

UNITED STATES INTERNATIONAL TRADE COMMISSION

In the Matter of:)
)
GLYCINE FROM INDIA, JAPAN,) Investigation No.:
AND KOREA) 731-TA-1111-1113
) (Preliminary)

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I N D E X

PAGE

OPENING STATEMENT OF GREG HUSISIAN

4

P R O C E E D I N G S

(9:31 a.m.)

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2
3 MR. CARPENTER: Good morning and welcome to
4 the United States International Trade Commission's
5 conference in connection with the preliminary phase of
6 antidumping Investigation Numbers 731-TA-1111 to 1113
7 concerning imports of glycine from India, Japan, and
8 Korea. My name is Robert Carpenter; I am the
9 Commission's Director of Investigations and I will
10 preside at this conference. Among those present from
11 the Commission staff are from my far right Diane
12 Mazur, the supervisory investigator; Russell Duncan,
13 the investigator; on my left Charles St. Charles, the
14 attorney/advisor; Amelia Preece, the economist; Justin
15 Jee, the auditor; and Philip Stone, the commodity
16 industry analyst.

17 I understand the parties are aware of the
18 time allocations. I would remind speakers not to
19 refer in your remarks to business proprietary
20 information and to speak directly into the
21 microphones. We also ask that you state your name and
22 affiliation for the record before beginning your
23 presentation.

24 Are there any questions?

25 (No response.)

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1 MR. CARPENTER: If not, welcome Mr.
2 Husisian, please proceed with your opening statement.

3 OPENING STATEMENT

4 MR. HUSISIAN: Thank you. I am happy to see
5 everyone here who was so helpful in getting the
6 petition together. We try to think of everything as
7 we're putting it together but there's always a few
8 open spots and you've all been so helpful in plans and
9 helping work out the little kinks. We're very
10 appreciative, appreciative of the opportunity to come
11 here and to say why we think that there should be an
12 affirmative preliminary determination.

13 My name is Greg Husisian, as you know, and I
14 am accompanied by David Schwartz and Jennifer Stein
15 and Jason Hungerford from Thompson Hine. I will keep
16 my remarks today short because I know you want to hear
17 mostly from people who are on the ground and who are
18 dealing with the imports day in/day out.

19 All I can really add is that this is as far
20 as I can tell a textbook material injury case. All
21 the factors that the ITC customarily looks at are
22 indicative that there is an injured company here, an
23 injured industry, that the cause is the subject
24 imports. The state of the U.S. industry is precarious
25 as indicated in the petition and the questionnaire

1 without going into the APO data it's apparent that
2 GEO's glycine business has suffered losses throughout
3 the POI, and that's very relevant because GEO, as you
4 know, is the overwhelming majority of the U.S.
5 industry.

6 The volume of imports, as you will hear, is
7 not only significant at more than a third of the
8 market but it's also growing rapidly. On a cumulative
9 basis import volume has more than doubled over the
10 POI. And in terms of market share subject imports
11 rose from less than 20 percent of the domestic market
12 to well over a third. Customers purchase this
13 additive primarily for USP applications based on price
14 and the imports are consistently underselling GEO.
15 And we'll be happy to go into that in detail in our
16 post-conference submission.

17 And the impact of the subject imports is
18 obvious as well. GEO has been consistently losing
19 market share, its capacity utilization has fallen,
20 profits are non-existent, and it has been unable to
21 raise prices even enough to keep pace with rising
22 import costs. And when you look at the overall
23 industry you are going to find that this is not
24 something that is isolated just to GEO. And it just
25 doesn't get much worse than this.

1 We are going to discuss all this in detail
2 in our post-conference brief where we can get into the
3 data but even the publicly available Customs
4 statistics tell you everything you need to know.
5 Subject imports have increased their share of the U.S.
6 market from less than 20 percent in 2004 to more than
7 36 percent in 2006 while the prices of the subject
8 imports have declined to their lowest levels of the
9 POI.

10 The rise of the subject import market share
11 and the fall in subject import prices is mirrored by
12 similar magnitude decrease in the market share of GEO,
13 GEO's selling prices being dragged down to meet the
14 unfairly traded prices prevalent in the marketplace
15 which is being dictated and driven by the pricing
16 behavior of the subject imports.

17 As you know, the preparation of a petition
18 is time consuming and it's expensive. GEO is not a
19 particularly large company. They would not have taken
20 this step if there were any other alternatives. But
21 GEO has done everything that it can to get its costs
22 in order. It's brought new management to the business
23 and they are focused on their customer needs. So they
24 have controlled everything they can control. But its
25 only choice in an environment where it is surrounded

1 by unfairly traded imports are to either lose further
2 sales or to sell at a loss just as it has been forced
3 to do for five years. Having to make that choice over
4 and over again is not a story that can have a happy
5 ending.

6 We look forward to telling you the tale of
7 the company. Bill Eckman, CFO of the company can tell
8 you about the situation and Judy Jackson who is
9 involved day to day in selling.

10 MR. CARPENTER: Thank you, Mr. Husisian.
11 And for the record, I understand there is no opening
12 statement by Respondent. So feel free to move
13 directly into your panel's presentation at this point.

14 MR. HUSISIAN: Okay. The order is Bill
15 Eckman will be speaking first. And he is intimately
16 involved both in the running the GEO operations and
17 also in the preparation of the petition and the
18 questionnaire. So he is a good resource that you
19 should talk to about the state of the U.S. industry
20 and GEO in particular. And he can give you a first-
21 hand feel how the U.S. industry has been injured by
22 subject imports.

23 You are no stranger to John Reilly who is
24 going to provide an analysis of the data on the record
25 and how this industry should be analyzed from an

1 economic perspective. Because there's so few players
2 his remarks are necessarily going to have to be very
3 general in nature. So if there are any questions you
4 would particularly like to address from an economic
5 perspective in the post-conference submission we would
6 love to hear from you so we know how to focus our
7 remarks.

8 And after that Judy Jackson who is a GEO
9 sales representative, more than 13 years' experience
10 in the glycine industry. She dates back to the old
11 days when Dow Chemical owned the company so she's got
12 a good perspective on the industry and she can give
13 you good detail on how difficult it is to compete
14 against the unfairly traded imports.

15 We're open to all the questions and how we
16 can help you in our post-conference submission.

17 MR. ECKMAN: Good morning. My name is Bill
18 Eckman, Executive Vice President and Chief Financial
19 Officer.

20 MR. CARPENTER: Excuse me. Could you speak
21 into the microphone.

22 MR. ECKMAN: Good morning.

23 MR. CARPENTER: Thank you.

24 MR. ECKMAN: My name is Bill Eckman. I am
25 the Executive Vice President and Chief Financial

1 Officer of GEO Specialty Chemicals. GEO is a relative
2 newcomer to the glycine industry. When we bought our
3 Deer Park plant, Deer Park, Texas plant that produces
4 glycine from Dow less than 18 months ago we knew that
5 the glycine industry was under assault from foreign
6 imports but we were confident that by combining what
7 was a world -- is a world class plant with a fresh
8 customer-focused, more streamlined manager structure
9 perhaps, would allow us to revive the plant being
10 profitable and particularly the glycine business. And
11 Dow Chemical had operated the plant.

12 It has not been easy trying to run this
13 business. Since we purchased the plant the cost of
14 the raw materials needed to produce glycine has
15 increased sharply. But we have not been able to
16 increase our prices accordingly to cover these costs
17 due primarily from the constant pressure from imports
18 from India, China, and Korea selling at very, very low
19 prices.

20 We have taken all possible steps to lower
21 our cost structure but with raw material costs, prices
22 up and selling prices down the result has been
23 predictable. We are plagued by losses by our glycine
24 business.

25 What we have discovered is that it is

1 practically impossible to profitably compete with
2 unfairly traded imports because of the nature of the
3 business. Technical and U.S. grade glycine which make
4 up more than 90 percent of our sales are commodity
5 products sold on the basis of known specifications.
6 So when foreign producers are willing to dump glycine
7 in the U.S. market for less than our cost of
8 production we are forced to make a horrible choice, a
9 very difficult choice. If we lower prices we lose
10 volume and have more difficulty covering our costs.
11 But if we hold our -- if we lower prices we simply
12 lose our margin. But if we hold the prices we lose
13 volume and have difficulty covering our costs where,
14 you know, a few cents a pound makes an important
15 difference to us.

16 What is most absurd about the situation is
17 that the market for glycine is actually growing and
18 that we can't raise our prices to even cover costs.
19 In a growing market there are typically sales
20 opportunities and we should be able to pass on major
21 cost increases but we can't because producers of
22 Indian, Japanese and Korean glycine have captured the
23 entirety of the increasing demand and then some by
24 using systematic dumping as a competitive weapon.

25 As far as we can tell, the only other U.S.

1 company that produces glycine, Chatterm Chemicals, has
2 significantly reduced its production during the period
3 of investigation. Having experienced the same barrage
4 of unfairly traded imports we fully understand why
5 Chatterm would choose to alter its manufacturing
6 strategy.

7 But we hope to avoid this fate. We did not
8 buy this facility in Deer Park only to shut it down.
9 But let me very clear, GEO has a very difficult
10 decision regarding its glycine operations in Deer Park
11 plant if things continue as they have been for the
12 last five years and certainly for the last 18 months
13 since GEO has owned the facility. When one takes into
14 account the fact that the prior owner of GEO's glycine
15 facility artificially stopped depreciating the plant
16 in 2005 when the decision was made to sell it to us
17 those costs were no longer charged to glycine. Had
18 they been charged to glycine as they were in 2004
19 glycine would have been even -- would have been
20 unprofitable also in 2005.

21 So the glycine facility under Dow and under
22 GEO has not been profitable since 2001 I believe is
23 the last time it was profitable. Our market share has
24 dropped by more than 20 percent. Our selling price
25 for U.S. grade glycine has fallen 5 to 10 percent

1 since GEO acquired the business in November of 2005.
2 Our losses related to glycine operations in 2006 were
3 significant. And our plant staffing is at the lowest
4 that it's ever been for the glycine as well as the
5 overall facility.

6 Things are getting bad. Things are bad and
7 getting worse. We have made all the cost cuts that we
8 can. We have fixed everything that we can control but
9 can't control competitors who use dumping as a
10 strategic weapon to pick up market share at absurdly
11 low prices. Producers of glycine in India, Japan and
12 Korea have targeted the U.S. market as an outlet for
13 their excess capacity. And if this is allowed to
14 continue there will soon be no U.S. glycine industry.
15 Unfortunately, if GEO was to close its glycine
16 production the entire Deer Park plant would be in
17 jeopardy risking the jobs of approximately 70
18 employees and full-time contractors.

19 The domestic glycine market is not a level
20 playing field and hasn't been for at least five years.
21 The situation will not get any better until imports
22 from India, Japan and Korea are fairly traded. On
23 behalf of GEO and its employees I urge the Commission
24 to recognize the injury suffered by the domestic
25 industry and to issue an affirmative injury

1 determination.

2 MR. REILLY: Good morning. I am John Reilly
3 of Nathan Associates appearing on behalf of GEO
4 Specialty Chemicals.

5 The data in this case are confidential so
6 this morning I will address the economic
7 characteristics of glycine and how they bear on the
8 issues of material injury and causation in a general
9 and brief presentation. But first let me recap the
10 state of play as described by Mr. Eckman.

11 Subject import volume is up sharply. The
12 subject import market share is up sharply. Prices are
13 down and current pricing does not permit GEO Chemicals
14 to cover its costs. Those costs have been increased
15 sharply. And the future for GEO Chemicals right now
16 does not look bright.

17 Now to the economic characteristics of the
18 industry and how they relate to this situation.

19 Glycine is a bulk commodity chemical. Its
20 applications are as an additive in personal care
21 products, animal feed, certain industrial products and
22 nutritional products as well as pharmaceuticals. The
23 significant volume, majority of the volume in the U.S.
24 market goes to the personal care and animal feed
25 applications. In all of its applications glycine has

1 no ready substitutes. Moreover, glycine accounts for
2 only a small share of end product costs. Accordingly,
3 demand for glycine is highly inelastic to price, that
4 is, changes in price will have very little effect on
5 the quantity consumed, while an increase in supply
6 will have a significant effect on price.

7 Since glycine is essentially a commodity
8 product users can easily shift among sources of
9 supply. Reflecting this reality is the predominance
10 of meet or release contracting for glycine sales, the
11 majority of which are directly to large and
12 sophisticated end users. The combination of highly
13 inelastic demand and ease of shifting among sources of
14 supply means that competitors entering the market must
15 make sales at the expense of supplies already in the
16 market. In such a situation the introduction of
17 additional supply into the market has an immediate
18 suppressing or depressing effect on price.

19 Accordingly, to the extent that other
20 suppliers already in the market are unable or
21 unwilling to match dumped prices they will lose volume
22 and market share. In short, selling at dumped prices
23 in the U.S. markets for glycine will certainly cause
24 material injury by reason of price suppression or
25 depression and loss of sales and production volume.

1 And in GEO case all of these indicators of material
2 industry are present.

3 GEO Chemicals' plant which entails high
4 fixed costs must run at a high rate of capacity
5 utilization in order to produce glycine efficiently.
6 Accordingly, GEO's unit costs of production and
7 profitability are highly sensitive to volume.
8 Moreover, input costs for producing glycine have been
9 increasing. Any inability to increase prices to pass
10 on such cost increases will cause profitability to
11 decline. And as Mr. Eckman indicated, the company is
12 presently incurring operating losses.

13 As a result of this, competition from dumped
14 imports has placed the company in a double bind:
15 sustaining or raising prices will cause volume and
16 raise unit production costs; foregoing price increases
17 or cutting prices will cause losses to increase.
18 There are simply no good choices available to GEO
19 Specialty Chemicals in response to unfairly traded
20 imports.

21 As a final note, were the Commission to get
22 to the issue of threat of injury, which in this case I
23 think would be unlikely given the indicators of injury
24 and causation in place, it is quite clear that the
25 situation of the domestic industry makes them highly

1 vulnerable to any increase of imports, subject
2 imports.

3 Thank you.

4 MS. JACKSON: Good morning. My name is Judy
5 Jackson and I am a glycine sales representative for
6 GEO Specialty Chemicals and I have been selling
7 glycine since 1994. I know firsthand how the surge in
8 glycine imports the last few years from India, Korea,
9 and Japan has devastated the U.S. glycine industry.
10 GEO has been losing customer business to these imports
11 and the other U.S. glycine producer appears to be
12 turning to imports.

13 As you have already heard, glycine is not an
14 easy product to sell. My customers are well aware
15 that glycine is a commodity product and that they will
16 buy the cheapest product of a given grade based on
17 little more than a price. When GEO first started to
18 see glycine imports in the U.S. market from Indian,
19 Japanese and Korean producers we challenged them on
20 price to keep market share but we took a beating
21 financially to do that. Raising our prices recently
22 to meet costs has led only to lost business and lost
23 market share. When our only options are to lose a
24 sale or sell at a loss you are in a difficult
25 position.

1 The glycine market is dominated by only a
2 handful of sophisticated large customers. Most of
3 these customers have negotiated meet or release
4 contracts that allow them to opt out after one year if
5 we fail to meet the price of competing glycine
6 supplies. Because of the size of these customers the
7 loss of even a single sale can be devastating to GEO.
8 For this reason as well the impact of low priced
9 imports quickly percolates throughout the entire
10 market, quickly translating into lower U.S. selling
11 prices.

12 During my 13 years in glycine sales I have
13 seen one company, Dow, the prior owner of the GEO
14 production facility, completely abandon the U.S.
15 market and a second, Chattem, resort to imports in
16 order to compete. GEO takes no joy in their actions.
17 We know that a U.S. glycine industry can succeed if
18 imports are fairly priced. We have done it before and
19 we are ready to do it again but we can't do it unless
20 imports compete on a fairly traded basis.

21 Thank you.

22 MR. HUSISIAN: That's GEO's presentation and
23 we're ready for any questions. However, Chattem is
24 here as well and may be able to offer some perspective
25 on the industry. Mr. Kedrowski has been in the

1 industry for years and plus Chattem has not a newly
2 acquired -- in the industry. Jim would be helpful.

3 MR. CARPENTER: Okay. For the record we
4 just want to note that Chattem is not a petitioner in
5 this case but as noted is the second domestic producer
6 in the industry. And they have indicated a desire to
7 appear at the conference and make a presentation. And
8 for administrative convenience we have elected to
9 include them in the same panel as the POI. Beyond
10 that I will allow you to further elaborate on your
11 position in this case.

12 MR. KEDROWSKI: Thank you, Mr. Carpenter.

13 Good morning. My name is Jim Kedrowski and
14 I am a Vice President of Chattem Chemicals and I
15 worked for Chattem Chemicals since 1997 and have been
16 involved in all facets of production and sales of
17 glycine during that period. I am here today to
18 provide the U.S. ITC our comments on the petition for
19 antidumping tariffs on imports for Korea, India and
20 Japan.

21 First for background, Chattem Chemicals has
22 been a producer and is still a producer of glycine
23 since the 1960's. We utilize a process that reacts
24 monochloroacetic acid with ammonia. This is similar
25 to most everyone else in the world except for GEO in

1 the United States and at least one other company that
2 we know of which is Shoadenko in Japan to the best of
3 our knowledge and belief. Their process utilizes a
4 route from hydrogen cyanamide and, frankly, is a more
5 economical way to produce high volume technical and
6 USP glycine.

7 My comments will address several issues
8 today. I will try to define the four that I will talk
9 about in a little more detail.

10 The first one is comments from us on
11 expansion of the history of our production and sales
12 by looking slightly backward on the volume impact on
13 our business prior to 2004 and 2006 -- 2004 to 2006.

14 Secondly, a discussion of our history with
15 previous antidumping actions as against trans-shipment
16 of glycine from China and its impact on it.
17 Discussion on our recent dual role as a producer based
18 on the MCA process and an importer of glycine produced
19 by the HCN route. And the necessary role of some
20 imported glycine to supplement the domestic production
21 to satisfy total demand.

22 First of all on the volume issue. For the
23 period of 1997 to 2001 Chattem's chemical sales were
24 relatively stable. But from the mid-2001 to mid-2004
25 our sales dropped to the point of to be about 40

1 percent of where we were before. In other words, the
2 level we're at today at the end of 2006 was 150
3 percent higher back in that stable period of 1997 to
4 2001.

5 We lost most of this business because of the
6 reduction of the sales price because prices imported
7 on glycine continued to go down and down during this
8 period. And the direct cost to us was that those
9 pricing levels actually came below our raw material
10 levels. And we had to exit virtually the entire tech
11 and most of the USP market.

12 The second one, our history with
13 antidumping. Every five years for at least the last
14 15 we would participate, previously with Hampshire
15 Chemical and then subsequently with Dow Chemical,
16 prior owners of the current GEO site at Deer Park, in
17 sunset reviews, successful reviews on dumped glycine
18 from the Republic of China. And now almost yearly on
19 new shippers' reviews. As one case was settled in our
20 favor, and they virtually all were, another one would
21 come right behind it.

22 And, frankly, we got to the point where we
23 just couldn't afford to continue to go at this
24 anymore. And the market prices were not changing.

25 That's part of the reason we are not in the

1 role as a petition today.

2 We worked constantly on the problem of
3 trans-shipments of glycine. We would continue to
4 enter the country through Korea, Japan, other
5 locations. Over the years the impact came up first at
6 the customer with the most liberal specifications.
7 And then as one would fall it was like dominoes,
8 somebody else would say, okay, well I guess I can get
9 by with that too, until we were just completely
10 uncompetitive. And we have pretty much been pushed
11 into a corner relative to the pharmaceutical grade.

12 Number three, a discussion of our recent
13 role. In 2005-2006 Chattem Chemicals also became an
14 importer of glycine, glycine manufactured in Japan by
15 Shoadenko employing the hydrogen cyamamide process.
16 As we watched prices continue to drop and selling
17 prices reach levels further below our costs we wanted
18 to do something to maintain our presence in all
19 product quality areas. We established a relationship
20 with Shoadenko and became a distributor in early 2005.
21 However, our efforts to break into the market at that
22 time proved fruitless. We chose not to be able to
23 quote the pricing at that time.

24 To have eventual success we did start
25 meeting pricing structures at various customers and

1 became successful selling some material in late 2006.
2 We believe the HCN manufacturing process has a
3 different set of cost structures relative to the MCA
4 process.

5 And number four, the necessary role of
6 imported glycine. A fact that will become apparent or
7 is apparent in the production documents filed for the
8 United States is the USA cannot meet the total current
9 demand by U.S. customers. Why is that? Because for
10 such a period of time the industry could never get a
11 return that would allow us to expand to be able to
12 meet that need. You don't throw good money after bad.
13 Someone will have to meet that demand, whether it be
14 expansion which is not likely to happen at current
15 cost levels, so some level of imports is going to be a
16 necessary fact of the future.

17 So where does that leave us, Chattem
18 Chemicals? Chattem Chemicals' role as both producer
19 and recent importer gives us a unique position from
20 which to view the petition. Chattem Chemicals is
21 fully supportive of this petition regarding imports of
22 glycine from manufacturers utilizing the MCA process
23 in Korea, India and Japan, selling glycine in the U.S.
24 at prices below their manufacturing costs. We know
25 the MCA process and we know this material has to be

1 dumped in our market.

2 Secondly, recognizing that the U.S. market
3 is and will continue to be a net importer, the best
4 solution for customers and producers alike is to
5 utilize the lowest cost capacity to make sure we
6 understand the country of origin and allow the process
7 to compete fairly in the future.

8 And that concludes my comments this morning.

9 MR. CARPENTER: Does that conclude the
10 entire panel's presentation then at this point?

11 MR. HUSISIAN: I think so. Just a couple of
12 comments in conclusion.

13 Jim mentioned that GEO has a low cost
14 structure and it's the best way to be producing
15 glycine to the market and yet they can't cover the
16 costs of production for well more than the period of
17 investigation. Putting that testimony from a
18 competitor together with juxtaposing it with the
19 rising U.S. demand you say there's something strange
20 about this picture. Rising U.S. demand and the best
21 production process should be leading to profits at
22 some point over the last five years. So I thought
23 that was a very important point that Jim highlighted.

24 He also referred to data that prior to the
25 normal three-year POI the Commission asked for we

1 thought very carefully before filing the petition
2 whether we wanted to request a longer POI and we
3 thought the material injury is so apparent over the
4 three-year POI that we wanted to --

5 MR. CARPENTER: Mr. Husician, could you move
6 the microphone a little closer to you?

7 MR. HUSICIAN: Okay. Sorry about that.

8 We thought carefully about whether we should
9 push for a longer three-year POI which we know the
10 Commission will do in some cases. We didn't ask for
11 it because the injury is so apparent over that
12 purpose. But we do think that understanding what
13 happened in the three-year POI is everything is
14 brought into even sharper relief if you consider how
15 things were pricing before the imports were such a
16 presence in the market and that even though the three-
17 year POI shows clear material injury, any data that is
18 on the record regarding pricing and import data before
19 then is helpful to understanding what was going on in
20 the three-year POI.

21 The third point that Jim made was that
22 Chattem has been successful to an extent, you know, it
23 was pushed into a corner on the pharmaceutical grade
24 and it seemed that it can operate in that way. That
25 is not an option for GEO where it's a much larger

1 plant, they have a cost structure that is predicated
2 on being able to service especially the USP grade
3 market. GEO just can't cede the USP grade market and
4 still survive as a company.

5 So the Commission should pay special
6 attention to what is going on in the pricing and the
7 import volumes for the USP grade because that's the
8 heart of the market and a kind of specialty strategy
9 that might work for a smaller competitor just can't
10 work for a company like GEO.

11 Finally, as for the point about the
12 undercapacity and the underinvestment in the market,
13 the confidential data that is in front of the
14 Commission shows the identifiable projects that could
15 be undertaken if there were rational pricing within
16 the market. GEO is prepared and ready to make them
17 when it makes economic sense. But given the current
18 pricing environment they have to focus on filling up,
19 you know, the capacity that they have and to looking
20 to the future. And we can cover that more in the
21 post-hearing.

22 But that that, unless -- we would be happy
23 to answer any questions that you have as to how we can
24 provide the information that is most useful to you as
25 moving forward to the prelim.

1 MR. CARPENTER: Thank you. Thank you very
2 much, panel for your presentation. We appreciate
3 that.

4 Mr. Husisian, if I could just start with one
5 clarifying question. You mentioned the USP grade and
6 the pharmaceutical grade. Are those two different
7 grades or the same, two names for the same grade?

8 MR. HUSISIAN: Well, they are two different
9 grades. In the China case in 1994 at that time the
10 Commission treated, they treated them as two different
11 grades, the technical grade and the USP grade. There
12 were some pharmaceutical sales back then, I think it's
13 noted in the footnote, but they were tiny. It was a
14 small part of the market.

15 But the reason we suggest in the petition
16 that it would be more precise in the current case to
17 break it out into three grades is because there is now
18 a more significant volume of pharmaceutical sales,
19 there's now some government regulations in effect that
20 require to have different requirements for them. And
21 the pricing can be different.

22 So what the Commission considered to be USP
23 grade we suggested should be broken up into USP and
24 then carve out the little pharmaceutical grade. And
25 the Commission, in fact, has requested three different

1 price theories to isolate that just to prevent product
2 mix issues which could obscure underselling and things
3 like that.

4 MR. CARPENTER: All right. And just so I
5 understand, the pharmaceutical grade is the highest
6 purity grade followed by the USP followed by the
7 technical grade; is that right?

8 MR. HUSISIAN: Yes, that's right. I mean
9 glycine is glycine but the level of impurities like
10 the heavy metals, the amount of aluminum and things
11 like that they can be more stringent for, you know,
12 especially for injectables or things like that. So
13 that's the hierarchy basically.

14 MR. CARPENTER: Okay. Mr. Kedrowski?

15 MR. KEDROWSKI: Perhaps I could provide a
16 little data. In our company we describe the
17 difference between USP and a pharmaceutical grade, the
18 pharmaceutical grade goes into injectable
19 applications. Typically we have a drug master file so
20 somebody that's going to put it in your arm to feed
21 you if you're in the hospital it has to be pyrogen
22 free. And that's the differentiation that we look at
23 when we look at that. Of course, obviously, we're
24 inspected by the FDA and we do have our drug master
25 file.

1 MR. CARPENTER: Thank you. I believe we
2 have quite a number of questions. And we will begin
3 the questions with Mr. Duncan, the investigator.

4 MR. DUNCAN: Good morning, panel. My first
5 question relates to sodium glycinate. Sodium
6 glycinate was included in the Commission's
7 questionnaire pursuant to scope language the
8 Petitioner included on glycine. Can you please give a
9 background on the inclusion of sodium glycinate and
10 its implication for this case?

11 MR. HUSISIAN: Sodium glycinate is a
12 closely-related precursor, different production
13 processes before you can get to it but it's sort of
14 the final step before you get to a liquid form of
15 glycine which then can be dried into the form.
16 Probably Bill is better positioned to talk about the
17 uses of it within the marketplace. But because the
18 main use of the sodium glycinate is to make glycine
19 and because it's so closely related, there's only a
20 molecular processing and then a lot of energy you have
21 to spend to dry the stuff out, it's to avoid the
22 possibility of circumvention and because it's so
23 closely related that was why we thought that sodium
24 glycinate should be covered.

25 MS. JACKSON: Greg, I'd just like to, you

1 know, reinforce that. Sodium glycinate is mainly used
2 for just glycine. That's it.

3 MR. DUNCAN: Is, to your knowledge, sodium
4 glycinate traded in the U.S. market?

5 MS. JACKSON: No.

6 MR. DUNCAN: What are the costs of
7 transforming sodium glycinate into glycine?

8 MR. HUSISIAN: That's actually covered in
9 the questionnaire. It's different stages. The one
10 thing that I'll say by way of explanation is it can be
11 somewhat expensive to change the sodium glycinate into
12 that but that's not because it's a complicated process
13 but because it takes a lot of energy. It would be
14 like if you had a big vat of salt water and you wanted
15 to get it down to the salt you may have to take a lot
16 of energy. It will be costly to boil off the water
17 but it's not a complicated processing step. And
18 because it's fairly energy intensive production
19 process that GEO uses it's somewhat pricey but in
20 terms of the change of the chemistry or modification
21 of the product it's very simple.

22 MR. DUNCAN: Given the prospect of
23 antidumping duties do you believe it would be
24 economical to make that transformation?

25 MR. HUSISIAN: it would depend on whether or

1 not someone had production facilities already set up
2 for it. If we're going to say start from scratch and
3 replace something it could be somewhat expensive if
4 you have to pay for the equipment and stuff. But if
5 you already have the equipment, for example, or if you
6 contract someone it's not a complicated step that
7 would be that costly.

8 MR. DUNCAN: To your knowledge are there
9 other entities in the U.S. that have the ability to
10 transform sodium glycinate to glycine other than the
11 petitioning firm?

12 MR. KEDROWSKI: We don't. My perception,
13 and this is a different route than us so I could be
14 mistaken, but sodium glyc you just wash the sodium out
15 and dry it. That to me is not a chemistry process
16 that's just a very simple thing to do. I don't know
17 what the cost structure is but I would anticipate it
18 being quite low.

19 MR. HUSISIAN: And to follow on, I don't
20 think you would need any real special type of
21 equipment to wash out the sodium and to dry and
22 crystalize the glycine.

23 MR. DUNCAN: Does the inclusion of sodium
24 glycinate which is new language within the scope in
25 comparison to the scope language of the glycine from

1 China case have implications for what inputs we look
2 at?

3 MR. HUSISIAN: We would have to check the
4 data but the best of my knowledge it's not a
5 significant amount of sodium glycinate imports, the
6 reason being that its only real use is to make
7 glycine. And for uses where you need glycine, glycine
8 is preferable and that would be the product that you
9 would go to.

10 We could check on that and confirm it for
11 you. But I don't think that it has much impact on
12 what you're looking at in terms of the imports.

13 MR. DUNCAN: To follow up on that comment
14 then, the HTS statistical reporting number was
15 included in the petition for the proper categorization
16 of sodium glycinate within the U.S. harmonized tariff
17 schedule. Are we to disregard that statistical
18 reporting number in the preparation of the
19 Commission's report?

20 MR. HUSISIAN: We would have to check and
21 confirm because the HTS number may be broader than
22 just the sodium glycinate. But I would have to check
23 that, look into that and get you that information.

24 MR. DUNCAN: Yes, please do.

25 It is my understanding that it is a catch-

1 all category and that sodium glycinate is properly
2 categorized in there but not necessarily the full set
3 of data captured by that number.

4 MR. HUSISIAN: Yes, it is a catch-all
5 category. I'm just not sure how broad of a catch-all
6 category it is. And also I believe the issue of the
7 sodium glycinate imports was covered in the
8 questionnaires too which may provide clarification of
9 that. And we can again we'll look at that -- in the
10 post-conference submission.

11 MR. DUNCAN: Moving to the factors that we
12 look at for domestic like products, you guys discuss
13 in your petition how to analyze domestic like products
14 in terms of grades. I do not see an inclusion of
15 sodium glycinate in that discussion. Would that
16 affect the Commission's determination on a domestic
17 like product?

18 MR. HUSISIAN: The reason it's not discussed
19 in the petition is because GEO views this as being a
20 case about glycine and then it's closely related
21 sodium glycinate is coming in basically its only use
22 is as a precursor to that. So it views it as a
23 glycine case.

24 In terms of the like product, because the
25 product generally isn't sold in the market or imported

1 as far -- doesn't really have any real impact on it in
2 terms of how it's analyzed or how the like product is
3 defined or causation. Back when I was talking to Judy
4 about this question yesterday I said, well, has anyone
5 ever come to you and asked to buy any sodium glycinate
6 in 13 years? And she said she thought once someone
7 had and then nothing had ever even happened to the
8 sale. It's just not something that is done.

9 So looking out there for sales of sodium
10 glycinate is probably going to come up empty-handed,
11 probably not going to have any real impact on the
12 Commission's analysis.

13 MS. JACKSON: That's correct.

14 MR. DUNCAN: Turning to raw material inputs,
15 if you can discuss it publicly does the petitioning
16 firm purchase or produce its own raw material inputs?

17 MR. ECKMAN: We purchase most all of our raw
18 material inputs.

19 MR. DUNCAN: Is there a concentration of
20 suppliers for your raw material inputs?

21 MR. ECKMAN: It depends on the input but
22 there are cases where some of the inputs are very
23 generic and some that are very specific. The HCN
24 itself is a very specific commodity whereas sulfuric
25 acid, formaldehyde, caustic soda are very generic.

1 MR. DUNCAN: As a follow up to that could
2 you please provide some additional information on
3 supplies of your raw material inputs in your post-
4 conference brief?

5 MR. HUSISIAN: Absolutely.

6 MR. DUNCAN: Mr. Eckman, can you describe
7 for the panel here some of the history, recent history
8 of GEO Specialty Chemicals, Inc. in the period of
9 investigation? I am specifically referring to some of
10 the proceedings in 2004.

11 MR. ECKMAN: In 2004 GEO filed for Chapter
12 11 bankruptcy protection. In March we came out of
13 bankruptcy with our plan of reorganization confirmed
14 and so forth by the end of December of 2004, so for
15 approximately nine months. I don't know exactly how
16 much detail you want on that.

17 MR. DUNCAN: Oh, that's enough for our
18 purposes.

19 After emerging from bankruptcy was the
20 acquisition of glycine part of your reorganization
21 process of strategy?

22 MR. ECKMAN: The acquisition of the Deer
23 Park facility we had looked at acquiring that facility
24 in 2003 prior to filing. In 2000 it was not part of
25 our plan of reorganization or our business plan that

1 was presented to the exit financing parties. It was
2 an opportunity that we did see though that was still
3 available to us in 2005 so we proceeded to make the
4 acquisition from Dow.

5 MR. DUNCAN: Dow's press release in relation
6 to its sale of its glycine facility and business to
7 GEO Specialty Chemicals, Inc., the terms of which were
8 not made public, in response and under these
9 proceedings can GEO Specialty Chemicals provide under
10 APO the details of this acquisition?

11 MR. HUSISIAN: Yes, we can do that.

12 MR. DUNCAN: Thank you.

13 How, if any, are the acquisition costs of
14 the glycine business and facility reflected in the
15 financial statements submitted to the Commission in
16 response to its U.S. producer questionnaire? You can
17 give a response to that in the post-hearing brief,
18 post-conference brief, excuse me.

19 MR. HUSISIAN: Okay.

20 MR. DUNCAN: And then finally, please
21 disclose under the APO any internal documentation on
22 GEO Specialty Chemicals' capital budgeting analysis
23 for the acquisition of the glycine business, whether
24 using a net present value, internal rate of return,
25 payback, discount payback or other method, and please

1 identify the key assumptions and cash flows if they
2 are not already highlighted in those internal
3 documents.

4 MR. HUSISIAN: Well, we will have to see if
5 something like that even exists. But, you know, we'll
6 get back to answer that.

7 But just so you know, the acquisition of the
8 plant is, it wasn't just the glycine purchase, it was
9 an analysis covering more than just glycine.

10 MR. ECKMAN: I think when Mr. Stone visited
11 the glycine was part of the plant. And there's
12 another product that we make at the site called
13 naphthalene sulfonate that is the second part of,
14 second operation at the plant.

15 MR. DUNCAN: I think you've answered this,
16 Mr. Kedrowski, but a question to Chattem was, are the
17 markets you are currently serving the same as when you
18 had brought the case against China? And if I remember
19 your testimony earlier that the answer to that is no?

20 MR. KEDROWSKI: Well, no, I don't -- we
21 currently serve all three markets as described in the
22 questionnaire, USP market, the pharma market and the
23 tech market. We don't make tech market, tech product
24 on purpose but sometimes we have an upset in our plant
25 and we can sell tech product into it.

1 Our problem is that the levels that we are
2 willing to sell at are dramatically different than the
3 market levels and, therefore, in those two grades most
4 of the buyers will not purchase from us.

5 Does that answer your question?

6 MR. DUNCAN: That helps to clarify. Thank
7 you.

8 Mr. Kedrowski, you shared with us that you
9 have a business relationship with Shoadenko in Japan.
10 Can you publicly share any more information on that
11 relationship?

12 MR. KEDROWSKI: The relationship is just a
13 distributor of their material. And if you have any
14 further questions I'd rather do it later.

15 MR. DUNCAN: Thank you.

16 Mr. Carpenter, that concludes my questions.

17 MR. CARPENTER: Mr. St. Charles, attorney
18 advisor?

19 MR. ST. CHARLES: Hello. I do have -- thank
20 you very much for coming this morning, I do have a few
21 questions.

22 Ms. Jackson, you referred to the meet or
23 release terms of your contract. If I understood
24 correctly your contracts are a year and the release
25 would be at the end of the year or would it be during

1 the course of the year under the standard meet or
2 release term you described?

3 MS. JACKSON: The meet or release contract
4 is normally there's two parts of it. If there is a
5 competitive situation, if we have a contract with the
6 customer and they receive a competitive offer we can
7 lose the business if we do not agree to -- if we
8 cannot come to some type of agreement, you know, to
9 meet a competitive offer.

10 MR. ST. CHARLES: Okay. And that would be
11 an immediate they are free to --

12 MS. JACKSON: Yes.

13 MR. ST. CHARLES: -- go elsewhere?

14 MS. JACKSON: Yes.

15 MR. ST. CHARLES: Okay. You had mentioned a
16 year and I thought maybe the release would be at the
17 end of the year which I thought was unusual. And
18 you've confirmed --

19 MS. JACKSON: No.

20 MR. ST. CHARLES: -- you've confirmed that.
21 Thank you.

22 MS. JACKSON: No. It's at any time during
23 that year.

24 MR. ST. CHARLES: Thank you.

25 What other, are there any other import

1 sources that you in your experience are concerned with
2 besides the three, the subjects of the petition and
3 China? Do you see anyone else coming into the?

4 MS. JACKSON: Well, yes, we do see other
5 countries coming in. But I think our main focus is
6 with these three countries at this time.

7 MR. ST. CHARLES: And, Mr. Eckman, you were
8 discussing, and sometimes this is a question of my
9 focusing on the words that I'm hearing, and that may
10 have been the issue of my question with Ms. Jackson,
11 you referred to the 2005 profit/loss situation as
12 possibly being viewed from two different directions
13 depending on how I believe there were accounting
14 issues were resolved. Could you explain that again?
15 I didn't quite catch that.

16 MR. ECKMAN: Yes. In 2005 the depreciation
17 that was charged against the glycine business was a
18 little less than \$200,000 and that was under Dow's
19 watch. The prior year they charged roughly \$800,000.
20 And we in looking at the information Dow
21 systematically provided to us as we were doing our due
22 diligence on the site they stopped charging
23 depreciation to the glycine business, or to the whole
24 site actually, in the second quarter. So they, when
25 we signed our letter of intent, I believe was about

1 that time, to buy it so there was no depreciation
2 charged from that point on to the business. So that
3 was about a \$600,000 decrease in depreciation charges.

4 Secondly, and a point that I didn't mention,
5 when we bought, after we bought the business in
6 November we purchased the inventory and then had to
7 rebuild the inventory using the FIFO basis. So that
8 our production costs for essentially one month were
9 absorbed into or part of the month were absorbed into
10 overhead and inventory which further improved the
11 period profitability for the business. We essentially
12 capitalized part of our operating costs to put them
13 into inventory because we built inventory during the
14 first two months.

15 So from that point of view the profitability
16 of the glycine business, both the depreciation and the
17 capitalization of production costs for that brief
18 period, the profitability of the glycine business in
19 2004 was overstate -- or 2005 was overstated.

20 MR. HUSISIAN: And this is if you look on
21 the bottom line of the -- on that chart of the ITC
22 questionnaire the depreciation charge is actually
23 listed so you can see the dramatic drop in 2005. And
24 the reason Bill's pointed it out is if you wanted to
25 look on an apples to apples basis between 2004 and

1 2005 with Dow still owning the plant but not taking
2 any depreciation in recognition that it was going to
3 basically have a write-off of it which it would take
4 on the books when it was sold and it knew how much,
5 you don't have a consistency between the two years
6 unless you take into account the difference in
7 depreciation. And the exact figures are on the ITC
8 questionnaire.

9 MR. ST. CHARLES: Thank you.

10 You gave us a number for the employees that
11 are at risk at your company. And you referred to
12 contract and others. What is the composition of the
13 contract employees that you referred to and the other
14 employees and how does that number relate to the one
15 answer?

16 MR. ECKMAN: The number that I gave, Mr. St.
17 Charles, related to the site overall. There are I
18 think today roughly 50 employees and 20 contractors.
19 The contractors can be maintenance contractors,
20 security contractors, people who are there pretty much
21 every day fulfilling the functions.

22 MR. ST. CHARLES: But not necessarily
23 production related?

24 MR. ECKMAN: Not necessarily production
25 related. The risk is if the glycine business

1 continues to be impossible it drags down obviously the
2 profitability of the whole site. If you opt to shut
3 the glycine business down it makes the other product
4 that's made there, naphthalene sulfonate, very
5 marginal as well then because it would have to bear
6 the burden of 100 percent of the indirect plant costs.
7 And that's what I was referring to.

8 MR. ST. CHARLES: Sure. No, it must be very
9 annoying to get accounting questions from lawyers.
10 And employee counting questions.

11 And for counsel, we're probably going to
12 need you to do the work on describing why sodium
13 glycinate should be part or not part of the domestic
14 like product. I understand you threw it in because it
15 was a possible circumvention issue but we have to
16 analyze it and come to a conclusion and we'll need you
17 to run through the six factors to explain why its all
18 part of a single like product.

19 MR. HUSISIAN: Yes, we can do that. And we
20 believe that under the six factors we can show that
21 case. But in some ways the six factors don't quite
22 make as much sense as in the traditional analysis
23 where you're trying to say, well, you know, we've got
24 a case on Snickers bars and it should be M&M's covered
25 as well and you look and see whether --

1 MR. ST. CHARLES: Well, whatever analysis
2 you think will be the most effective we have several,
3 we have several approaches to different issues.

4 MR. HUSISIAN: Yeah, we'd be very happy to
5 do that because some of them don't quite make as much
6 sense to say, well, is it sold in same channel system
7 distribution? We might say, well, the answer is no,
8 which would tend to indicate that it's not the same
9 like product. But the reason it's not sold in same
10 channel distribution is because one of them isn't
11 sold.

12 So we will provide you with a response, yes.

13 MR. ST. CHARLES: Well, that's likely to be
14 a concern of some of the commissioners. So for your
15 own good I'm suggesting you try to find a way to make
16 it not an issue.

17 MR. HUSISIAN: Absolutely. Thank you.

18 MR. ST. CHARLES: And you're familiar with
19 the Bratsk case, the court case?

20 MR. HUSISIAN: Every trade counsel lawyer is
21 familiar with that case, yes.

22 MR. ST. CHARLES: In your view are there any
23 issues in this case related to that case?

24 MR. HUSISIAN: We don't think so. The only
25 other major competitor of source of imports is China.

1 And they are under an order so they have to trade
2 fairly. We have seen that the only way that they are
3 able really to compete is through dumping. And in the
4 administrative review for example that's just going on
5 right now the Department of Commerce ordered a basic
6 quadrupling of the margin. Because of that we don't
7 think that the Chinese really have the ability to be
8 brought into the market and take the place of
9 Japanese, Indian or Korean imports because they would
10 have to do so through dumping and they don't have the
11 ability to dump.

12 But we can lay out the analysis. And I
13 already had thought you would ask this question and
14 planned to have the analysis in our post-conference
15 submission to answer your question.

16 MR. ST. CHARLES: Yes, that would be
17 helpful. And in light of the facts of this case I
18 don't have any specific questions. But if you would
19 address it as specifically as you think the case
20 warrants that would be great.

21 MR. HUSISIAN: We would be happy to.

22 MR. ST. CHARLES: And that's all I have.
23 Thanks again. Very nice of you all to come.

24 MR. CARPENTER: Ms. Preece, the economist.

25 MS. PREECE: Okay. First I'd like to ask

1 Mr. Reilly, you said that glycine was a small share of
2 most of the products it's used in. Where did you get
3 that percentage? And if you could provide it to me
4 I'd appreciate it.

5 MR. REILLY: Okay, we'll provide information
6 on the share of final cost that glycine accounts for
7 in our post-conference submission.

8 MS. PREECE: Okay, because that was not in
9 the brief -- I mean the questionnaire.

10 Ms. Jackson, how long typically are
11 contracts?

12 MS. JACKSON: They can run anywhere from one
13 year and then we have some long-term contracts that
14 will last, you know, maybe three to five years.

15 MS. PREECE: Okay. Has this changed
16 recently? Has the way contracts are set changed
17 recently.

18 MS. JACKSON: No.

19 MS. PREECE: Okay. How do you determine
20 price when you're going to somebody to set up a
21 contract? How? What's going on?

22 MS. JACKSON: There are many factors. One
23 is the volume, the overall volume, competitive
24 situations, you know, who their previous supplier was
25 if there was previous supplier, what their previous

1 price offer was and the term of the contract.

2 MS. PREECE: So do they say, oh, we've got a
3 better price from somebody else typically?

4 MS. JACKSON: Yes.

5 MS. PREECE: How do you, I mean do you get a
6 bid and then you say, now they say, no, I want a lower
7 bid? Or what is the process by which you come to that
8 price?

9 MS. JACKSON: Well, normally we give them a
10 bid based on volume. And if, you know, sometimes they
11 will just walk away and say that's not good. And
12 sometimes they'll come back to us and say, well, here
13 are our competitive situations, this is what we're
14 seeing from the marketplace. And we work with them to
15 come up with a price that works for both of us.

16 MS. PREECE: Can you estimate how much of
17 the sales you have or just the whole market is through
18 contracts versus other methods?

19 MS. JACKSON: I'd say it's probably 70
20 percent.

21 MS. PREECE: Okay, 70 percent. And how else
22 do you sell it?

23 MS. JACKSON: Spot basis.

24 MS. PREECE: So do people then come to you
25 or are you going out all the time to get these sales?

1 MS. JACKSON: Both. Both. People come to
2 us. We have regular customers that if, you know, will
3 come to us and ask us to supply them. And then, you
4 know, also through new leads and new opportunities.

5 MS. PREECE: And so you are always out there
6 sort of seeing who might be buying glycine?

7 MS. JACKSON: Yes.

8 MS. PREECE: And then how do you determine
9 prices in those cases? Do you have a price list? Do
10 you have a?

11 MS. JACKSON: We have a generic price list
12 that we offer to our customers. But then again it all
13 depends on volume.

14 MS. PREECE: Sure, sure, sure. Okay, thank
15 you very much.

16 MS. JACKSON: Thank you.

17 MS. PREECE: Can I dig a little into this
18 pharmaceutical grade, maybe I can talk to Mr. Eckman
19 about this? What percentage would you say is
20 pharmaceutical grade, well, I don't mean a very
21 specific just is it 1 percent, is it 10 percent?

22 MR. ECKMAN: Of GEO sales or the total
23 market?

24 MS. PREECE: Of total market. You know,
25 United States market. You know, your guess. You're

1 much better at guessing than I am because you have
2 more information.

3 MR. ECKMAN: From our perspective it's
4 certainly less than 5 percent.

5 MS. PREECE: Less than 5 percent. But it's
6 more than 1 percent?

7 MR. ECKMAN: I would imagine, yes.

8 MS. PREECE: Okay, so it's more than 1
9 percent. That's good.

10 MR. REILLY: John Reilly. That information
11 is actually available from the questionnaire
12 responses. And we will calculate a number for you in
13 our post-conference submission.

14 MS. PREECE: Okay. It wasn't in the part
15 that I saw, so I asked the question.

16 Okay. And then what is the share that's the
17 USP grade would you say just generally? We're trying
18 to get an idea of the market. I don't want to get any
19 private information but I'm just trying to get a way
20 we can sort of talk about the market here.

21 MR. ECKMAN: The USP grade would be roughly
22 80 percent.

23 MS. PREECE: Okay, so does that include the
24 pharmaceutical?

25 MR. ECKMAN: No.

1 MS. PREECE: Okay, so there's 5 percent plus
2 the 80 so we've got 85. And the rest would be the
3 non?

4 MR. ECKMAN: The technical grade or non-USP
5 grade.

6 MS. PREECE: Technical grade. Great.
7 How much difference is there in price
8 between these three? Maybe that's Ms. Jackson more
9 than yours, than you?

10 MS. JACKSON: The pharmaceutical grade is
11 higher.

12 MS. PREECE: Ten cents, 20 cents, 50
13 percent? A general. I mean I'm not trying to get,
14 like I said, I'm not trying to get perfect.

15 MS. JACKSON: I'd say it's probably about 20
16 to 25 percent higher than the USP grade.

17 MS. PREECE: Okay. And then the technical
18 grade is how much lower perhaps?

19 MS. JACKSON: The technical grade --

20 MS. PREECE: 10 percent, 5 percent, 15
21 percent?

22 MS. JACKSON: I'd say about 15 percent lower
23 than the USP grade.

24 MS. PREECE: Okay. How different is the
25 technical grade you sell from the USP grade you sell?

1 Is it something, you know, to where you make it and he
2 was saying sometimes you have a batch that's just gone
3 wrong you'll say, okay, well we can sell this
4 technical grade or is it usually USP grade but?

5 MR. ECKMAN: I think it's the same for both
6 the U.S. producers. We have a process to make
7 glycine. Our process is aimed toward the USP grade.

8 MS. PREECE: I understand.

9 MR. ECKMAN: And to the extent that we have
10 offset material that can go into the tech grade
11 because of unit upsets we sell that. But we also sell
12 USP grade. We do not have a separate process to
13 generate technical grade.

14 MS. PREECE: Okay. Great, great.

15 And pharmaceutical grade?

16 MR. ECKMAN: Pharmaceutical grade we have to
17 do additional steps to get to the purity levels.

18 MS. PREECE: So you wouldn't be selling
19 pharmaceutical grade --

20 MR. ECKMAN: At a higher price.

21 MS. PREECE: -- for USP specs?

22 MR. ECKMAN: You have to, the pharmaceutical
23 spec is more stringent than the USP spec. And it's
24 primarily in the chlorides and the heavy metals that
25 you have to purify out to meet the US -- the

1 pharmaceutical specs.

2 MS. PREECE: Do purchasers qualify you as a
3 supplier?

4 MS. JACKSON: Yes.

5 MS. PREECE: And is that true for all grades
6 or is it true for mainly USP grade and pharmaceutical
7 grades?

8 MS. JACKSON: The qualification actually
9 depends on the customer itself on what their business
10 standards are. But most of the USP customers and the
11 pharmaceutical customers do have a qualifying process.

12 MS. PREECE: Okay. How long does this take?

13 MS. JACKSON: It could take anywhere from
14 three weeks to six to ten months.

15 MS. PREECE: And how much would it cost for
16 them and you kind of, would it be difficult or is this
17 just sort of normal daily practice kind of thing?

18 MS. JACKSON: It's normal daily practice.

19 MS. PREECE: So it's not going to be a huge
20 cost for anybody?

21 MS. JACKSON: I can't speak from the
22 customer standpoint. But it is, you know, it is
23 timely and costly on our side but it's something we
24 do.

25 MS. PREECE: Okay. Okay. I don't think I

1 want it now, in fact I'm sure I don't want it now, but
2 I'd like to look into how costly it would be to
3 increase U.S. production. And I think that's
4 something that both U.S. producers would be of
5 interest to me.

6 I guess I will try to get Mr. -- I can't see
7 your name now -- but Ken -- yes, you. Kedrowski.

8 MR. KEDROWSKI: Kedrowski.

9 MS. PREECE: Okay. You know, if there is
10 anything different in your sales than theirs besides
11 the fact that you seem to be more focused on the
12 pharmaceutical grade. Do you sell mostly on
13 contracts?

14 MR. KEDROWSKI: We don't sell any on
15 contract.

16 MS. PREECE: Okay, so it's spot sales?

17 MR. KEDROWSKI: I don't like to refer to it
18 on that level but we have a lot of long-term customers
19 and they're sold on purchase order basis.

20 MS. PREECE: Okay. Okay.

21 MR. KEDROWSKI: So we clearly have a
22 relationship with them, it's just not put in
23 contractual form.

24 MS. PREECE: I understand. I understand.
25 That's common in many markets, so.

1 And price, how, do you have a price list
2 typically?

3 MR. KEDROWSKI: Yes.

4 MS. PREECE: And do you basically sell at
5 that price list or do they come back to you and say,
6 hey, we're buying a lot from you or we got a good
7 price from somebody else? How does that sort of work
8 through?

9 MR. KEDROWSKI: Yes, yes and yes.

10 MS. PREECE: Okay.

11 MR. KEDROWSKI: First of all, we do sell off
12 our price list, and they're quantity based. For our
13 major customers because of volume necessity we do
14 discount the price list. We try to move smaller
15 customers, ones only a small amount, to a distributor
16 network that we have.

17 I would prefer not in this open session to
18 talk about the differences in price. And I'd be happy
19 to respond to that later.

20 MS. PREECE: That would be great.

21 Beautiful.

22 Let's see, what else was I unclear about?
23 And so you go through some kind of qualification
24 process to be a supplier for most of these people?

25 MR. KEDROWSKI: Yes. We have a drug master

1 file. And are you familiar with what that is?

2 MS. PREECE: No.

3 MR. KEDROWSKI: We produce about 16
4 different active pharmaceutical ingredients out of our
5 facility, glycine being the major one in terms of
6 volume. The FDA will come in and inspect us. And we,
7 we put together a process. Our customers when they
8 file their paperwork with the FDA around the product
9 that they're making they have several requirements.
10 One of them is to understand our process more than
11 we're willing to give them on a confidential basis.
12 And so the government has set up a methodology which
13 allows you to put into a drug master file all the
14 information and to shield some of the more sensitive
15 information from the end customer, and yet from a
16 safety standpoint it's all intact.

17 We have to file an annual update. We have
18 been inspected by the FDA five times since the year
19 2000. Typically one or two investigators will come in
20 and spend a week. Our customers have to have in the
21 pharmaceutical market a process to go visit their raw
22 material suppliers. Typically the maximum length of
23 time they can go without visiting is three months --
24 three years. In many cases it's one year.

25 I can't think of a pharmaceutical customer

1 that we have that doesn't come to see us, even some
2 that buy very, very little from us.

3 We have agreements with many of our
4 pharmaceutical customers that we cannot change our raw
5 materials. We have to put our material on stability
6 studies. If we change our raw material we have to
7 literally put material up for six months to a year
8 before it's acceptable to be able to fill in. Because
9 there's a lot of difference between an injectable
10 pharmaceutical and a USP ingestible product. Although
11 understanding is to claim the USP you should also be
12 inspected.

13 MS. PREECE: Are you feeling a lot of
14 competition from imports in this area, in the USP --
15 not USP, in the pharmaceuticals?

16 MR. KEDROWSKI: No.

17 MS. PREECE: Okay.

18 MR. KEDROWSKI: However, I would hasten to
19 add that Mr. Eckman suggested that the market is less
20 than 5 percent. I certainly would agree. Perhaps
21 it's even slightly smaller than that. And that does
22 not support our facility.

23 MS. PREECE: I understand that.

24 If you were to have this duty imposed how
25 would that change your relationship with this, as a

1 supplier, the Japanese material?

2 MR. KEDROWSKI: It depends on how the order
3 would actually end up. I would perceive -- I'll give
4 you the two end points. One end point would be that
5 the tariff would be all-encompassing. And whether
6 they had the economic capability to continue to sell
7 into the United States would be a question they'd have
8 to decide.

9 I can give you the other end point, and it's
10 the preferable end point to us, seems to make some
11 sense, is that combined we can't support the entire
12 market, therefore somebody has to bring in some
13 material. It should come from a source that actually
14 has a low cost and an identifiable process. I said
15 earlier that I believe on information believe the HCN
16 process is more economical. Seems to me that might be
17 a good methodology to meet both customer and producer
18 demand.

19 You don't look quite satisfied. Have I
20 missed something?

21 MS. PREECE: No. No, no, no, no, I'm just
22 trying to figure out where I'm going with this
23 question more than anything else.

24 Okay, I think that covers most of my
25 questions, thank you.

1 MR. KEDROWSKI: Could I add one, since I'm
2 still on the phone could I add one comment?

3 MR. CARPENTER: Sure. Go ahead.

4 MR. KEDROWSKI: Mr. St. Charles, you asked a
5 question about other importers. I would like to add
6 the United Kingdom because I see a lot of material
7 coming through the United Kingdom. If you're asking
8 for a complete list.

9 MR. ST. CHARLES: And is that all or mostly
10 pharmaceutical grade?

11 MR. KEDROWSKI: Everything I've seen is just
12 considered USP grade in terms of the documents that
13 you can get out of searching a database.

14 MR. ST. CHARLES: Thank you.

15 MR. DUNCAN: I would like to note, this is
16 Russell Duncan, that staff is aware of material coming
17 through the U.K. And we have received a completed
18 U.S. importers' questionnaire response from said firm.

19 MR. CARPENTER: Mr. Jee, the auditor.

20 MR. JEE: Actually I have no questions. But
21 I do have one request to the Petitioner.

22 And as you know, there are some questions in
23 the petition you did not answer. So I would
24 appreciate your prompt responses to our requests.
25 Also, I would like to know the names and the phone

1 number of a person, the person who actually prepared
2 the financial section and who is familiar with the
3 financial data so we can resolve any kind of issue
4 problems as soon as possible. As you know, we don't
5 have much time to prepare this preliminary report.

6 Thank you.

7 MR. HUSISIAN: Okay. On the first one, it
8 may already be filed. Just the advantage of Bill
9 being here we're able to work out the answers to the
10 ITC's questions and that last night. So it will be
11 here.

12 MR. CARPENTER: Could you please speak into
13 the microphone.

14 MR. ECKMAN: There are a few people, depends
15 on the granularity of the question I guess, to ask.
16 I'd have to go back to the plant. Yeah, I would be
17 the conduit for getting that answered. Generally when
18 I request somebody to research something they respond
19 to me right away. I hope that continues.

20 MR. JEE: Actually, I tried to get hold of
21 you. And previously I left a voicemail and an e-mail
22 to you and dispatched a letter but I never heard
23 directly from you. And there may be something that,
24 you know, you have to discuss with your counsel.

25 MR. ECKMAN: Okay.

1 MR. JEE: But many cases the person who puts
2 down their name and phone number who is not actually
3 familiar with what happened and how you prepared the
4 numbers in the location. As I said, we don't have
5 enough time so that it's not just the extra data and I
6 can make up questions and then I can get the answers
7 so I can understand how it's prepared. And then if
8 there are any problems then we can discuss how to
9 resolve that issue, that's all.

10 MR. ECKMAN: Okay. I would be the person.
11 And whatever you need I will set up. If it's a
12 conference call with two or three accountants that
13 could be involved with different parts of it we'll get
14 them all together and talk to you and.

15 MR. JEE: Okay, thank you. I appreciate it.

16 MR. ECKMAN: Okay, thank you.

17 MR. CARPENTER: Mr. Stone, the industry
18 analyst.

19 MR. STONE: My question is for Mr.
20 Kedrowski. You mentioned the two different processes:
21 the hydrogen cyanide process and the MCA process. You
22 mentioned that you thought that the HCN, they hydrogen
23 cyanide process, was a little bit more economical.
24 Could you get a little bit more information on that?
25 Is it due to feedstock costs, to energy costs, to

1 environmental regulations? Why is one better than the
2 other, more economical than the other?

3 MR. KEDROWSKI: This is on information and
4 belief, so I'll do the best job that I can on the
5 question.

6 We have, in the course of running our
7 business, we have tried to compare the two, and the
8 way we compare the two -- I'm trying to stay away from
9 numbers, but I guess I could say it like this.

10 We believe the MCA process, the equipment
11 can be put in at a value less than what you put in for
12 an HCN process? It's more destructive to the
13 equipment. It costs more to put it in. But once in,
14 in other words, once you have your sunk costs, as GEO
15 does, when you just do the raw material analysis with
16 what we look at in terms of what we think that raw
17 material might cost and what we know our raw materials
18 cost, we see a pretty substantial difference. We
19 certainly can comment on exactly what our costs are in
20 any further brief.

21 MR. STONE: Thank you. Does GEO have
22 anything to add on the difference between the two
23 processes?

24 MR. ECKMAN: Not at this point, Phil. We
25 understand our process, not the HCN. I would, I

1 guess, further elaborate that during the period that
2 the Deer Park site was for sale by Dow, that Chattem
3 was an interested party and did do due diligence, and
4 they did get to see, on a very confidential basis, the
5 cost of making glycine at Deer Park, so they have a
6 pretty good insight as to, at least, our cost
7 structure, the Dow cost structure, in 2004 for making
8 HCN.

9 So I think when Jim makes the comment, it is
10 something that they are pretty confident in making
11 that point.

12 MR. STONE: Thank you. About the tech grade
13 and the USP grade; you both mentioned, for both
14 processes, you're trying to run at USP grade all of
15 the time and only have tech grade when you have a
16 startup or an upset. Is either one of the processes
17 an MCA process or the HCN process? Is one of those
18 more robust or less flaky so that you get a different
19 ratio of USP to tech grade, or is it about the same
20 for both processes?

21 MR. KEDROWSKI: Actually, I can only speak
22 for our own process. The way we have to run today,
23 because we're running at such a small amount of our
24 capacity, we campaign. So we have ups and downs all
25 of the time with these campaigns, and it's not a great

1 way to maintain your yields at the higher-quality
2 material.

3 Probably one of the key issues for us is
4 water. Water quality has to be right when we run this
5 particular product, and making sure that that's
6 appropriate is an issue, and we typically have a
7 process that says our very first batch will not be
8 pharma grade material, no matter what.

9 So the way we run the plant today is we're
10 actually producing more technical grade than we would
11 have in the past, if we could run continuously, but it
12 is done in the same process, and if we happen to
13 produce technical grade, we have to go back and wash
14 out the system for the next batch. Actually, we wash
15 out the system between each batch anyway.

16 MR. STONE: And one final question. For the
17 MCA process, is sodium glycinate a precursor in that
18 one, or is the process different so that it's not
19 produced?

20 MR. KEDROWSKI: Not to my knowledge is it in
21 there. I don't know that we could stop at sodium
22 glycinate. I think the concern is -- my concern would
23 be, on sodium glycinate, with my limited knowledge,
24 would be that if you wanted to continue dumping, and
25 you were blocked from being able to dump glycine, you

1 would just bring in sodium glycinate, and somebody
2 could wash it and dry it and turn it into a product
3 that would compete.

4 MR. STONE: Thank you. That's all the
5 questions I have.

6 MR. CARPENTER: Ms. Mazur, the supervisory
7 investigator.

8 MS. MAZUR: Thank you all very much for
9 coming and giving us your presentation this morning.
10 We always appreciate hearing from the actual members
11 of the industry here, so thank you all very much for
12 coming and testifying.

13 Mr. Eckman, you spoke this morning about the
14 growing market. Mr. Kedrowski as well, could you
15 chime in on this and talk about, or Ms. Jackson, the
16 demand for glycine in the United States, and if there
17 is a growing market or rising demand, where is that
18 coming from? What sectors are we talking about?

19 MR. ECKMAN: We estimate that the pet food
20 application for glycine is growing roughly at three
21 percent a year. We're not very familiar at all with
22 the pharmaceutical uses of glycine.

23 The new growth, if you will, has been in the
24 area of nutraceuticals.

25 MS. MAZUR: I'm sorry?

1 MR. ECKMAN: The supplements. They are
2 termed "nutriceuticals," I guess, generically, and, as
3 you know, nutriceuticals or supplements have grown
4 quite a bit.

5 MS. MAZUR: Dietary supplements?

6 MR. ECKMAN: Nutritional supplements. The
7 personal care is usually the antiperspirant. It's
8 used in antiperspirants. That's grown, again, we were
9 thinking, about three percent a year when we looked at
10 the business. I don't know if that answers your
11 question.

12 MS. MAZUR: Mr. Kedrowski?

13 MR. KEDROWSKI: Maybe this is because we're
14 blocked out of most of the market, but if you had
15 asked me that question in a vacuum, I would have said
16 the market was not growing. All we have seen is a
17 reduction in the amount of sales that we make and the
18 material out of our plant. From a pharmaceutical
19 standpoint, as I remember the numbers, it seems to me
20 that it was relatively stable, but I would have to
21 look exactly at the numbers.

22 We don't sell into the pet food market. We
23 can't afford to.

24 MS. MAZUR: Are you meeting import
25 competition, then, in your marketplaces?

1 MR. KEDROWSKI: We can. We can. The price
2 of the imports is lower than our raw material costs.

3 MS. MAZUR: Not meat price, but you're
4 facing competition in your segment, the pharmaceutical
5 segment.

6 MR. KEDROWSKI: Absolutely. One of the
7 things I tried to say in my statement, and as I was
8 going through it, I don't think I did a very good job
9 at it, is that let's say you have a USP market that's
10 80 percent of the market. It's still a blend of a lot
11 of customers, and there will be the marginal customer
12 on one end that says, "Well, I think I can sneak down
13 with a little less quality or take a little more
14 risk," and pretty soon it's like a set of dominoes.
15 It started in the tech, and went to the USP, and the
16 whole market comes down.

17 When I indicate that we can't compete in
18 those markets, some of it is by actual knowing what
19 the price is, and some of it is just looking at what
20 the price of imports is by doing the division of tons
21 by dollar amount.

22 MS. MAZUR: So you do see a relationship
23 between pricing and the technical grades and then
24 pricing in USP, or pharmaceutical, grades.

25 MR. KEDROWSKI: I believe they all impact

1 each other, yes.

2 MS. MAZUR: Ms. Johnson, is that true for
3 you as well?

4 MS. JOHNSON: Yes, it is.

5 MS. MAZUR: Okay. Do you also face import
6 competition in the market segments that you were just
7 talking about, particularly from the three subject
8 countries, and is it different for subject versus
9 nonsubject countries?

10 MR. ECKMAN: Yes. It's primarily the USP
11 market, and we do see import competition from the
12 three subject countries, as well as China. We see
13 import competition from China.

14 MS. MAZUR: With respect to the order on
15 China, the dumping order on China, how do you view the
16 effectiveness of that order in terms of the market
17 sectors that you see there, their product? That's a
18 question for both companies.

19 MR. KEDROWSKI: I guess this is not the
20 focus of this particular hearing, but I don't see it
21 working very well at all because, and I did mention it
22 in my statements, it appears to me, every time we stop
23 one or think we've stopped one, it just shows up
24 somewhere else. I am a strong proponent, on
25 information and belief, that there is still a lot of

1 Chinese glycine that's rolling through other
2 countries, including the ones that we're talking about
3 today.

4 MS. MAZUR: And the effectiveness in terms
5 of what, new shippers and that process, the new
6 shipper reviews at Commerce? Is that what you think
7 is falling short?

8 MR. ECKMAN: Actually, what I think is
9 falling short is the fact that -- let's take away from
10 the process and look at what we were looking at. We
11 were looking at Chinese glycine being dumped into the
12 United States.

13 We utilized the sunset review and the new
14 shippers' reviews to try assess the fact that it was
15 dumping, and it was concluded that there was dumping
16 going on, and yet we still see that same material --
17 we believe it's the same material -- but it's just not
18 flowing straight from China.

19 It's flowing through other countries, and we
20 have been unsuccessful, working with Customs, to try
21 to find a way to either put our fears to rest that
22 it's not correct, that we're wrong, or, in fact, that
23 it is, and that's been the problem for 10 years, and
24 we've gotten somewhat tired of the process because it
25 doesn't seem to work well for us.

1 MS. MAZUR: Okay. With respect to other
2 nonsubject sources of glycine, I think, Ms. Jackson,
3 you indicated there might be -- other than China, what
4 other sources might you be concerned about?

5 MS. JOHNSON: You know, we see some product
6 coming in from Hungary, but mostly, with my
7 experience, it's India, Japan, and Korea, in addition
8 to China.

9 MS. MAZUR: Well, it seems to be borne out
10 by the official import statistics. We do see some
11 smaller amounts from Belgium and Germany.

12 MS. JOHNSON: Yes.

13 MS. MAZUR: Anything about those sources of
14 supply?

15 MS. JOHNSON: I do not have a lot of contact
16 with those countries.

17 MS. MAZUR: And not concerned about them.

18 MS. JOHNSON: Not concerned, no.

19 MS. MAZUR: All right. Now, with respect to
20 the ability of U.S. producers to satisfy demand,
21 whether it's growing or flattening or whatever, Mr.
22 Husisian, you indicated that you would be able to
23 provide us with any additional information in post-
24 conference briefs with respect to any capital projects
25 that might be considered or would be implemented.

1 Let's go back to the start of the period of
2 investigation and talk about the effect of the various
3 legal proceedings that affected your firm, the buyout
4 from Dow, the bankruptcy situation. How has that
5 affected your ability to supply the U.S. market? Have
6 there been any interruptions? Then, looking towards
7 the future, what would it take for you to be in a
8 position to increase your capacity to satisfy growing
9 demand?

10 MS. JOHNSON: Actually, probably Bill is in
11 a better position to --

12 MR. ECKMAN: During our period of owning the
13 plant, I think that we keep statistics, obviously, on
14 customer service, and I think, throughout 2006, we've
15 missed two shipments out of about 500 that were late,
16 so I think our reliability has improved. We did
17 understand that Dow had a problem with reliability
18 prior to us buying it, and as I mentioned in my
19 testimony, we have a little bit more of a direct
20 customer-focused approach than Dow had with the
21 business.

22 With respect to expanding capacity,
23 obviously, you need better margins, as Jim said.
24 There is just not any margin in expanding capacity
25 today that you would make that decision to -- there's

1 actually some dormant operations at Deer Park that
2 could be restarted if margins improved, inasmuch as a
3 recovery system; that would improve.

4 MS. MAZUR: If you could, in the post-
5 conference brief, go into a bit more detail in terms
6 of what kind of capability you have that's sitting
7 there and ready to go or what kind of investment you
8 would have to incur to continue to increase capacity.

9 MR. HUSISIAN: Yes. We absolutely can do
10 that, and, to add on to what Bill said, they would
11 have to, before they are going to invest in any new
12 capacity, they are going to have to fill up the
13 capacity that they have. They have capacity that's
14 sitting there and ready to go that they aren't even
15 tapping. Why would you invest in new capacity when
16 you can't fill up what is ready and available right
17 now and when you're running slower than you need be?
18 Even if it's low cost, you're not going to put the
19 money into it. But we'll cover that more in the
20 submission.

21 MS. MAZUR: Okay. I appreciate that, as
22 well as some of the information, some documentation,
23 for the service issue that we were just talking about.

24 MS. JOHNSON: Yes.

25 MS. MAZUR: And you will only be able to

1 talk about your period of ownership.

2 MR. ECKMAN: Yes. I don't know if you kept
3 the same statistics under Dow's days.

4 MS. JOHNSON: Yes, I did.

5 MS. MAZUR: Oh, good. Then you can supply
6 us, then, 2004, 2005, and 2006.

7 MS. JOHNSON: Okay. Great.

8 MS. MAZUR: Wonderful. Okay. Well, thank
9 you very much, all, and I appreciate your comments.

10 MR. CARPENTER: I have a few questions as
11 well. Mr. Kedrowski, let me start with you. You had
12 mentioned a couple of times about a transshipment of
13 Chinese material through Korea and Japan and perhaps
14 other places. Are you saying that this material is
15 not being correctly reported, with the country of
16 origin as being China, but rather is being reported as
17 Korean and Japanese origin?

18 MR. KEDROWSKI: That is my belief, and I
19 hope this process finds out whether that's true.

20 MR. CARPENTER: Then it would be your belief
21 that some of the import statistics, with respect to
22 the subject countries, such as Korea and Japan, might
23 be overstated during the period of investigation. Is
24 that correct?

25 MR. KEDROWSKI: Could you try one more time?

1 MR. CARPENTER: Yes. The import statistics
2 that are reported by the Department of Commerce may be
3 overstated with respect to Korea and Japan because
4 some of the material that is being reported there is
5 actually of Chinese origin.

6 MR. KEDROWSKI: Yes. That's my belief.

7 MR. CARPENTER: Okay. Could I ask the GEO
8 representatives what your reaction is to that? Do you
9 share that belief, or do you contest that?

10 MR. ECKMAN: We have heard similar comments
11 in the marketplace.

12 MR. CARPENTER: This is a pretty important
13 issue to us, so, to the extent that we could try to
14 get a handle on it, as far as the magnitude of this
15 issue, we would appreciate anything that any of the
16 parties could come up with in their post-hearing
17 briefs that might address this in further detail, even
18 if it's not actual statistics but maybe reports that
19 you have from people in the field, just to try to get
20 an idea of what the magnitude might be and how long
21 it's been going on and how much it's changed over the
22 three-year period of investigation.

23 Another question for Mr. Kedrowski. I got
24 the impression that you may have been saying --
25 correct me if I'm wrong -- that your cost structure

1 may be higher than that of either GEO or some of the
2 other world producers just because you use a different
3 production process. Is that fair to say, or is it
4 just true with respect to certain grades? Could you
5 elaborate on that?

6 MR. KEDROWSKI: Yes. I believe it is true
7 on all grades. Now, of course, the way we run our
8 plant, focusing on pharmaceutical and having a drug
9 master file, it causes some extra costs, but I have
10 referred, a couple of different times, to the fact
11 that if you just purchase our raw materials at our
12 purchase price, and you use the yield that we get from
13 that, and we think we do pretty good on yield, I could
14 not compete at the level of where most sales are going
15 to large-volume USP and/or tech customers.

16 MR. CARPENTER: Now, you did say that you
17 have had difficulty competing with imports because of
18 the lower-priced cost structure of the imports. First
19 of all, I wanted to know what imports you're talking
20 about when you said that you had been unable to
21 compete with imports in terms of price. Are you
22 talking about subject imports or imports from China or
23 nonsubject countries or all of the above?

24 MR. KEDROWSKI: I think I'm really talking
25 about all of the above.

1 MR. CARPENTER: Okay. And in what time
2 period? Over the last few years, or just recently?

3 MR. KEDROWSKI: It goes back farther than
4 the period that you're looking at here, which is why,
5 in my testimony, I said that we lost most of our
6 business really in the 2001-2004 timeframe, and now we
7 run our plant at a mere fraction of the capacity that
8 it's capable of because there is such a small
9 pharmaceutical market out there.

10 MR. CARPENTER: Now, if you could do this,
11 and feel free to comment in your brief, if you
12 consider this proprietary, but, in trying to separate
13 out the competition effects from imports from subject
14 countries versus nonsubject; in other words, the three
15 countries that are subject to this investigation as
16 opposed to China or some other sources, you did
17 indicate that you had lost sales in the 2001-through-
18 2004 timeframe. Was that primarily related to China,
19 or to what extent have you been impacted by imports
20 from the three subject countries in this
21 investigation?

22 MR. KEDROWSKI: I will comment in writing on
23 this issue.

24 Perhaps one way to look at a marketplace is
25 100 percent of the customers are out there, and

1 there's a couple of domestic competitors, and there is
2 a variety of competitors coming from other countries.
3 A dumped import in one area has more impact than just
4 at that one particular customer. It goes into the
5 next customer. So there will be cases where we
6 actually lost business to GEO, who lost business
7 somewhere else. So there is that sort of domino
8 impact as you go through the process.

9 I was trying to go through, in my mind,
10 looking at the countries of origin over the last three
11 months from the data that I've looked at, as declared
12 in the database that I've seen, and that database, if
13 you put the three countries together that are the
14 subject of this, the imports had to be greater than 50
15 percent of what was coming in, and it might have been
16 greater than 75 percent. I'm not sure. But I will
17 certainly comment on what I've seen with the database,
18 and you'll be able to see it, too. Is that
19 sufficient?

20 MR. CARPENTER: Yes. I appreciate that.

21 MR. HUSISIAN: We can also put in some
22 information on that, but just from the public
23 statistics, you see the nonsubject imports are
24 increasing over the three-year POI, but it's just be a
25 little bit. The subject imports are much, much

1 greater, and the loss in the market share by the U.S.
2 companies is very similar to the increase in the
3 subject market share.

4 So even though you see an increase from
5 nonsubject countries, primarily China, the doubling or
6 more of imports and the huge lion's share is from
7 Japan, India, and Korea, and that's borne out by both
8 the questionnaires and by the public data.

9 MR. CARPENTER: Okay. Mr. Kedrowski, have
10 you, to the extent that this is not confidential --
11 feel free to respond in your brief if it is, but just
12 in more general terms, have you been shifting your
13 production into the pharmaceutical grade over the last
14 three or four years? Has the pharmaceutical grade
15 accounted for a greater share of your production on a
16 pretty steady basis over the last few years, and do
17 you find less competition from imports in that grade?
18 Is that why you've moved into that grade? Could you
19 elaborate on that?

20 MR. KEDROWSKI: The answer to the question
21 is yes. It's not that we've focused more on it; we
22 just lost all of the other business.

23 MR. CARPENTER: Okay.

24 MR. KEDROWSKI: And so it becomes a bigger
25 percentage of what we sell.

1 MR. CARPENTER: I see.

2 MR. KEDROWSKI: I had another comment, but
3 I've lost it. I'm sorry.

4 MR. CARPENTER: Okay. That's fine. I
5 believe that's all the questions I had. Do we have
6 any other staff questions, follow-up questions? Okay.
7 Mr. Duncan?

8 MR. DUNCAN: First, I want to follow up on
9 some points of logistics. Mr. Kedrowski, I've been in
10 contact with officials at Chattem Chemicals since you
11 guys have a relationship with Shoadenko. I've been
12 assured, on a confidential basis, but I would like a
13 public confirmation, that you will help assist us to
14 get a questionnaire response from the foreign
15 producer, Shoadenko.

16 MR. KEDROWSKI: Certainly.

17 MR. DUNCAN: And then, to GEO Specialty
18 Chemicals, the deficiencies in U.S. producers'
19 questionnaire response, you indicated earlier, and I
20 just want to confirm that, that you have, or will be
21 shortly providing, those responses.

22 MR. KEDROWSKI: If they are not here
23 already, they will be here today, yes.

24 MR. DUNCAN: And then I wanted follow up on
25 a couple of points that were raised by Ms. Preece and

1 Ms. Mazur in relation to channels of distribution. I
2 just want to be clear on this.

3 It's my understanding, from the testimony
4 given here today, and correct me if I'm wrong, that
5 pharmaceutical grade is more of a made-to-order
6 product that has a special relationship between the
7 producer and the customer, while the tech and USP
8 grades are more commodity-type products produced to a
9 common specification and often shipped through
10 distributors. Can I get comments from both Chattem
11 and GEO as to whether or not that is an adequate
12 description of the two?

13 MS. JOHNSON: The USP and tech grade are not
14 often shipped through distributors. The distributors
15 are a small part of our business. But your comment
16 with the pharma grade, it is made to order.

17 MR. DUNCAN: I also want -- Mr. Kedrowski.
18 Sorry.

19 MR. KEDROWSKI: You can skip me, if you
20 want.

21 MR. DUNCAN: No. Go ahead. Please respond.

22 MR. KEDROWSKI: Many of our pharmaceutical
23 customers have additional specifications, and
24 essentially the way we run our process is to produce
25 all pharmaceutical grade at the best possible quality,

1 and then we'll just test for any additions that they
2 want on it. USP and tech, a pretty standard set of
3 specifications across customers. We do have a couple
4 of customers we absolutely make some small changes in
5 our plant to produce for when we're running a campaign
6 for them in the pharmaceutical area. That's probably
7 it.

8 I'm sorry. You asked about distributors.
9 We do sell through some distributors. It's still a
10 relatively small amount for us as well.

11 MR. DUNCAN: When you discuss your shipments
12 through distributors, and if you can say so publicly,
13 is there a differentiation between that being in the
14 pharmaceutical grade or not being in the
15 pharmaceutical grade?

16 MR. KEDROWSKI: Differentiation as in price
17 or differentiation between --

18 MR. DUNCAN: Actually, the ability to use a
19 distributor for the pharmaceutical grade.

20 MR. KEDROWSKI: There are some distributors
21 that focus more on the pharmaceutical market, and they
22 are more likely to take some of our pyrogen-free
23 material to them, end customer.

24 MR. DUNCAN: Thank you. A question in
25 relation to the production capabilities of GEO

1 Specialty Chemicals. If you can say so publicly, are
2 there any physical handicaps or limitations to being
3 able to produce in the pharmaceutical grade market?

4 MR. ECKMAN: I think we would prefer not to
5 discuss that publicly.

6 MR. DUNCAN: Then please provide us that
7 information in your brief.

8 My final follow-up question relates to
9 comments by Mr. Kedrowski relating to the FDA
10 requirements for the pharmaceutical grade materials.
11 Do those requirements apply equally to U.S. producers
12 as to foreign suppliers of such material?

13 MR. KEDROWSKI: They certainly should, yes.

14 MR. DUNCAN: Are they, in fact?

15 MR. KEDROWSKI: I'm not in a position to be
16 knowledgeable about that, I'm afraid.

17 MR. DUNCAN: If anyone has any information
18 on whether U.S. regulations serve as nontariff
19 barriers to trade in the pharmaceutical market, please
20 provide it.

21 Mr. Carpenter, that's all of my questions.

22 MR. CARPENTER: Thank you again, panel, for
23 coming here today, for your presentations, and your
24 responses to our questions. We really appreciate it.

25 At this point, we'll take a 10-minute break,

1 and we'll then resume with the Respondents. Thank
2 you.

3 (Whereupon, at 11:23 a.m., a short recess
4 was taken.)

5 MR. CARPENTER: Okay. We'll resume the
6 conference at this point. Mr. Frey, please begin
7 whenever you're ready. You have to press the button.

8 MR. FREY: Hi. My name is Chris Frey. My
9 company is CAF International. We do the majority of
10 imports of glycine for ICO Laboratories in India. I'm
11 not an attorney. I'm just here to present some
12 commercial information.

13 Firstly, when I address my remarks,
14 unfortunately, and the GEO people, pardon me, but a
15 lot of my remarks will be addressed to a pattern that
16 we've seen in the market when, prior to GEO becoming
17 involved in this business, when Dow Hampshire was
18 involved.

19 It's our contention that GEO, and prior
20 Hampshire, Dow, has lost business due to a number of
21 service problems, among other things. One, there have
22 been a number of plant closures in the last 10 years.
23 I could be wrong. I'm just saying one was an
24 explosion, one was a lack of raw material, and many
25 buyers were upset.

1 In 2005, two contracts with two of the
2 biggest buyers in this country were abrogated, and
3 this is the verbiage I'm using from the customers.

4 We were called by a distributor to this one
5 particular company that we could probably get half of
6 their business, which is about 100 tons a month. We
7 got the business because the company was very angry,
8 and I'm not sure if they even do business anymore with
9 GEO. And we did not get the business on price, which,
10 when you investigate, you will see, in fact, I think
11 our final selling price to the customer was equal or
12 maybe a penny or pound less. That has been the case.

13 Let me just say another thing that I should
14 have said at the beginning. I've been in the glycine
15 business since 1981. I started CAF in '94. I've
16 handled many different types of glycine. For the last
17 two and a half years, I've been involved just with ICO
18 basically as their agent. They have sold to somebody
19 else, but they are not of consequence.

20 I've seen the many antidumping suits that
21 have been brought, and it's just our opinion, and the
22 Indians' opinion and, I think, some of the other
23 exporters, that whenever there is a financial problem
24 with Dow-Hampshire, or now, GEO, they resort to
25 antidumping.

1 In our particular case -- I'm not speaking
2 for the other Indian producers -- in our particular
3 case, we got about 98 percent of our business based on
4 the fact that our main customer that we sell 98
5 percent of our product to was fed up with service and
6 some other business dealings.

7 If you look at the import statistics, the
8 import statistics will bear out our allegation that
9 there is some kind of idea here to monopolize the U.S.
10 market. If you cut out India, Korea, and Japan, you
11 only have Belgium, which imported eight containers
12 last year.

13 I also understand -- I don't know if this is
14 fact, but I've heard from two different buyers in the
15 market that right now there is another antidumping
16 suit being brought to raise the Chinese duty to 75
17 percent, which shows another pattern.

18 We, as ICO, export about 98 percent of our
19 material to the United States. If an antidumping duty
20 is inflicted, ICO will go out of business, and I will
21 lose 40 percent of my business. ICO's plant is
22 currently shut down because, like a lot of the other
23 exporters, they are reluctant to export at this time
24 because of the allegations.

25 This has also impacted on contracts for 2006

1 because, for the last year to a year and a half, the
2 Plaintiffs have been telling people that they are
3 going to bring an antidumping suit against India, and
4 I don't know about the other countries, but India has
5 been specifically mentioned, and I have it from some
6 sources that will verify it in private.

7 We lost one customer strictly for that
8 reason, who had stopped buying from the Plaintiff, but
9 because of the fear and not knowing that an
10 antidumping case takes up to one year, decided to not
11 deal with us. In that particular instance, it's been
12 a scare tactic, and I also have information -- I know
13 you asked one of the gentlemen here before about the
14 current manufacturing status of the plant now, which
15 he said he would respond in private, or something to
16 that effect, or in writing.

17 This is not confirmed, but I've heard it
18 from a number of customers that buy from GEO, that,
19 again, they are putting off shipments for the next
20 three months. They are asking customers if they can
21 wait three months for product. This just shows,
22 again, another pattern.

23 In 2004, when they shut down their plant,
24 that was our first entree because people called us.
25 You know, it's basically our contention that, to stay

1 in this business, this is really a last-ditch attempt
2 by the Plaintiffs because there has been a pattern,
3 over the last 10 or 15 years, that every time there is
4 a problem, when they are losing market share, they
5 bring an antidumping case, and, in our case, we feel
6 that it's quite ill founded.

7 Just to reinforce what I said, our share in
8 this market was predicated not on lowering a price but
9 on service and other business dealings that the
10 customer will verify. It was not solicited by us. We
11 were called because of the problems dealing with GEO,
12 the problem being, I think, that GEO is still looked
13 at as Dow-Hampshire, and a number of buyers in our
14 business have told me, when the sale was consummated
15 that as far as they were concerned, that it was one
16 and the same company.

17 So I know GEO has only been in this for one
18 year, but I had to bring up those facts because I
19 think it's incumbent upon me just to prove that there
20 is some kind of pattern here, and it's not just a
21 pricing issue. There's a lot of other issues. I'm
22 not sure of the exact number of plant shutdowns, but
23 there have been quite a few, and I believe that there
24 is one in effect right now.

25 So I've been getting a lot of calls lately

1 for glycine, and a customer that I'm very close with
2 told me what the situation was, that he was asked if
3 he could wait three more months for his next orders.

4 So now my opinion is such that I see now at
5 GEO the same thing that was happening with Dow-
6 Hampshire, and there's a lot of customers that have
7 been alienated by this.

8 I also want to say, we do 100 percent of our
9 business in the United States, and until 2005-2006, we
10 had about 50 percent of the business of the largest
11 buyer in the United States, and we do not give meet-
12 or-release clauses, counter to what was said before.
13 That's all I have. Thank you.

14 MR. CARPENTER: Thank you, Mr. Frey. I'll
15 turn now to Mr. Duncan to begin the questions.

16 MR. DUNCAN: Thank you, Mr. Carpenter.

17 Mr. Frey, you allege that the Petitioner in
18 these proceedings, GEO Specialty Chemicals, Inc., lost
19 business due to its own business processes and not
20 that of subject import companies.

21 MR. FREY: I do. I don't know what that
22 percentage is, but I know the main part of our
23 business, it was not because of price, and when I say
24 "our business," I mean ICO Laboratories or the agent
25 for.

1 MR. DUNCAN: We also heard testimony this
2 morning from Mr. Eckman saying that, subsequent to
3 their purchase of the Dow-Hampshire production
4 facility of glycine, that they have increased their
5 customer service. Is it your allegation, then, that
6 you have not seen this in the marketplace?

7 MR. FREY: Well, I think the statement was
8 correct by the gentleman up until now, but I believe,
9 when you discuss this in private, you'll see that now
10 there is an interruption again.

11 Also, customers don't forget very easily
12 when there have been other interruptions in service
13 and abrogation of contracts and things of that nature.

14 MR. DUNCAN: To your knowledge, speak
15 specifically first to the material that you help ship
16 in the U.S. market but then, in general, about Indian
17 material, if you can and have knowledge of that, and
18 then, above and beyond that, whether or not you have
19 knowledge of Korean and Japanese material, those three
20 levels.

21 Do imports compete in all grades of glycine?

22 MR. FREY: Do imports? As far as I know,
23 from India, I believe it's just USP and technical
24 grade, at least in our case. I don't think anyone is
25 capable of making a pharmaceutical grade. I could be

1 wrong, just conjecture, but that's what I think.

2 MR. DUNCAN: There have also been
3 allegations in these proceedings of transshipments of
4 material produced in China through one of the three of
5 the subject countries. Can you speak to the Indian
6 experience, whether or not you believe materials
7 coming into the U.S. market through India that's
8 actually produced in China?

9 MR. FREY: I don't know about the other
10 Indian producers, but I know for a fact that our
11 principal, ICO, produces strictly from acetic acid.
12 When GEO started rattling their swords a year, a year
13 and a half ago. I got receipts. I got most of the
14 receipts of all of the acetic acid bought for our
15 production, which is the raw material.

16 MR. DUNCAN: Would you be able to provide
17 that under APO for these proceedings?

18 MR. FREY: The producer would be glad to
19 provide all of the receipts.

20 MR. DUNCAN: I would appreciate that. Thank
21 you.

22 Mr. Carpenter, I have no more questions.

23 MR. CARPENTER: Mr. St. Charles?

24 MR. ST. CHARLES: Hi, Mr. Frey. Thanks.

25 MR. FREY: Hi. I feel very lonely up here.

1 None of my other friends are here.

2 MR. ST. CHARLES: I was just wondering about
3 the -- you said, currently, the Petitioner is asking
4 its customers to wait three months for supply.

5 MR. FREY: I've heard that from one of the
6 largest contract buyers in the country, yes.

7 MR. ST. CHARLES: And what would the normal
8 --

9 MR. FREY: Well, they buy monthly, so I
10 don't know. They buy about 80 tons a month.

11 MR. ST. CHARLES: And they are being asked
12 to defer three months' orders.

13 MR. FREY: Right, right. From what I
14 understand, without any reasoning behind it. And I
15 know, in March, I believe -- I can be corrected --
16 there was a plant shut down for maintenance, and now
17 it's a different story.

18 MR. ST. CHARLES: So the current reason, as
19 you understand from your contact, is not a plant
20 shutdown; it's something else.

21 MR. FREY: His feeling is that they are not
22 producing, for some reason. I don't know. That's
23 just the opinion I've gotten from him. He didn't want
24 to go too far out on a limb, but what's been said to
25 him was that, can you wait three more months for your

1 deliveries? To me, that smells like a fish.

2 MR. ST. CHARLES: Thank you.

3 MR. CARPENTER: Ms. Preece?

4 MS. PREECE: Thank you very much for coming.
5 It's always useful to have another side to any story.

6 You say you sell on contracts, mostly on
7 contracts.

8 MR. FREY: About 98 percent.

9 MS. PREECE: Are they annual contracts?

10 MR. FREY: Generally, yes.

11 MS. PREECE: And you don't have any --
12 relief. You've told us that.

13 MR. FREY: No, we don't. We've never
14 initiated one, nor been asked by the same people
15 there.

16 MS. PREECE: What is the normal way you go
17 about getting these contracts? You said you were
18 contacted by --

19 MR. FREY: Yes, initially, and then it
20 became a continuous business. Some people, I have
21 contacted on my own. I've been in the glycine
22 business since 1981. When I worked for Mitsubishi, I
23 was doing Japanese material. So I've been handling
24 this probably for 20, 26 years now, so I know the
25 buyers. Some, we solicited, but our largest customer,

1 which is on the questionnaire -- I would rather not
2 disclose statistics here or customer names -- we were
3 solicited by them through one of their distributors.

4 MS. PREECE: So you're selling through a
5 distributor there.

6 MR. FREY: Yes, we are, which makes the end
7 price much higher than what the import stats would
8 show.

9 MS. PREECE: Do your purchasers have a
10 qualification process?

11 MR. FREY: Yes. They all do.

12 MS. PREECE: They all do.

13 MR. FREY: Yes.

14 MS. PREECE: And how long does that take
15 usually? How difficult is that?

16 MR. FREY: Well, it could be a month to two
17 months. We sell to the commodity markets, like
18 Chattem, and we don't sell to specialty markets. It's
19 mainly pet food.

20 MS. PREECE: Pet food. You see it as a
21 commodity.

22 MR. FREY: Some deodorant, yeah.

23 MS. PREECE: Have these recent poisonings in
24 the pet food market had any effect on you?

25 MR. FREY: No, not yet.

1 MS. PREECE: Okay.

2 MR. FREY: We have not imported anything
3 from India for the last three or four months because
4 of the current scare our producer is under, brought on
5 by today's action.

6 MS. PREECE: Okay. I think that's all the
7 questions I have for now. Thank you.

8 MR. CARPENTER: Mr. Jee?

9 MR. JEE: Mr. Carpenter, I have no
10 questions.

11 MR. CARPENTER: Mr. Stone?

12 MR. STONE: There's been a couple of
13 mentions of using sodium glycinate and importing
14 sodium glycinate instead of glycine. From your
15 opinion, do you have anything to say about the use of
16 that, importing sodium glycinate instead of glycine?

17 MR. FREY: No. Actually, when Russell sent
18 me the thing, I had to look it up in my chemical
19 dictionary what it was.

20 MR. STONE: Thank you. That's all I have.

21 MR. CARPENTER: Ms. Mazur?

22 MS. MAZUR: Mr. Frey, I wonder if you could
23 talk about your impression of demand in the U.S.
24 market for glycine. Is it growing, first of all?

25 MR. FREY: Well, I think the demand has

1 grown. I don't know the exact statistics. I think
2 the principals from GEO are correct. I think demand
3 has gone up, but I don't know what the exact
4 percentages are, you know.

5 MS. MAZUR: Do you compete in all of the
6 segments that were identified be GEO?

7 MR. FREY: I'm not sure. I would have to
8 verify that. I agree, in principle, that it has
9 grown, but I don't know if those percentages are
10 correct or not.

11 MS. MAZUR: Are you facing competition in
12 the sectors that you sell to from Korea and --

13 MR. FREY: From the Chinese.

14 MS. MAZUR: Korea and Japan, first of all,
15 and then --

16 MR. FREY: No, but from the Chinese.

17 MS. MAZUR: From the Chinese. Okay. Have
18 you got anything more than you can add about the
19 market dynamics and where you see the most competition
20 amongst various suppliers?

21 MR. FREY: Well, as one of the commercial
22 managers stated, the bulk of this business, which is
23 our business and also GEO's, is commodity business,
24 and it's done, I would say, 70 to 80 percent, which
25 they stated, I believe, on a contract basis. This is

1 probably 100 percent with pet food people and with the
2 antiperspirant market.

3 We do not deal with pharmaceutical
4 companies. We don't have a pharma grade. We don't
5 pretend to, and that, I can't speak on.

6 MS. MAZUR: But you do sell both, USP and
7 technical.

8 MR. FREY: I think we've sold, in the last
9 three years, 40 tons of technical. The rest has been
10 USP.

11 MS. MAZUR: All right. Well, I think that's
12 the only question I had. Thank you. Thank you, Mr.
13 Frey.

14 MR. CARPENTER: Mr. Frey, just one question.
15 Are you aware of any substitutes for glycine in either
16 the USP or the technical grades?

17 MR. FREY: Not to my knowledge.

18 MR. CARPENTER: Okay.

19 MR. FREY: Not to my knowledge. I don't do
20 glycine with China, but I do a lot of business with
21 China on other products, and I'm sure that would have
22 been brought to my attention by the Chinese or the
23 Indians, so no.

24 MR. CARPENTER: Thank you. Any other staff
25 questions? Mr. Duncan?

1 MR. DUNCAN: Yes. I would like to follow up
2 on one point. You say you're facing competition in
3 the U.S. market from subject merchandise produced in
4 China. Is this recorded properly in the import
5 statistics, or is this competition coming under the
6 radar screen?

7 MR. FREY: I don't know if it's reported
8 correctly because I don't take a quantitative count of
9 every account I lose. But just on market information,
10 feedback from customers, et cetera, the Chinese
11 material seems to be where we're running into the
12 lowest priced on the market, even with the current
13 antidumping duties on them.

14 MR. DUNCAN: Can you speak to how easy would
15 it be, in your opinion, for a firm in China to package
16 glycine in a bag, say it's sodium glycinate, and ship
17 it under the wrong HGS number?

18 MR. FREY: My experience is the Chinese are
19 capable of anything.

20 MR. DUNCAN: Thank you very much. That's
21 all my questions.

22 MR. FREY: I bought sand one time instead of
23 MSG years ago.

24 MR. CARPENTER: Thank you, Mr. Frey, for
25 coming here today and for sharing your views with us.

1 At this point, we are ready to go to the
2 closing statements. Mr. Husisian, do you have yours
3 prepared, or would you like a few minutes to get your
4 thoughts together?

5 MR. HUSISIAN: A couple of minutes would be
6 good.

7 MR. CARPENTER: Okay.

8 (Whereupon, a short recess was taken.)

9 MR. CARPENTER: Mr. Husisian, welcome back
10 and please proceed.

11 MR. HUSISIAN: Thank you. The microphone
12 even is on and waiting for me.

13 I haven't heard anything that's going to
14 change the basic theme of our case and my statement at
15 the beginning, that this is a textbook case of
16 material injury.

17 Let me first go through a couple of the key
18 points that you just heard about from the U.S.
19 importer. The first point he made was that he sees
20 this as every time there is a problem, the U.S.
21 industry comes running to the Commission and to the
22 Department of Commerce saying there is dumping. There
23 has only been one other dumping case, and it was in
24 1994, and it was against China.

25 There have been sunset reviews since then

1 and some new shipper reviews, but, as the Commission
2 knows, that's the only one that's going on. This
3 isn't an industry that's constantly dipping into the
4 well and seeking protection. As a trade lawyer, I
5 would say that they had a decent case against these
6 three countries several years ago, and they tried to
7 work it out in the marketplace.

8 They are a small company. They didn't want
9 to bring on a case and the expense of a case unless
10 they absolutely had to, and you also heard about the
11 frustrations that Chattem has had and our client has
12 had as well with trying to get enforcement of the
13 Chinese dumping order.

14 So they are not people who are running off
15 and trying to get unfair relief; they are people who
16 are trying to get relief from unfair imports and are
17 here because they really believe the statistics bear
18 out why it is there. The Commission has had two
19 sunset reviews come and go and has concluded that the
20 China order is one that should remain in place.

21 So it's not really fair to say that this is
22 an industry that, every time they have a financial
23 problem, they come running to the Commission looking
24 for relief.

25 The same thing is true, as you know, with

1 regard to allegations that this is an attempt to
2 monopolize the U.S. market. A dumping order is not a
3 free ticket to having a marketplace that's free of
4 imports. It's a means to prevent import pricing at
5 unfair trade levels.

6 The Chinese, for example, the reason they
7 are having an administrative review is because, even
8 though they are under an order, there have been
9 substantial sales of the Chinese product there, and if
10 importers and producers from Japan, India, and Korea
11 can sell at fairly traded prices, then I'm sure I can
12 speak for both GEO and Chattem that they welcome the
13 opportunity to be in that kind of marketplace. They
14 can't compete against unfairly traded imports, but
15 they can, in a rational marketplace, they certainly
16 can compete.

17 So it's not an attempt to monopolize the
18 market, even if it's given. It's no more true than in
19 any other case that it's going to result in a
20 monopoly.

21 He made a point about pricing and how his
22 prices compare to other people's. I can't discuss
23 that here, but you have the data in front of you to
24 make an objective evaluation of what the relative
25 pricing is, and we'll be able to cover that in our

1 post-hearing submission.

2 His fourth point was, since 2006, people
3 have been scared off and not bringing imports into the
4 market because they were worried that a case might be
5 coming. To me, the rational thing to do, if you knew
6 a case was coming, would be to price your product
7 rationally so you're not engaging in dumping because
8 there is no reason that you should prepare a case if
9 you're not dumping.

10 But beyond that, the import statistics show,
11 and this is right off the Customs, throughout 2006
12 imports continued to go up, and the reason why imports
13 are now more than twice as large as they were a couple
14 of years ago, in part, is because the import patterns
15 continued through 2006. They have just been going up
16 and up and up and up.

17 So if this is what it looks like when people
18 are scared off, I don't know what it would look like
19 if they didn't even know a case was coming. You know,
20 the decision to go forward with a case is not
21 something that has been contemplated for a very long
22 time.

23 You have to gather the data, see if a good
24 case was there, and see what was going on. So I don't
25 think it's really correct to say that this is being

1 used as a scare tactic and has resulted in GEO pumping
2 up its volumes using threats. In fact, when you look
3 at the data for 2006, you can see that 2006 was not a
4 good volume year for GEO.

5 With regard to the information that he said
6 about GEO is basically shooting itself in the foot,
7 it's unable to serve its customers, even though it's a
8 very large supplier and a major source for people, all
9 I can say is the information that he has given you is
10 not correct. We can address it in confidence in the
11 briefs, but because it would require giving
12 information on specific customers, we're going to have
13 to leave it to them.

14 So I'm just going to tease you with that,
15 but, fortunately, you've given us so little time to
16 prepare our post-conference brief that I won't be
17 leaving you hanging for long.

18 In the end, all we can do is refer you back
19 to the basic facts of the case, the textbook case.
20 This is an industry with consistent losses. You've
21 heard from Chattem how they have been pushed into a
22 corner of the industry. It's not because they have
23 got some terrible production process.

24 They use the MCA process, the same way as
25 most of the foreigners do. It's because of the

1 pattern of targeted dumping that's just pushing them
2 out. You've heard how we have the best and lowest-
3 cost production, and yet we can't turn a profit for
4 years and years and years.

5 We have a situation where the imports are
6 just going up, where they are selling at ever lower
7 prices in a market where the product, it is very
8 difficult to differentiate it on anything other than
9 price, especially for the hugely important USP market,
10 and you've heard how the prices of the different
11 products tend to be linked. Dumping in one place,
12 like Jim said, they are like dominoes. It pushes one
13 customer out, and it leads the next customer to push
14 for lower prices.

15 These are sophisticated customers who know
16 the market, and when they have access to dumped
17 prices, they use that as a way to set up their next
18 sale or their next purchase. That's true whether they
19 have a meet-and-release contract, or they are just
20 negotiating.

21 As the Commission said in the earlier sunset
22 review, which is a very good model of how to analyze
23 the industry, there's a few sophisticated purchasers,
24 they know how to game the system, and they know how to
25 use it as a way to push prices down.

1 When you put these factors together, they
2 just don't have a viable option. They are losing
3 money, they can't cut prices to meet the dumped
4 imports, and they can't cut their volumes because then
5 it kills them. Their costs are going up. Then you
6 throw into that, rising energy costs, rising raw
7 material costs, and they are a company that is without
8 options.

9 You have the data in front of you. We can
10 help you analyze, but we don't have to do anything
11 other than really refer you to the data, and it is
12 just a textbook case of material injury. Things are
13 bad, and the future doesn't look any brighter. It
14 doesn't mean you have to go to a threat analysis.
15 It's just to give you confidence that this is a case
16 where protection is called for, and it's not a closed
17 case, and the data just bears it all out.

18 If there's no further questions, I'll leave
19 you with those thoughts.

20 MR. CARPENTER: Thank you, Mr. Husisian.

21 Mr. Frey, do you have any additional
22 comments you would like to make? If you do, would you
23 please come up to the microphone, please?

24 MR. FREY: Just one detail. I said ICO has
25 not shipped in 2006, but we plan to very shortly.

1 It's not a cessation of shipments. I think there are
2 other people in the market, but it's only a temporary
3 basis.

4 MR. CARPENTER: Thank you very much, Mr.
5 Frey.

6 On behalf of the Commission and the staff, I
7 want to thank the witnesses who came here today, as
8 well as counsel, for sharing your insights with us and
9 helping us develop the record in this investigation.

10 Before concluding, let me mention a few
11 dates to keep in mind. The deadline for the
12 submission of corrections to the transcript and for
13 briefs in the investigation is Wednesday, April 25th.
14 If briefs contain business-proprietary information, a
15 public version is due on April 26th.

16 I also want to mention that if there are any
17 other representatives of either parties or other
18 foreign participants in the audience, anyone who is
19 not a party is also welcome to submit a brief
20 statement of their position on the investigation and
21 any particular details they would like to provide.
22 That would also be due on Wednesday, April 25th.

23 The Commission has not yet scheduled its
24 vote on the investigations. It will report its
25 determinations to the Secretary of Commerce on May

1 14th. Commissioners' opinions will be transmitted to
2 Commerce on May 21st.

3 Thank you for coming. This conference is
4 adjourned.

5 (Whereupon, at 12:18 p.m., the preliminary
6 hearing in the above-entitled matter was concluded.)

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CERTIFICATION OF TRANSCRIPTION

TITLE: Glycine from India, Japan and
Korea

INVESTIGATION NOS.: 731-TA-1111-1113 (Preliminary)

HEARING DATE: April 20, 2007

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary hearing

I hereby certify that the foregoing/attached transcript is a true, correct and complete record of the above-referenced proceeding(s) of the U.S. International Trade Commission.

DATE: April 20, 2007

SIGNED: LaShonne Robinson

Signature of the Contractor or the
Authorized Contractor's Representative
1220 L Street, N.W. - Suite 600
Washington, D.C. 20005

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceeding(s) of the U.S. International Trade Commission, against the aforementioned Court Reporter's notes and recordings, for accuracy in transcription in the spelling, hyphenation, punctuation and speaker-identification, and did not make any changes of a substantive nature. The foregoing/attached transcript is a true, correct and complete transcription of the proceeding(s).

SIGNED: Carlos E. Gamez

Signature of Proofreader

I hereby certify that I reported the above-referenced proceeding(s) of the U.S. International Trade Commission and caused to be prepared from my tapes and notes of the proceedings a true, correct and complete verbatim recording of the proceeding(s).

SIGNED: Christina Chesley

Signature of Court Reporter