than the prices we receive from our Dutch supplier. In 2015, I also received overtures for supply from a German supplier, as well as from a Japanese supplier who offered to be price competitive with our Dutch supplier.

Finally, I would also like to speak about some of the factors that drive prices in the U.S. melamine market. Like most melamine purchasers, we negotiate prices on a quarterly basis, and prices generally do not follow seasonal or cyclical patterns. Rather, when negotiating these quarterly prices, we take into account a wide range of factors, such as our anticipated requirements and perhaps most importantly, our perception of the adequacy of supply in the marketplace for that coming quarter. From the beginning of 2013 through the end of the third quarter, Ineos believed that the supply of melamine in the market was contracting. Cornerstone's force majeure announcement contributed to that impression, as did supply problems from Trinidad. As a result, the price from many of our suppliers increased from the first quarter through the third quarter of 2013. In the latter part of 2013 and through 2014, additional supply entered the market, particularly from China, and as a result, the market prices declined. But during both the run-up in prices in 2013 and the decline in prices in late 2013 and 2014, our experience was that Chinese melamine was consistently the lowest priced melamine in the market.