

U.S. International Trade Commission
Persulfates from China
January 16, 2014

Testimony of Bruce Lerner, FMC Corporation, Vice President and Global
Business Director

Good morning. My name is Bruce Lerner and I'm Vice President and Global Business Director of the Peroxygens Division. I joined FMC in 2007 as the General Manager of FMC's Peroxygens Division and have served as the Division's GM since that time. By way of background, I have a PhD in Chemistry.

FMC is a diversified manufacturing company serving agricultural, industrial, environmental, and consumer markets globally for more than a century. FMC headquarters are in Philadelphia, Pennsylvania. FMC employs approximately 6,000 people world-wide and operates its businesses in three segments: FMC Agricultural Solutions, FMC Health and Nutrition, and FMC Minerals. The company, in 2012, had gross revenues in excess of 3.7 billion dollars.

FMC Global Peroxygens, a division of FMC Corporation, is a producer of inorganic chemicals with leading market positions in Hydrogen Peroxide, Persulfates, and Peracetic Acid.

FMC's Tonawanda, NY site, the sole domestic persulfates production facility, was at one time the largest persulfates plant in the world. Today, the size of the company's production facilities has been surpassed by several Chinese producers. The Tonawanda facility employs approximately 100 American workers. Our Tonawanda site is also home to our process and application technology center. This research and development center is responsible for new process and product applications R&D for our persulfates and other peroxygen products, while also ensuring that the products are produced safely and with high quality.

I would like to thank you for the opportunity to appear before you today, as the continuation of the antidumping duty order against persulfates from China

is essential to the continued existence of the only persulfates manufacturing operation in the United States.

It is my understanding that, in this sunset review, the Commission is to determine whether revocation of the persulfates order would be likely to lead to material injury to the domestic industry within a reasonably foreseeable time. As you have read in the pre-hearing brief, included among the main elements that would contribute to injury is the massive excess capacity in China and the continued export orientation of the Chinese persulfates industry. As this Commission is well aware, as the sole domestic producer, FMC is the domestic industry. As the Vice President in charge of the company's persulfates operations, I can assure you that revocation of the order will immediately lead to very serious injury and cause the ultimate demise of the domestic persulfates industry.

Persulfates are a commodity product competing in a global market. The opportunity for product differentiation in these markets is limited, making

price a critical component of the purchasing decision. There is a tremendous global oversupply, and this oversupply is likely to persist due to past and continued Chinese capacity expansion. This capacity expansion, coupled with relatively high fixed production costs and the short shelf life of persulfates, has led to intense price competition in certain markets outside the United States. The antidumping duty order has shielded the domestic persulfates industry from the predatory pricing behavior we have seen in certain non-U.S. markets such as South America and Asia.

During the original investigation in this case there were only four known producers of persulfates of any significance in China. Today there are at least 24 known Chinese producers. These 24 producers represented a total capacity of 706 million pounds in 2013, which is nearly 13 times as large as U.S. consumption in 2012 and more than twice as large as consumption in China in 2012. The top five Chinese producers alone accounted for 367 million pounds (or more than half) of China's persulfates production capacity in 2013. In 2012, China utilized only 77% of its capacity. However, that low capacity

utilization rate did not deter Chinese producers from expanding by nearly 50% in 2013. If China's capacity utilization rate remained at 77% in 2013, then China currently has 162 million pounds of unused capacity with which to flood the U.S. market, should the antidumping order be revoked. In other words, unused capacity in China is almost three times the size of the entire U.S. persulfates market. If their utilization rate dropped, then that unused portion is an even greater threat to our U.S. industry.

The Chinese persulfates industry and the Chinese government, following an asset utilization strategy, show no signs of relenting. There is every reason to believe that the Chinese will continue to increase capacity as they pursue a philosophy of creating jobs and exports, not creating an efficient, cost-effective industry. With revocation of the order, Chinese unused capacity is more likely to be dumped in to the United States causing massive injury to the domestic industry as the Chinese exporters compete, on the basis of incessant price cutting, among themselves for market share and to relieve themselves of distressed inventories

Persulfates prices in the United States are higher than in areas of the world where Chinese persulfates are sold, thanks to the existence of the U.S. antidumping duty order. Should that order be revoked, however, the higher U.S. prices will create a funnel effect, inevitably attracting massive Chinese persulfates imports to the U.S. Given their vast excess capacity, the Chinese could easily serve all of their existing customers while, at the same time, flooding the U.S. market with persulfates.

If this Commission were to vote to remove the protection of the order, the competitive health of the domestic industry would significantly deteriorate virtually overnight. The domestic market would immediately be deluged with Chinese imports, eliminating any possibility of the U.S. industry's survival.

The U.S. market is currently a competitive market, and increasingly so. With participation of German, Japanese, Taiwanese, and Indian persulfates producers, it is the order that enables fair competition. However, the impact of removing this order will be that all competition, other than that between the

various large Chinese producers seeking to gain U.S. market share, will cease to exist.

The U.S. persulfates market is mature with minimal or low growth. FMC has sufficient capacity to meet all U.S. demand.

While, early on, persulfates use in oil and gas recovery and in environmental remediation looked to be very promising, the actual development of these markets has been disappointing. In addition, any enhanced demand that can be attributed to oil and gas and environmental remediation, has been offset by FMC's loss of the printed circuit board and recreational water markets.

I would like to also illustrate to the Commission the favorable effects of the original order and its continuance under the sunset reviews. After an extended period of over 10 years under the order the domestic industry finally recovered from the damage due to the previous dumping to the point of achieving reinvestment economics. As a function of this we have cautiously

invested capital to perform long needed infrastructure improvements to our Tonawanda plant, modernize our laboratories at the site, and purchase more efficient and productive production equipment to remain a competitive, reliable and quality supplier to our customers. The continuance of the order is absolutely necessary for FMC to be able to continue to recover, recoup our costs and compete fairly along with other competitors to provide benefits to our customers, shareholders and ourselves. This would be impossible and lead to irrevocable damage and harm in the presence of the certain dumping of the vast Chinese oversupply which would be funneled to the US.

On another note, as the Commission is well aware, FMC has signed a definitive agreement to sell its Peroxygens business, including persulfates, to One Equity Partners, the private investment arm of J.P. Morgan Chase & Co. I am intended to be the CEO of the new company. As the intended CEO, I can assure you that nothing will change with respect to the persulfates operations, and the existing management team and employees are being transferred to the new entity. The new company is absolutely committed to

the continued production of persulfates at the Tonawanda plant well into the future.

In closing, thank you again for your time this morning. I appreciate your attention during my testimony regarding the facts and reasons presented which lead me to remind the Commissioners that, it is essential that you vote to continue the order if we are to preserve the domestic persulfates industry and the jobs of nearly 100 Americans associated with the persulfates business working at FMC.

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