

**Testimony of Julie Pajic
Director of Pricing, Berwick Offray, LLC**

Good morning. My name is Julie Pajic. I am the Director of Pricing for Berwick Offray. Thank you for giving me the opportunity to appear before you today.

I have been working at Berwick Offray for over 23 years. My current role is as Director of Pricing and I have previously served as Director of Sales, Executive Vice President of Marketing, and Senior Vice President of Sales and Marketing.

I would like to spend my time this morning showing you the types of products we market, describing the channels we sell in, and finally discussing competition we encounter in the domestic PDR market, and in particular the head-to-head competition we face from unfairly traded, low-priced imports from China.

Berwick Offray is a U.S. manufacturer that has been making plastic decorative ribbon (PDR) in the United States for over 70 years. Our products are tied to celebrations or commemoration in people's lives. They make people feel special as they receive a holiday gift or bouquet of flowers adorned with a ribbon. That said, our ribbon products are often the last step our consumers think about when finishing a gift. This means that we must be very visual in our retail displays and competitive in our pricing, in order to convince consumers that a ribbon is needed as a memorable, final touch.

We have made it our passion to be innovative in manufacturing and design. We essentially created this industry and we did so entirely within the United States. Our ribbon production is done entirely in Berwick, Pennsylvania. To be able to do this start-to-finish manufacturing here in the United States requires production processes that are constantly being developed and re-engineered to be more efficient and competitive. We pride ourselves on our ability to reflect on and respond to changes in market conditions when designing our products and our production

processes. As the largest PDR producer in the United States, we are experts at figuring out which products will succeed in the market and then how to make those products.

Our products are ultimately sold in two channels of distribution. The largest and most important channel is sales to retailers - primarily Big Box stores - who sell to consumers. The second, smaller channel is bulk sales to businesses that incorporate our ribbons in *their* final products, such as balloon bouquets and floral arrangements. We supply this channel by selling directly to those businesses, or by selling to distributors who supply those businesses.

Regardless of the channel, our buyers are strikingly savvy. From my years of experience in sales, I can tell you that our buyers are incredibly sophisticated, with many of them having MBAs from schools like Harvard or Wharton. Our customers include some of the largest retailers and largest specialty retailers in the United States. As a result, negotiations with our buyers are intense and price focused. Upon entering these negotiations, retailers commonly ask for our product cost breakdowns and bill of materials. When they want a lower price, they ask us to alter our products. Sometimes they even give our product cost breakdowns to Chinese competitors to support a competing quote. It is not unusual for the success or failure of a particular sale to come down to a couple pennies. The price pressure is relentless.

As a result of this competition with low-priced imports from China, we have lost sales and parts of programs purely based on price. We have also had to reduce price in order to keep a sale due to competition with the imports from China. U.S. prices have decreased since 2015 as a result of this competition, leading to compressed margins for our company.

Because of the seasonal nature of our industry – sales to consumers are concentrated in the Holiday Season – many of our negotiations are for year-long supply agreement with negotiations beginning 12-14 months in advance. We are currently negotiating for Christmas of 2019. As you

can imagine, this increases the importance of any single negotiation. It is no exaggeration to state that everyone in the industry is paying close attention to these proceedings with an eye on the 2019 Holiday Season.

Chinese and U.S. ribbon PDR are essentially interchangeable. As experts in the field, we believe that our ribbon products are of a higher quality, but we recognize that – to our customers – PDR products from China and the United States are essentially the same. To illustrate the interchangeability of Chinese and U.S. ribbon products, I would like to now show you a few physical examples of these products.

As you can see from these samples, we produce a wide range of SKUs, but our products compete directly with identical products made in China. For example, I have here four pairs of PDR products, one of which is produced in Berwick, PA, the other produced in China.

The similarity in products means that competition for sales comes down to price. Increasingly so. When I started working at Berwick in the 1990s, price was a critical factor in our sales, but it was not the only factor. There used to be a time when our high quality, logistical experience, manufacturing expertise, and product innovation were equally important factors in attracting customers. Remember, this is a U.S. industry that Berwick essentially created. Over time, however, our products and marketing methodologies have been copied by Chinese firms. I have seen Chinese PDR products that are exactly like ours but at prices below the cost of production.

I want to reiterate that we know PDR products. We know how to make them and we know how much it costs to make them. What we do not know is how Chinese PDR is entering the United States at prices far below the cost of production. We have the most efficient and innovative production processes in the world, yet we cannot match the pricing of these Chinese imports. This

all suggests that there are other forces at play that are allowing Chinese ribbon products to flood the U.S. market at such low prices.

In my over 20 years at Berwick, we have never had a shortage of supply. We have never been unable to fulfill a customer's order because of a lack of capacity or innovation on our part. In fact, when for Chinese PDR orders arrive late or damaged, we get last minute calls from our customers to fill those orders and keep their shelves stocked.

Demand in the U.S. PDR market is steady. This is a mature industry because PDR has been an important part of our gift-giving culture for generations. In other words, the year-to-year demand for ribbon products in the United States does not differ significantly. This means that the surge of Chinese imports has not been caused by some dramatic uptick in demand, but rather the dumping.

When we appeared before the Commission in January, we had just concluded one of our toughest sales negotiation seasons I have seen in my 23 years at the company. However, the preliminary antidumping and countervailing duties on PDR products from China made a significant impact on our sales and operations this year, as Chris just discussed.

If we do not receive relief from the dumped imports from China, I fear that our company and the community of Berwick, Pennsylvania would really suffer. Without a remedy, our manufacturing plant may have to go silent. The effects of the surge of Chinese imports in the U.S. market extends past a loss of profit for Berwick or a closing of a manufacturing operations – it is a direct hit for our community. That would be disastrous for Berwick employees, the town of Berwick, Pennsylvania and the surrounding counties. As one of the largest employers in Berwick we provide reliable, high-quality jobs to this small community where not many other employment

opportunities exist. Many of Berwick's employees have worked here for decades. Any loss of jobs at Berwick would be devastating.

Thank you for your time.