UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:) Investigation Nos.:
SODIUM GLUCONATE, GLUCONIC ACID, AND) 701-TA-590 AND 731-TA-1397-1398
DERIVATIVE PRODUCTS FROM CHINA AND FRANCE) (PRELIMINARY)

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UNITED STATES OF AMERICA

BEFORE THE

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:	) Investigation Nos.:
SODIUM GLUCONATE, GLUCONIC ACID,	) 701-TA-590 AND
AND DERIVATIVE PRODUCTS FROM CHINA	) 731-TA-1397-1398
AND FRANCE	) (PRELIMINARY)

Hearing Room A
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, December 21, 2017

The meeting commenced pursuant to notice at 9:30 a.m., before the Investigative Staff of the United States International Trade Commission, Elizabeth Haines, Supervisory Investigator, presiding.

APPEARANCES:

Staff:

William R. Bishop, Supervisory Hearings and Information Officer

Tyrell Burch, Program Support Specialist

Elizabeth Haines, Supervisory Investigator

Robert Casanova, Investigator

Samantha DeCarlo, International Trade Analyst

Cindy Cohen, International Economist

David Boyland, Accountant/Auditor

John Henderson, Attorney/Advisor

Opening Remarks:

Petitioner (David M. Spooner, Barnes & Thornburg LLP)

Respondents (Frederick P. Waite, Vorys, Sater, Seymour and Pease LLP)

In Support of the Imposition of Antidumping and Countervailing Duty Orders:

Barnes & Thornburg LLP

Washington, DC

on behalf of

PMP Fermentation Products, Inc. ("PMP")

Randy Niedermeier, President & CEO, PMP

Jim Zinkhon, Director of Corporate Planning & Sales, PMP

Bruce Malashevich, President & CEO, Economic Consulting Services

David M. Spooner, Christine J. Sohar Henter and Nicholas Galbraith - Of Counsel

In Opposition to the Imposition of Antidumping and Countervailing Duty Orders:
Vorys, Sater, Seymour and Pease LLP
Washington, DC
on behalf of
Jungbunzlauer S.A.
Jungbunzlauer, Inc.
(collectively "JBL")
Dan Rainville, President and General Manager, Jungbunzlauer, Inc.
Carlos Torres Pineda, Sales Director North America, Jungbunzlauer, Inc.
Frederick P. Waite and Kimberly R. Young - Of Counsel

Rebuttal/Closing Remarks:
Petitioner (David Spooner, Barnes & Thornburg LLP)
Respondents (Frederick P. Waite, Vorys, Sater, Seymour and Pease LLP)

I N D E X

P R O C E E D I N G S

9:30 a.m.

MR. BISHOP: Will the room please come to order?

MS. HAINES: Good morning and welcome to the U.S. International Trade Commission's Conference in connection with the Preliminary Phase of Antidumping Countervailing Duty Investigation Nos. 701-TA-590 and 731-TA-1397 and 1398 concerning sodium gluconate acid and derivative products from China and France.

MS. HAINES: My name is Elizabeth Haines. I am the Supervisory Investigator on these investigations and I will preside at this conference. Among those present from the Commission staff are from my right Robert Casanova the investigator, John Henderson the Attorney, Cindy Cohen the Economist, David Boylan the Accountant Auditor and Samantha DeCarlo the Industry Analyst.

I understand that the parties are aware of the time allocations. Any questions regarding the time allocations should be addressed with the Secretary. I would remind speakers in their remarks not to refer to questions to business proprietary information and to speak directly into the microphones. We also ask that you state your name and affiliation for the record before beginning your presentation or answering questions for the benefit of the court reporter.

All witnesses must be sworn in before presenting testimony. Are there any questions?

Mr. Secretary, are there any preliminary matters?

MR. BISHOP: Madam Chairman. I would note that all witnesses for today's conference have been sworn in. There are no other preliminary matters.

MS. HAINES: Very well. Let us begin with opening remarks.

MR. BISHOP: Opening remarks on behalf of Petitioners will be given by David M. Spooner of Barnes and Thornburg. Mr. Spooner, you have five minutes.

OPENING STATEMENT OF DAVID SPOONER

MR. SPOONER: Good morning Commission Staff. My name is David Spooner of Barnes and Thornburg and I serve as counsel for PMP fermentation the Petitioner in this case.

Thank you for having us here today just a few days before Christmas. In all seriousness, I know how busy you are, that the Commission is right now and appreciate the effort required to prepare for and conduct the Conference as we approach year's end.

PMP Fermentation is the sole U.S. manufacturer of sodium gluconate or GNA and closely related products. PMP is a global cutting-edge manufacturer.

The company sells to an amazing array of end users throughout the United States, from the construction

industry -- the cement in most government road projects contains PMP's product, to industrial and de-icing chemical companies, to food producers -- in fact yes, it is used in plain de-icing chemicals and food, and to manufacturers of personal care products such as shampoo, toothpaste and household cleaners.

PMP has been a part of Peoria, Illinois since the mid-1800s. First as a brewery and in recent decades as a producer of GNA products. With use today behind me are Randy Niedermeier the CEO and Jim Zinkhon, the Director of Corporate Planning and Sales for PMP. Despite PMP's broad reach, Randy and Jim are homeboys. I hope they'll forgive me for calling them that.

Randy and Jim both grew up in Peoria. They decided to work with a hometown company and as you'll hear they can't bear to see PMP which has been such a key part of the community, buckle under to dumped and subsidized imports from China and dumped imports from France. In our affirmative presentation we will describe in more detail how the merchandise covered by the scope, sodium gluconate, gluconic acid or GA, liquid gluconate which we refer to as LG and glucono delta lactone or GDL are closely related.

They are sold to the same customers, to the same channels of distribution for the same purposes, compete based on price and can be manufactured at the same

facilities using the same equipment and the same employees. To provide just one quick example as you'll see, we'll have show and tell later with those products on the table over there and among those products are two types of ranch dressing -- the two closest to me.

One contains gluconic acid produced by PMP and the other contains GDL produced by a competitor. Thus, these products are a continuum of products meeting the Commission's like product factors and should be defined as a single domestic like product.

We may hear today from JBL the sole French producer that JBL's exports are somehow special, that JBL's lucono delta lactone or JBL does not compete with PMP's output. Such a claim would be wholly without merit. Gluconic acid, which PMP produces in spades, is merely GDL plus water and is sold for the same end uses as gluconic acid.

Indeed, when a customer calls PMP to inquire about GDL PMP regularly offers to provide gluconic acid as a substitute and these offers are regularly accepted. Just before the Petition was filed, one of PMP's key customers emailed threatening to move their business to a Chinese supplier if PMP didn't provide a significant retroactive price reduction.

It was just the latest in a series of demands for

price reductions and/or lost sales to unfairly traded imports. At the risk of being didactic and for the Commission doesn't need be to point it out, not a single Chinese Producer has entered an appearance or is here today. Nor has any Chinese Producers bothered to respond to the Commission's Foreign Producer questionnaires.

I'm going to repeat it until I'm blue in the face though I hope it doesn't need repeating, the Chinese industry has not bothered to participate and the Commission should not, must not make favorable inferences to the Chinese in the face of their lack of participation. PMP has lowered prices in an attempt to compete with unfairly-traded imports but it has had a significant impact on such basic condition of performances operating income.

Randy and Jim will speak more about this but in short it is not sustainable. It is certainly not sustainable for long. We would point the Commission to the appendix in PMP's producer's questionnaire in which we carefully calculated lost days of production caused by lost sales to date. These lost sales are significant and are but one example of the injurious effect of unfairly traded imports from France and China.

In 2015, Congress of course clarified that the Commission need not and indeed should not wait until the patient is dead, until the business is shuttered to provide

relief. We would urge the Commission to consider carefully the indicia of injury in both the Petition and the Questionnaire as well as the 2015 Amendments as it moves to make its preliminary determination.

Thank you again for preparing for and participating in the staff conference and for giving us the opportunity to explain the market for GNA products and the dire situation facing PMP. We would be happy of course to respond to any Commissioner questions. Thank you.

MR. BISHOP: Opening remarks on behalf of Respondents will be given by Frederick P. Waite of Vorys, Sater, Seymour and Pease. Mr. Waite, you have 5 minutes.

OPENING STATEMENT OF FREDERICK P. WAITE

MR. WAITE: Good morning Ms. Haines and members of the Commission Staff. My name is Fred Waite with the firm of Vorys Sater and I am here on behalf of Jungbunzlauer, SA a French producer of Subject Merchandise and its sister company Jungbunzlauer, Inc. which markets these products in the United States. It will save time if I refer to Jungbunzlauer as "JBL".

This investigation of sodium gluconate, gluconic acid and derivative products referred to by the Petitioner as GNA products follows a pattern of trade actions that has become common over the past decade. A U.S. Industry is adversely impacted by the predatory pricing and mercantile

practices of Chinese Producers resulting in the filing of antidumping and countervailing duty petitions.

However, while China is the real target, other Foreign Producers are brought into the case thanks to the cumulation provision of the U.S. Trade Laws. JBL is very familiar with this pattern having been collateral damage in trade complaints against China on citric acid and xanthan gum. Notably, with respect to citric acid JBL has demonstrated in the past three Administrative reviews that there is no dumping at all from its operations in Canada.

The Commission made a negative final determination in its investigation of xanthan gum from JBL's Austrian plant and now we are again before the Commission, this time on gluconates where China's growing capacity dwarfs all other nations and the China price is synonymous with underselling in the market.

In its Petition, PMP refers to China's low priced, high volume assault on the U.S. Market coupled with increases in its production capacity. In addition, PMP identifies numerous subsidy programs that the Chinese Government provides to its Domestic Producers of gluconates, including preferential lending, income tax benefits, government provision of goods and services for less than adequate remuneration, grant programs and benefits based on location in special industrial zones.

We also note, as Mr. Spooner did in his opening remarks, that the Commission has received no questionnaire responses from any Chinese Producer or Exporter and that there is no participation by Chinese companies in this proceeding.

JBL's experience could not be more different. JBL has not expanded its capacity during the Period of Investigation and it has operated at very high capacity utilization rates throughout the POI. Importantly, as the confidential pricing data collected by the Commission shows, JBL's prices have not and cannot adversely affect PMP.

Moreover, about one half of JBL's imports of gluconate consists of glucono delta lactone or GDL, a product which is not made by PMP. In fact, PMP imports this product from Italy. Most of the trade, financial and pricing data on the record of this investigation are confidential because there is only one U.S. Producer of the Subject Merchandise and only one producer, JBL, in France.

It is not possible, therefore, to discuss these data in a public hearing, however we will address them fully in our post-conference brief and they will demonstrate that there is no reasonable explanation that imports of gluconates from France are causing or threaten to cause material injury to the U.S. Industry. Thank you very much.

MR. BISHOP: Would the Panel in support of the imposition of antidumping and countervailing duties please come forward and be seated. Madam Chairman, this Panel has sixty minutes for their direct testimony.

STATEMENT OF DAVID SPOONER

MR. SPOONER: Thank you again Commission Staff for taking the time during what would be a busy season even if it wasn't the holiday season to meet with us today. For the record, I am David Spooner of Barnes and Thornburg, Counsel for Petitioner PMP Fermentation.

I just have a few brief remarks to tee up our case and then I will turn it over to Mr. Niedermeier and Mr. Zinkhon. These remarks are all illustrated by just three slides, actually four slides; I'm sorry. First, just a brief introduction of PM Fermentation.

PMP itself prior to 1985 as I mentioned in my opening remarks was a brewery, actually owned by Pabst for better or for worst, but in 1985 PM began production solely of what we refer to in the Petition as GNA products and has done so ever since. We probably will refer to the following slide repeatedly throughout at least our presentation.

As you can tell, this slide is a careful attempt to illustrate the interchangeability among again what our Petition refers to as GNA products: Gluconic acid, sodium gluconate which we often refer to as GNA, liquid gluconate

and glucono delta lactone which we often refer to as JDL.

I will defer during our affirmative presentation to both Randy and Jim for certainly a more in-depth discussion of the chemistry of these products and how they're related to each other and how they are interchangeable and have overlapping end uses. They are, of course, more experts than I am but just briefly the creation of production of all four of these products begin with the fermentation of liquid glucose, derived from corn.

That fermentation process produces gluconic acid which can be converted easily into GDL through the removal of the water in the gluconic acid and can easily be converted back into gluconic acid with the addition of water. In fact when we were frankly preparing for today's staff conference Jim made an offhand remark that he will often tell customers that GDL is simply gluconic acid that you can spit on.

Similarly sodium gluconate, or GNA, is simply gluconic acid that has had sodium hydroxide added to it. Liquid gluconate is merely a blend of both gluconic acid and GNA. All of these products have overlapping end uses. All four of the products are used in cleaning applications and certain industrial applications and cleansers, personal care items such as shampoo and household cleansers and other household products and the food and beverage sector and in

healthcare related products. All four of them are used in each sector.

Briefly to summarize our case, although frankly I might deviate a bit from this slide instead of frankly adhering to the slide I should probably briefly say again, the Chinese are not here today. The Chinese have not bothered to respond to the Commission's questionnaires and I probably would be a bad lawyer, I'd be remiss if I did not mention of course that JBL itself concedes that Chinese Imports are predatory and are causing injury.

JBL though may make a decumulation argument and in that respect we would retort that the cumulation factors are all clearly present in this case. Chinese and French imports were both present in the market throughout the Period of Investigation, they were sold and offered through the same channels of distribution and were simultaneously present in the market and were sold in the same geographic markets as other Subject Imports and the domestic like product.

And as I referred to in the Powerpoint and we will talk throughout our affirmative presentation, GDL and all other GNA products are fungible. So we would understand of course, we would expect in fact, JDL to make a decumulation argument but we would argue that all four factors for decumulation are present in this case.

With that I should turn it over the Randy Niedermeir who is President and CEO of PMP for his opening remarks.

STATEMENT OF RANDY NIEDERMEIER

MR. NIEDERMEIR: Good morning Commission Staff. My name is Randy Niedermeir and as David mentioned I'm the President and CEO of PMP Fermentation Products. I've been employed by PMP for more than 22 years. I grew up in this company and I grew up in the Peoria community, PMP's hometown.

I've seen what unfairly traded imports are doing to my company and I couldn't sleep at night if I wasn't doing everything I could to save our company and to save the 48 jobs of the hardworking men and women that I see every day.

Over the weekend, our plant had its annual Christmas party. A number of employees walked up to me during the party and asked me about the case. It means so much to them and their families. They're grateful that we're doing this. They know the security of their jobs and our company depend on it.

AS David mentioned, PMP's history dates back to the mid 1800s. In 1849 the Lysi brewery was opened on our facility and it was in business until Prohibition. Pabst Brewing Company acquired it after that and in 1985 they sold

the facility to a company called Fugisawa Pharmaceutical. Fugisawa Pharmaceutical made some changes in the plant and we became known as PMP Fermentation Products.

In 2003, Fugisawa sold PMP to Fuso Chemical Company. We've had a few owners but we've always been in Peoria and we're an important part of our community. PMP makes sodium gluconate and closely related products. We pride ourselves in manufacturing high quality products and delivering excellent service.

We believe that we can compete with anyone in the world but in order to do so we need a level playing field. As CEO and someone who has been at the company for 22 years I'm extremely familiar with our company, its business and the employees. I see the impact of ridiculously low-priced imports from China and France more recently on our bottom line. It cannot continue.

We have firsthand experience on what can happen with this type of pricing. We had another plant on our campus that operated from 1997 until 2007. When we started production at the plant, the product that we made there sold for about three dollars and fifty cents a pound.

China also made that product and imported it into the U.S. Shortly after we started production, they started dropping the price. By 2007 their selling price was .90 cents a pound delivered. We couldn't compete with this

because it was far below our production cost. We closed the plant and we lost about 20 good manufacturing jobs that will never come back.

The employees of PMP are very aware of what happened ten years ago. They see that the same thing can happen now. I cannot stand by and let that happen. The pricing by the Chinese and more recently by the French has affected our business negatively. We have not been able to raise prices for four years in order to maintain our market share.

In addition, we've had to lower pricing to some key customers for the same reason. Even with these steps that we've taken we've seen a loss of business. I encourage you to please look at our producer questionnaire where we took great pains to detail the lost days of production as a result of our lost sales.

As president you can imagine I'm very familiar with PMP's financials. Profitability is of course paramount to our business strategy. We simply cannot exist if we are not profitable. We have seen profits erode over the Period of Investigation and more recently we have seen that erosion accelerate.

My concern for PMP's future is if these trade practices are allowed to continue we will be bleeding money, threatening our very existence and resulting in the closing

of our facility. Indeed, it would not take much and it would happen rapidly. If we lose a key customer and as was previously mentioned one key customer threatened to move their business to the Chinese just before we filed our Petition it would almost certainly snowball rapidly.

We know these imports are dumped and subsidized. Imports of our core product GNA are consistently below our cost of production and we know we are being injured by these unfairly traded imports. We simply ask to compete on a level playing field. Thank you very much for your time and I'm happy to answer any questions.

STATEMENT OF JIM ZINKHON

MR. ZINKHON: I'd like to say good morning to all of you on the Commission staff and thank you so much to taking the time out of your busy schedule this close to the holidays to allow us to present our case. We truly appreciate it.

I'm Jim Zinkhon, director of corporate planning and sales for PMP. I've been with the company since 1995. Started off on the production side. Moved into the planning and sales area in 2001.

I'll do my best to explain the very close relationship among GNA, Gluconic Acid, liquid Gluconate, and GDL, as well as these products' end uses, the industry, and our pricing experience.

I started my career with PMP on the production side, so I'm very familiar with how we make this stuff. I'd like to start by discussing what I understand you call the domestic-like product.

The four products subject to these investigations are Sodium Gluconate, which is right here, Gluconic Acid, Glucono delta-lactone, and liquid Gluconate in a liquid form. We've got samples we'll pass around later on.

All of these are chemically very similar and are considered to be a family of derivative products as clearly shown on that excellent slide there.

We also have some samples here today to share with you so you can see, you can touch, you can smell, and even taste these products, as well as just a few examples of consumer applications. I'll refer to these throughout my presentation.

All of these are produced from the fermentation of liquid Glucose, which is first produced into Gluconate Acid. This is where it all starts.

Second, this Gluconic Acid can be produced into Sodium Gluconate if you add sodium hydroxide and then dry it. And the Sodium Gluconate is the true heart and soul of this case.

This is the vast majority of PMP's production in

sales. In the converse, if you add water to the Sodium Gluconate and take out the Sodium Hydroxide, you're back to the Gluconate Acid.

Third, the Gluconic Acid can be produced into the Glucono delta-lactone, or GDL as it's commonly referred to, by simply removing the water. In other words, GDL is the dry form of Gluconate Acid. As David mentioned in his opening, I often tell customers when they ask me what's the difference. I said take GDL, spit on it, you've got Gluconate Acid.

Fourth, the Gluconic Acid can then be blended with the Sodium Gluconate to produce the liquid Gluconate. All of these products are rooted in Gluconate Acid. Sodium Gluconate is the sodium salt of Gluconic Acid with our without sodium hydroxide, with or without water. Two products are dry products, as you can see and two products are liquid products.

These products are interchangeable and frequently substituted for each other. This chart perfectly illustrates the interchangeability of these products. And you can see they require very minor processing to be converted from one from to another.

Indeed, all of these products are very closely related and are used in a wide variety of applications. GNA products are mainly used in the following sectors. And we

do have some samples of some of this. We didn't think racking a concrete product up here would be very conducive or you would appreciate that, but it's in virtually every road, highway, bridge, and airport runway, federally funded and state funded, in the country.

It's in fertilizer. Again, didn't want to drag in a bunch of fertilizer, but what it does there is it allows the plant to bring up the micro nutrients in an easier fashion using the Gluconic Acid or the Sodium Gluconate. And it reduces the stress on the plant and increases the yield.

It's in soaps and detergents, which we've got samples of over there. In the seventh generation detergent, that's got our dry Sodium Gluconate in it. The eco lab has one of our liquid products. And those are widely available at your stores.

Industrial cleaners, again, we've got two samples of those. CLR, I'm sure you see the commercials for that on TV all the time. That's got a lot of Gluconic Acid in there. The diversity product, that has a lot of the Gluconate on the liquid, the liquid Gluconate in it. We do metal cleaning, car parts and such. Again, didn't bring any of those in and food.

And food is kind of interesting. We've got the Lighthouse avocado ranch dip and some Utz dip for chips.

The Lighthouse material has Gluconic Acid in it. It's on the label. The other dip has GDL in it. They serve the same purpose. And either one of those companies could use either Gluconic Acid or GDL and get the exact same results. And they taste pretty good, too.

Health care, this is a new product by a company called Sage that they're starting off with at St. Judes Children's Hospital, but they're working to get it everywhere. You see on the label it says 2 percent some long word Gluconate. But if you look on the back, what's actually in it is GDL, another clear example of how closely related these products are. They're using GDL, but yet calling it Gluconate.

Another key sector is the general chelation and de-icing. And I'll talk about the de-icing a little later on, but chelation in simple terms is just taking the ions you don't want and getting rid of them. And in the laundry detergent, for example, it basically takes the dirt away and makes sure it doesn't go back into the water and then it goes where it's supposed to go. And there are a wide array of uses for this. I could talk all day on the applications and still not have enough time.

I've got customers that use Gluconic Acid and GDL for the exact same food products. As a matter of fact, there's a key customer that used to buy only GDL to make

mozzarella cheese about 20 years ago and they were probably the largest single user in North America of that product. As we've worked with them over these last 20 years, we've converted most of that process to Gluconic Acid.

But they still do use GDL in some of their plants for the exact same thing. So it's a clear example that the Gluconic Acid and the Glucono delta-lactone, GDL, are the same thing. It's just -- it's either an aqueous solution or it's dry.

Additionally, all four of these products are sent to the same customers through the same channels of distribution. The production process for the three products we make, the GNA, the LG, and the GA is all done at our plant in Peoria, Illinois utilizing the same machinery, the same equipment, the same people, the same everything.

While we don't currently manufacture GDL at this facility, we could very easily do so. You simply dry the Gluconic Acid.

Now I want to shift my head over to the sales side. In my current role, I deal directly with all of PMP's customers and I help the company position itself for the future, which we hope there's going to be one.

As I visited customers over the last two years, especially the last two to three years, more and more often, I here that the Chinese and more recently this year the

French are offering these companies the same products at far lower prices than ours and not just lower prices, but prices that are far below our cost. And you can clearly see that in the confidential information that we've provided to you.

Whenever a customer makes these claims, we do our best to keep the business by lowering our price as far as we can, while managing to be just slightly above our cost, but in essence, we're simply buying volume to continue operating the plant and we continue to see the margin squeeze. And that's why we're here today, because it's getting pretty tight.

I know this industry very well. I've grown up in it. I've been shocked by the Chinese, and more recently, the French prices that are far below the cost of our production. As we do this though, as I said, our margins have just decreased dramatically.

In fact, as both David and Randy alluded to, I've dealt with this situation personally. One of our largest customers currently purchasing about 6 million pounds of Sodium Gluconate annually was offered a price from China equivalent to 30 cents a pound FOB Peoria for just two weeks before we filed this case.

This represents around 9 and half percent of both our volume and our revenues at our current price. And I want to make a point about that 9 and a half percent

number. In a commodity chemical like ours, if you're at X percent of the volume, you should be X plus delta on the revenue. So this is another good example of we're just simply able to maintain the volume by basically selling at cost.

This product, especially Sodium Gluconate, is what we -- what would generally be considered as a very strong growth market as we've seen annual average growth of 6 percent in the U.S. market alone over the last 10 years. And that's just of the dry sodium Gluconate. The other products come along of course, but this is the key product. This is the heart of the case.

This is mainly due to the fact that Sodium Gluconate in every one of these products are 100 percent biodegradable, 100 percent biorenewable, and extremely environmentally friendly. You can eat it, you can drink it, you can wash it down the drain, all with no risk whatsoever.

I think you want to taste it, you're more than welcome to. It doesn't taste bad. As more and more end users look for greener solutions, more environmentally friendly solutions, this product will continue to see increased demand.

An excellent example is the road de-icing business that we've developed over the last several years. Originally, the road de-icing makers about 15 years ago,

this started in the Pacific Northwest, they used small amounts of Sodium Gluconate in their calcium chloride brine solution just kind of as a nod to environmentalists. The environmentalists said, hey, you know, you need to use something a little greener, a little better. They said, okay, fine. They've looked around. They found Sodium Gluconate. It does melt the snow, but about the same as table salt would, so not really well.

But once they started using the stuff, they quickly realized there was an unexpected side benefit. Sodium Gluconate can also -- is also a very good rust inhibitor. And the de-icer's started to a see lot less rust on the trucks and machinery that they used to spread the de-icing material, as well as the road structures made of iron metal, the bridges, the railroad tracks, et cetera. Even the cars in those regions were experiencing less rust.

A test was finally conducted, you know, started getting traction obviously and people starting paying attention because you know, cities, municipalities, states, federal government, whatever that are doing the de-icing, they're spreading the brine solution. Money is tight for everybody. And if they can make those trucks last longer, wow, what a side benefit. It's great.

So they did a test in the Midwest a few years ago. And at the end of the test, and it was like a three or

four month test, the trucks that used the Sodium Gluconate had 70 percent less rust on them than the trucks that didn't. 70 percent. You can imagine how much longer those folks can use those trucks and how much more money they can save.

As a result, as you can imagine, the demand in this sector, we expect it to increase dramatically. And although this season is just beginning, we're seeing significant increase in sales into this segment.

Unfortunately, the Chinese know about this segment, the French know about this segment. And they're offering these de-icing folks the same product we sell them. They pretty much all have to buy the try Sodium Gluconate for this, because of the ph. And we're forced to again basically set the price to simply buy the volume without making virtually any profit.

Turning back to the food additives example, it's important to stress that the Gluconic Acid is simply GDL Plus water. You can take this, dissolve it in 50 percent water, and this is what you're going to end up with. PMP produces Gluconate Acid in spades. And we saw it with increasing frequency to customers in the food industry. And as David mentioned, any time anybody requests a sample through our website or through one of or sales people or just ask me directly about GDL, I always offer to sell them

Gluconic Acid. And many, many times, the folks end up using Gluconic Acid. Maybe if what they're ending up with is a liquid product anyway, they want a liquid raw material.

Now admittedly, if they're using it -- if they're making a dry product, maybe they want the dry material. So we sell them the GDL. No problem.

However, the imports of GDL risk displacing PMP from the food sector, as well as all the other sectors. And that's because you can obviously make Gluconic Acid out of GDL. And if you remember the slide, if you make Gluconic Acid cheaply enough, you can easily do that, add sodium hydroxide to it and end up with the key core product, the heart of the case, Sodium Gluconate.

If we continue to see the Chinese and French prices for GNA products approaching 30 cents a pound, and you'll see from the BPI information how badly that hurts us, we will not be able to participate in these growing markets or any market sector, because we're not going to be around. It will take a very quick death spiral for our company and we'll be done.

As with Randy mentioned earlier, I care deeply about this company. It's my entire professional career. And I owe a lot to PMP and I've worked hard to get us to where we are. And it just kills me to see us in this position.

We're not quite unprofitable as you'll see, but as David mentioned, we don't have to die to get some help. But we're getting close to dyeing. And I can't stand by and do nothing about this.

I would simply ask the Commission to fully investigate the impact of these disastrously low priced imports on our company. Thank you very much for your time and your patience. And I'm happy to answer any questions.

MR. NIEDERMEYER: If I may, I'd like to just add one more.

MR. BISHOP: Your microphone.

MR. NIEDERMEYER: Oh, I'm sorry.

MR. BISHOP: That's okay.

MR. NIEDERMEYER: Randy Niedermeyer. Again. If I may, I'd like to add just one more comment. Again, as president of PMP, I'm very family with our P and L and our balance sheet situation. I cannot emphasize enough the importance of this case to our company.

Our GNA profit, as you've heard, has just plummeted over the period of investigation. And I encourage you to please carefully review the financial data that we submitted as part of our petition and producers' questionnaire. Thank you again for your time. I appreciate it.

MR. SPOONER: Thank you again. That concludes

our affirmative presentation. And of course, we're more than happy to respond to any questions.

MS. HAINES: Thank you very much. We appreciate the testimony. We'll start questions with Mr. Casanova.

MR. CASANOVA: Thank you, everyone, for being here. The first question I have, are there any characteristics of GNA products produced in the two subject countries, which are unique to those countries and that cannot be found elsewhere?

MR. ZINKHON: No. If I understood the question correctly, any characteristics of the French or Chinese material is different than ours. No.

MR. CASANOVA: Are U.S. producers unable to meet certain requirements or specifications of their customers that are met by the imported products? Is there a part of the U.S. market that requires subject imports because U.S. producers do not manufacture those products?

MR. ZINKHON: No.

MR. CASANOVA: Okay. My next question, are there instances where certain imported GNA products are not interchangeable with domestic like products?

MR. ZINKHON: Not to my knowledge and I would say no. I think that chart clearly demonstrates that.

MR. CASANOVA: Has the domestic work force changed or evolved over the last couple of years? For

example, has there been any development in new technology?

MR. ZINKHON: In the --

MR. CASANOVA: In the production of GNA products?

MR. ZINKHON: We constantly strive to maintain top efficiency, but there's been no significant change.

MR. CASANOVA: Okay. Okay. Can you describe the ease or difficulty with which to switch production from GNA, LG, GA, and GDL to out-of-scope products?

MR. ZINKHON: I'm sorry, I didn't quite hear the question.

MR. CASANOVA: So let's see, I'll try to get a little closer. Could you describe the ease or difficulty with which you can switch production from GNA products to out-of-scope products?

MR. ZINKHON: Out of scope products?

I'm sorry, I don't quite understand.

MR. SPOONER: I should probably just explain what out-of-scope products --

MR. CASANOVA: Oh.

MR. ZINKHON: I'm sorry, I didn't quite understand the question, but we can very easily make any of the products that are in the scope. We can easily switch. I mean, we make the three products we make simultaneously. The liquids and the dry are made at the same time, using the

same machinery. It just, you know, they kind of branch off once you get the Gluconate Acid going. Then it either goes to the Gluconic Acid side, it goes the liquid Gluconate side, or it goes to the dry side. We could very easily dry the Gluconic Acid and turn it into GDL. Does that that answer your question?

MR. CASANOVA: So my next question was were -- are you able to produce GDL on the same machinery?

MR. ZINKHON: We don't currently, but we could very easily do so, yeah.

MR. CASANOVA: Okay. So the petition covers all grades of GNA products referenced on page 4 and states that GNA products are considered a single commodity product on page 19. However, in a previous investigation, and this is USITC publication 1169, Sodium Gluconate from the European communities, the Commission found that Sodium Gluconate was subject to purity and other standards established by the Food Chemical Codex for use in the food and beverage industry. Are other GNA products, for example, Gluconic Acid, liquid Gluconate, and GDL subject to FCC standards?

MR. ZINKHON: Yes. The -- as a matter of fact, Gluconate Acid has -- is listed in the Food Chemical Codex, as an as Sodium Gluconate, as is Glucono delta-lactone. Liquid Gluconate by inference would be listed because it's simply a combination of Gluconic Acid and Sodium Gluconate.

MR. CASANOVA: Okay. So what happens in the manufacturing process if Sodium Gluconate and other GNA products that meet these different standards?

MR. ZINKHON: We make everything to food -- to FCC standards. That's just purely it.

MR. CASANOVA: Okay. Do you put a premium on products that are sold at certain standards or are they --

MR. ZINKHON: No, we don't differentiate. Everything we manufacture is FCC.

MR. CASANOVA: Okay. The petition states on page 8 that you use liquid corn syrup as an input in the fermentation process. Is this corn syrup derived from genetically-modified corn?

MR. ZINKHON: We have a non-GMO statement and we get that. We also have one from our supplier. And to the best of our knowledge, that answer would be no.

MR. CASANOVA: So they -- so the GNA products that you produce are non-GMO or are --

MR. ZINKHON: They're not certified non-GMO, but we have a GMO statement. And I have never once had a single customer not accept that statement as the equivalent of non-GMO status.

MR. CASANOVA: Okay. Have you seen a change in demand for non-GMO GNA products?

MR. ZINKHON: A slight uptick, but we -- like I

say, we have our statement and --

MR. CASANOVA: Okay.

MR. ZINKHON: Since nobody's ever had a problem with it, that's -- we continue to use it.

MR. CASANOVA: Are there any other sources of starch you have used or would consider using?

MR. ZINKHON: We've looked at several and you can use basically any starch. Obviously, but the liquid corn sugar is the most cost efficient.

MR. CASANOVA: Okay. Has there been any changes in the price for corn syrup that has affected the price of the subject merchandise?

MR. ZINKHON: Corn syrup's not as volatile as it was. It's kind of tended to flatten out a little bit. During the time when a lot of corn was being -- when the ethanol mandate was instituted I think in 2005 or 2006, and then it was a big rush to get to that level that was mandated, yeah, the price went crazy, because the wet millers could turn it into ethanol just as easily as they could corn sugar, but that's settled back down now and I don't think it's affected us during the POI.

MR. CASANOVA: Okay. And the petition states on page 7 that you use state-of-the-art continuous fermentation process that uses corn as the starch. Is this corn genetically modified?

MR. ZINKHON: Not to the best of our knowledge.
MR. CASANOVA: Okay. Are there any other sources of starch you have used or would consider using besides corn?
MR. ZINKHON: We have looked many times at other sources. And again, the liquid corn sugar is by far the most cost-efficient.
MR. CASANOVA: Okay. My last question, are there any processes that occur during the storage of GNA products that have a negative effect on the product?
MR. ZINKHON: No.
MR. CASANOVA: No? Okay.
MR. ZINKHON: Well, the Gluconic Acid, you have to keep above 60 degrees.
MR. CASANOVA: Okay.
MR. ZINKHON: That's the only --
MR. CASANOVA: So what happens if you don't keep it above?
MR. ZINKHON: It simply starts turning back into GDL.
MR. CASANOVA: Okay.
MR. ZINKHON: The crystals fall out of solution in essence. And all you have to do is heat it up a little bit, stir it up, and it goes back into solution.
MR. CASANOVA: Okay. So --

MR. ZINKHON: It doesn't really damage it.

MR. CASANOVA: It doesn't damage it?

MR. ZINKHON: No.

MR. CASANOVA: Would this affect transportation costs or affect where the product is stored?

MR. ZINKHON: You have to store inside.

MR. CASANOVA: You have to store it --

MR. ZINKHON: Where it's above 60 degrees. As far as transportation costs go, a little bit of a premium in the winter to get the heated truck --

MR. CASANOVA: Okay.

MR. ZINKHON: -- but it's not significant.

MR. CASANOVA: So would you say this could play a factor or cause regional segmentation in the industry?

MR. ZINKHON: I have not seen it.

MR. CASANOVA: Okay.

MR. ZINKHON: I saw this coast to coast, border to border, and throughout the world, frankly.

MR. CASANOVA: Okay. That concludes my questions. Thank you.

MS. HAINES: Mr. Henderson?

MR. HENDERSON: Thank you and I'd like to welcome our witnesses coming here from Illinois and we appreciate that. First I'd like to start with questions about the domestic-like product and it states on page 10 of the

Petition that the domestic-like product is coterminous with the Petition scope and obviously waiting to see what the Department of Commerce does in its Notice of Initiation as to the scope.

Now, and page 10 states the domestic-like product would include using the initials here -- GNA, LG, GA and GDL. Now first, questioning about GDL and its inclusion as part of the domestic-like product.

Now I understand the testimony from Mr. Zinkhon that PMP does not currently produce GDL. Is there any other U.S. producer that produces GDL that you are aware of?

MR. ZINKHON: No.

MR. HENDERSON: Has Petitioner produced GDL within the period of investigation -- i.e. since January, 2014?

MR. ZINKHON: No, we have no.

MR. HENDERSON: And I understand the testimony is that you have the capability of doing so?

MR. ZINKHON: We could very easily do so.

MR. HENDERSON: And just to understand is there a reason why PMP has chosen not to produce GDL?

MR. ZINKHON: We just don't feel the need at this time.

MR. SPOONER: By the way Mr. Henderson, I should say hi. John and I worked together at USTR years ago and I

don't know if we've seen each other since USTR so I should say hi. But it's probably also worth stressing what we've stressed so far that of course, PMP makes gluconate acid in spades.

MEG gluconate acid is merely GDL plus water and we'll elaborate a little more in our post conference Brief but quite frankly there are portions of JBL's own web pages in which JBL refers to sodium gluconate -- I'm sorry refers to GDL as a type of sodium gluconate and sort of makes it clear that the products are equivalent.

MR. HENDERSON: Yes, I didn't hear from Respondent's opening statement whether they're going to make a domestic-like product argument and obviously they can do so. We may find out this later today or we may find out in their post-conference Brief.

But one of the issues is, you know, and you obviously don't have to take my word on any legal point but normally the Commission in defining the domestic-like product looks for products like the imported goods that are produced domestically in the United States.

And so if GDL is not produced domestically in the United States, then that may have consequences for the Commission's analysis including what might be most similar to the imported GDL.

But does PMP have any intention of producing GDL

in the near future?

MR. ZINKHON: It kind of depends on how this case goes -- if there is a PMP then we might consider it but you know, this is the heart and soul of our product -- of our plan and if we don't get a favorable conclusion in this situation there simply won't be a PMP.

MR. NIEDERMEIER: May I also add something? Right now we don't anticipate making GDL. You know we've looked at it in the past as Jim said but the market dynamics just haven't been there for us.

I mean we imported -- we don't sell a whole lot but given the right circumstances we certainly could make it in our facility and if the market dynamics dictate so we will.

MR. SPOONER: I should and I'm sorry to -- I don't mean to go on too long, Mr. Henderson, but you raise of course and important point and we would argue and will in our post-conference Brief that GDL and gluconic acid are the same like products -- that they have the same channels of distribution and are sold to the same customers for the same end uses as we saw with the ranch dressing -- that they have the same uses.

And I think we would freely admit that GDL tends to be higher priced than gluconic acid because it requires an additional production step that requires the drying of

gluconic acid.

` But nevertheless, it's just part of a spectrum or a range of prices on products that sort of overlap or compete with each other. And one thing -- and I'd invite Jim or Randy to elaborate a little on this -- one thing maybe we haven't quite conveyed is that GDL can be produced on the same equipment as GNA and gluconic acid, so.

MR. ZINKON: David said it -- I mean there's no clearer way to state it. You can easily make it with the same material, the same equipment, the same machinery, same people, all of that stuff.

My biggest fear with the GDL is that it can easily be brought in far cheaper than it is today for a pre-cursor to make sodium gluconate. It could literally drive us out of business because all they have to do is liquefy it, turn it back into gluconic acid.

Gluconic acid is a great feedstock to make any gluconate. As a matter of fact one of the big uses of both gluconic acid and GDL is as the feedstock for what we call the minor gluconates -- the zinc gluconates, copper gluconates, calcium gluconates, the potassium gluconates -- all those kinds of things.

There's not enough demand that too many companies just make those but there's a company in St. Louis, Missouri that specializes in using the minor gluconates and we sell a

good amount of GDL to them and gluconic acid as the feedstock.

So that's my fear here -- is if somebody brings this in at a quarter a pound, you'll already blow our cost as a feedstock.

MR. HENDERSON: Incidentally and this isn't so much a like product issue but I understood from the Respondents this morning that JBL exports GDL to the United States. Are there imports, subject imports from China of GDL as well?

MR. ZINKHON: Yes there are.

MR. SPOONER: There are but I should probably convey one side note -- you know there's a separate tariff line for GDL and we looked at publicly available AUV's of imports from both China and France under that tariff line.

And it's frankly something that we all would want to talk to the Commission about further. It's clear that there's something wrong with the China AUV's and that tariff line -- the China goods are coming in at about $5.00 a pound which I think we all would agree is -- there's something wrong with that.

GNA products don't sell at anywhere close to $5.00 a pound. That's like buying a Honda Accord for $200,000 bucks so it's worth noting that Chinese do export GDL but there's something wrong with the publically

available AUV's for those imports under that HDS number.

MR. HENDERSON: And are you aware of any non-subject imports of GDL?

MR. ZINKHON: No, no we're not, no, no. Oh Italy is not subject because that's what we buy from and then selling in the states -- I'm sorry. To elaborate on David's point even though the AUV does show some interesting data. I've spent my career studying this and appears to me that China's coming in at around 46 and cents a pound for the GDL if it's a legitimate GDL shipment.

My guess is most likely what's coming in is being mislabeled -- it's probably one of the minor gluconates -- that's a price point for potassium or calcium gluconate.

MR. HENDERSON: Thank you and with respect -- as I said I don't know whether Respondents will be making a like product argument but we in the Commission will have to analyze it whether there's an issue raised or not.

But on the GDL specifically, I would urge you folks both to advise us whether you think that the Commission should consider this as a product that is produced domestically for purposes of our like product analysis or if it's not produced domestically, how the Commission should consider it in terms of like or most similar, you know, just please address those in the post-conference Brief.

MR. ZINKHON: I don't know if it's you any Mr. Henderson but the last producer in the U.S. closed shop in 2007, they were in Janesville, Wisconsin and you know there's a reason for that.

MR. SPOONER: And thank you, we of course would be happy to address it in the post-conference Brief.

MR. HENDERSON: And at the risk of repeating things you folks have already gone over in the Petition and in this nice chart and the early testimony. I just wanted to -- of the three products on the chart that PMP does produce, are there any differences in customer perceptions of liquid gluconate, sodium gluconate and gluconic acid?

MR. ZINKHON: None whatsoever. It's simply whatever the formula might call for that the chemist that's developing the various products that you see that we passed out, you know, maybe this guy wants to use a liquid, maybe this guy wants to use it dry -- maybe they've already got sodium in there from some other source so they're going to need gluconate acid, that kind of thing.

The liquid gluconate is more of a convenience product. Basically we're already taking the dry sodium gluconate and putting it into a liquid form for those folks.

MR. HENDERSON: And are there differences in price between those three products that PMP produces?

MR. ZINKHON: Not significantly -- now I would

caveat that with the fact that because of the unfair pricing we've seen recently from the Chinese and the French, this product's price is lower but not because I want it to be and it should be higher -- but it's simply the fact that I've got to lower the price to keep the volume.

MR. HENDERSON: And this product being --

MR. ZINKHON: I'm sorry sodium gluconate, I'm sorry.

MR. HENDERSON: Yes, yes. And I understand the testimony -- are these three products all produced in the same facility with the same equipment and same employees or are there any differences?

MR. ZINKHON: As a matter of fact they're produced at the same time and at the same facility. The fermentation produces starts and I hope at some point some of you will have a chance to come and visit the facility and see the process.

But in a nutshell it all starts off with the fermentation that results in gluconate acid and then we branch out into the three -- it's simultaneous. We make the dry product at the same time we make the liquid products and then the liquid branch obviously goes to gluconic acid or liquid gluconate -- the dry branch just goes down another path.

MR. HENDERSON: And are there any differences in

the channels of distribution for that feedstock?

MR. ZINKHON: None whatsoever.

MR. HENDERSON: Thank you. Moving on from like product and Mr. Cassanova already brought up the Commission's prior investigation of this product in which there was a preliminary determination back in July, 1981 -- so it's been 36 plus years and I guess at that time the domestic producer -- you know Pfizer had a plant in Connecticut so I don't know what happened to that.

But I would just ask both parties -- both sides that are present here that if there's anything you folks think is relevant in that Commission determination which was only a preliminary phase determination that is relevant to the conditions of competition today then please advise us of that in the post-conference Brief and maybe after all of these years there really isn't anything of relevance, but we would be interested in that.

MR. ZINKHON: Is there anything you want me to address to that now?

MR. HENDERSON: Well one question I wanted to ask which is sort of related to what Mr. Casanova was asking about that the Commission starts out with its discussion that sodium gluconate is classified into two grades according to the specifications it meets.

It talks about FCC, Food Chemicals Code, the

higher grade and technical grade and there's some discussion and since this was imports from what was then the European communities and it discusses the different grades of imports from West Germany versus imports from the Netherlands.

Our -- these terms, grades, whether it's technical or FCC grade, are these terms still used today? Are they relevant to this investigation?

MR. ZINKHON: There is a technical grade that both the Chinese and the French offer. I'm not certain about the French material but the Chinese material is significantly worse. They don't bring that into the U.S. It's made by catalytic conversion, it's not made by fermentation and I'm familiar with it.

I know a few folks that have sort of accidentally got it and they called us immediately and said we need some real sodium gluconate -- this is not what we need. But they do sell it globally into the concrete ad mixture industry.

That's historically been the largest sector for this product -- this kind of concrete ad mixture until really folks realized how green it was. I mean it's truly 100% biodegradable, 100% bio-renewable. You can eat it, drink it -- it's great for the environment.

And so as a chelant it just continues to gain popularity and so then all of these other applications -- I would pause it that in 1981, I don't know for sure but I

highly doubt it was used in half of the applications it's used in today -- especially in the food, healthcare and that area.

MR. SPOONER: In fact, two quick points if I may. One is sort of -- how do I put this, it's almost humorous to be frank when we brought the 1981 case to the attention of the client Jim and Randy's reaction was we had no idea Pfizer made sodium gluconate.

And these guys, of course, have been in the industry for over 20 years so -- and as you probably know from the import stats, West Germany and the Netherlands no longer produce sodium gluconate so it shows you how much has changed but we'd be happy to examine how relevant that preliminary determination is to the present case in our brief.

MR. HENDERSON: Thank you and are there differences in quality between subject imports from France and those from China?

MR. ZINKHON: As much as I would like to say yes, there truly aren't.

MR. HENDERSON: And how about are there -- and we just brought up briefly non-subject imports and it was mentioned that there were non-subject imports from Italy of GDL at least.

What are the largest suppliers of non-subject

imports in general into the U.S. market?

MR. ZINKHON: That'd be the GDL from Roquette, in Italy.

MR. HENDERSON: From?

MR. ZINKHON: Roquette is the name of the company and they manufacture it in Italy.

MR. HENDERSON: Oh, okay.

MR. SPOONER: In fact we should be cleared -- to the best of our knowledge the only three country exporters of subject merchandise are China, France and Italy.

MR. HENDERSON: Thank you and are there differences in quality between the non-subject imports from Italy with those from --

MR. ZINKHON: None whatsoever.

MR. HENDERSON: And I'd like to ask some more questions about fungibility -- I mean what, I mean again I'm not sure what Respondents are going to be saying about cumulation and fungibility but are there differences in quality -- whether in grade or not between subject imports from either country and the U.S. product that PMP produces?

MR. ZINKHON: There's certainly no difference between the French product and while I wish I could say there was a difference between the Chinese product -- unfortunately that's not really the case anymore.

They've really upped their game in the last 10

years in the chemical industry. 10-20 years ago we could say ah, you don't really want to buy that stuff from China, it's not that good -- but that's no longer the case.

MR. HENDERSON: Thank you and just you know, noting -- in the Petition, I don't obviously want to get into any confidential information BPI but I noticed that in a number of places you know, we're discussing the PMP's condition and data with respect to all four products and then there are a number of places where the Petition discusses PMP's performance, specifically with respect to sodium gluconate.

And I was wondering just how the Commission is supposed to consider on the one hand we're being asked to define the domestic-like product consisting of all of these products and then presumably we would be analyzing the condition of the domestic industry for all of these products but on the other hand it appears in some places you may be asking us to consider the domestic industry's performance solely with respect to one of these products.

So I'd like to get your thinking or explanation, if possible without getting into BPI as to this issue.

MR. SPOONER: Yes, no thank you and of course we'll elaborate on the BPI information in our post-conference Brief, but the gist of the response is that -- and I think Jim mentioned this in his opening statement

that GNA is sort of -- we at least see GNA as a core product -- as the product that PMP produces most of.

But as we've discussed PMP produces other products too. The products are easily sort of converted from one to the other and are sold along the same channels of distribution to the same customers for the same end uses, et cetera, et cetera.

But we'll elaborate further in the post-conference Brief.

MR. ZINKHON: And I'd like to add one thing to that if I could. You'll see clearly by the data that the sodium gluconate -- that the dry sodium gluconate is far and away the largest volume product and that's why we consider it to be most important to this case, but the others are also are important because of that data right there.

MR. HENDERSON: And is -- and again this is partly a legal question, is the Commission -- are you folks asking the Commission to make an injury determination looking primarily at the domestic industry's performance with respect to sodium gluconate as compared to its production, you know, of all the -- what you're asking us to define as domestic-like product and what would be the legal basis for us to be looking at one portion of the domestic-like product versus all the domestic-like product.

MR. SPPONER: That's -- we'll elaborate further

in the post-conference Brief. But again in short, to perhaps preview what we'll argue, again when we talked with PMP, PMP earnestly says if GNA goes down the rest of it goes down too.

That it's the ability to produce GNA is central to PMP's ability to survive but we'll elaborate further on the legal question in our --

MR. HENDERSON: Thank you and notice obviously the two pricing products in the Petition were specifically -- I think they were sodium gluconate rather than products in general. Now is it Petitioner's position that, you know, the competition between subject imports and the domestic-like product is primarily with respect to sodium in the U.S. market is primarily with respect to sodium gluconate rather than the other products in general?

MR. ZINKHON: That's absolutely correct Mr. Henderson because these two -- this is 50% water, this is 40% water -- shipping those overseas is a bit cost prohibitive not to say that both the Chinese and the French don't do it but it's on a fairly limited basis.

But you bring this over, you can turn it into the gluconic acid, you can turn it into liquid gluconate -- very, very easily.

So this is a pre-cursor to these two products here in a sense but generally the imports are only the --

are not only the dry sodium gluconate, but this is the vast majority of the imports.

MR. SPOONER: And we should -- how do I put this -- I don't want to address BPI but we will frankly consider -- I think the gist of your question Mr. Henderson is that there is at least to a degree significant imports of non -- of a product that is not GNA and we will consider the degree to which -- I'm sorry I'm choosing my words carefully but we will consider the degree to which in our post-conference Brief we should discuss whether if and when the Commission goes to final phase, the Commission should gather pricing data on additional products.

MR. MALASHEVICH: Excuse me Mr. Henderson, this is Bruce Malashevich, the economist on our team here. If you would look carefully at what we call the addendum in the U.S. producer's questionnaire, there are certain aspects of the questionnaire that in plain language says -- profit and loss on U.S. production operations.

So for statistics oriented in that direction the three products manufactured by PMP are -- what are the center of attention. When we look at things like demand, apparent consumption, market share -- we necessarily added in the fourth product to get a complete picture of the product -- the market for the like product as a whole.

So there is no -- there's no trickery involved,

we simply changed the mix of the products we're reporting statistics for depending upon whether it relates to what's produced in the United States versus the like product as a whole -- including all four products.

And we tried to label the relevant tables very carefully to make that clear.

MR. HENDERSON: Thank you Mr. Malashevich. I have no further questions at this time.

MS. HAINES: Miss Cohen?

MS. COHEN: Good morning, thank you again for your testimony this morning. I'd like to just start with some questions on channels of distribution. I understand that this product is sold through both end users and distributors.

MR. ZINKHON: That's correct.

MS. COHEN: Can you explain the role of distributors in the market and along with that do -- does a single distributor typically stock product from your company as well as from France and from China?

MR. ZINKHON: It's not uncommon for a distributor, especially the larger international global distributors, to carry all three -- China, France and PMP material. The smaller regional distributors tend to work with only one supplier.

Distribution is about -- we sell about 30% of the

product give or take through the distribution channel and about 70% to end users.

MS. COHEN: Do distributors -- do they do any repackaging and would then co-mingle products from different sources?

MR. ZINKHON: I can't imagine they would co-mingle the product from different sources. As far as repackaging I do know some of them, especially on the liquid side, put it into smaller packages.

The smallest we offer is a 555 pound drum and obviously some folks don't need quite that much so maybe it goes into a bucket or a gallon or something as small as something like this, does that help answer your question?

MS. COHEN: It does -- do distributors, would they transform a power or crystal product to liquid or is that something that the end users do?

MR. ZINKHON: Generally they're not going to do that. They could do a little first step polling for some folks if they want to and some of them do but I would say with our products that's not terribly common.

MS. COHEN: So an end user that wants a liquid product, could they take the powder and transform it themselves?

MR. ZINKHON: Absolutely they could and if you looking it at all, there are a lot of formulas out there

that are old and ancient -- they call for 30% sodium gluconate solution because when you take just plain water and add the sodium gluconate to it, that's about the best you're going to get and to keep the crystals in solution.

If you go over that you have trouble keeping them in solution -- that's why we offer this product which is actually a blend of sodium gluconate and gluconic acid to keep it into solution -- the liquid gluconate it's at a 60%.

We can take that up to almost 90% but it gets really thick. We do offer a 70% as well because folks don't want to buy too much water -- they want to buy less water. That's why nobody sells a 30% solution because you are going to buy 70% water but you can make it yourself very easily with the dry sodium gluconate and water.

MS. COHEN: Turning to demand, the testimony that is that it's a growth market, that demand has been increasing. Is that across the board or are there certain applications where demand is declining?

MR. ZINKHON: I'd call it across the board. You know, there's some that shine a little higher than others at various points over the ten year period. But it's very easy for PMP to determine the United States market. We're the only manufacturer since 2008. So we look at the imports desk; we look at what our sales are and that's the market. So I feel very confident in that statement, that

it's --

We've seen a little over 60 percent growth over that ten year period, so it's obviously six percent per year on the average.

MS. COHEN: And what about demand over the Period of Investigations?

MR. ZINKHON: It's increased as well, yes. I don't have the figure off the top of my head, but there has been an increase.

MS. COHEN: So looking at the import statistics, it looks like there was a decline in imports from '15 to '16. Can you explain what was going on there?

MR. ZINKHON: Okay. The main reason for that was one of the large end users that China had just taken from us was a plant in Arkansas named -- the company was Actagrow, and it was in Oceola, Arkansas. I believe it was the day after Christmas in 2015. It was either Christmas night or the day after, a tornado struck that area and severely damaged that plant. They basically did not operate for most of 2016.

So you saw a little bit of a dip in the imports because China had already brought some in for them, but then they didn't bring in anything else for quite a while. So you saw a little bit of a dip there.

MR. SPOONER: Just to be clear, its' our

understanding that that plant has recently gotten up and running again, and it caused just a blip in the demand for Chinese product.

MR. ZINKHON: Yeah. They came back up basically full bore late 2016, and we know this because they'll call us now and then when they can't get the Chinese product. They're only about six hours down the road, so we can get a truck down there pretty fast.

MR. MALASHEVICH: Excuse me if I could add, Bruce Malashevich. We looked at the import stats for China on a monthly basis, and you can see that they dipped at precisely the period following the tornado. Once you get into calendar 2017, starting in the spring they moved back up again toward their original level. It seemed to be on a path to exceed the previous level in 2017 as a whole.

MS. COHEN: And what about the imports from France?

MR. ZINKHON: Those seemed to be pretty steady, and we've seen a bit of an increase.

MS. COHEN: Okay. I think maybe I'm looking at the wrong data, but looks like there was a decrease from '15 to '16 for France as well?

MR. SPOONER: We'll have to --

MS. COHEN: Possibly my data's wrong that I'm looking at.

MR. SPOONER: We'll take a look the data and address it in our post-conference brief, although I'll be remiss if I didn't note, as Randy and Jim did, that regardless, French prices in recent months have taken a nosedive down to -- down to almost Chinese levels.

MS. COHEN: Yeah. That brings me to another question. It sounded from the testimony that the -- your experience with the French pricing being lower was in -- just in 2017?

MR. ZINKHON: That's correct. We started seeing it with the import data from February of 2017, and it's continued fairly significantly downward ever since. The last data I have available is October from the Census Bureau. But so I've got nine months of data and it shows that it dropped way down from where they'd historically been in February of '17, and it was such a decrease that I thought it was a one-off and didn't really worry too much about it. But then it kept going on and it just gets worse.

MS. COHEN: I'm looking at the official statistics, the AUVs for France versus China. There's a pretty big difference in the product that's a commodity product. Why would we -- why would there be such a difference?

MR. ZINKHON: I would encourage you to -- I

mean I'm not sure which way you're seeing any of this data, but I take the Census Bureau data and then I cull it, because there's some data that's obviously not correct. So I would encourage you to do the same, and we can in the, what do you call it, post-conference brief, we can give you that information.

MS. COHEN: Okay, thank you. Is there -- do end users have a qualification process for qualifying?

MR. ZINKHON: Oh absolutely.

MS. COHEN: Can you describe that please?

MR. ZINKHON: Well, it depends on what the application is. If you're talking concrete, it's just basically tested to make sure it works, and off you go. But if you're talking a food product like those dips and such that are going around or the toothpaste, it's more than likely a 12 to 18, maybe 24 month process of rigorous testing, to make sure that the product A, does what it's supposed to do and B, is safe and etcetera etcetera.

MR. NIEDERMEIER: And flavor profiles are very important to the food manufacturers. So that's another big part of their testing.

MS. COHEN: And in your experience, have the Chinese had issues with qualifying with the major end users?

MR. ZINKHON: Like I said to Mr. Henderson earlier, 10-15 years ago yeah, they did. Not so much today,

no. There are very, very few end users that will not look at Chinese, and as a matter of fact the large soap company, they didn't look at Chinese for many, many years. They just wouldn't do it, and finally they were talked into trying some and sure enough, it was pretty good.

I mean I knew it would be pretty good, you know. We know that. We're familiar with them. It's unfortunate they're not here. We could ask them themselves, but that's just the sad facts.

MS. COHEN: Doesn't the quality vary among the different Chinese producers?

MR. ZINKHON: I can't speak to that Ms. Cohen. I don't know that for a fact. I would expect that's correct, but I don't know.

MS. COHEN: There was a mention in the petition of different off white versus off color product.

MR. SPOONER: I mean heck, Jim should knock me upside the head. I mean he's the expert on this, but with the caveat that I would have to pull that paragraph of the petition, Jim and Randy and others at PMP essentially say that -- how do I put this -- that imports of Chinese and French G & A products compete in every segment of the market that PMP does.

There might be some shipments in which it's like slightly off white, off color, and that would be used

for I think concrete and other products like that as opposed to food, but that's not a very big issue.

MR. ZINKHON: David's exactly correct. Now I understand. I didn't quite know where we were going with this, but the French material I think always comes over just fine. Any producer is going to have something that maybe when you look at it may be not quite perfect. So the concrete guys take it. They've told us to sweep it off the floor, they'll take it.

We actually tried to make a technical grade 10-12 years ago and it ended up costing us more to make a worse quality, so we don't offer that. We did look seriously at that and consider it.

MS. COHEN: Do the Chinese -- do the Chinese make the FCC grade as well?

MR. ZINKHON: Yes.

MS. COHEN: I understand from the petition that annual contracts are the norm?

MR. ZINKHON: That's generally the case, yes.

MS. COHEN: Can you discuss the -- how the annual contract negotiations work? Is there a bidding process?

MR. ZINKHON: Very few bids. Probably only a handful for all of our end users, and it's reasonably informal. Basically, I'll either go visit the customer, one

of our sales managers will go visit them, talk to them on the phone, email, what have you, and then eventually it will get down to the point of an email. As we discussed, here's your pricing for 2018. You know, we just sent them out recently. Effectively January 1st, 2018, your price for this is so much and this is so much, and it's an annual price.

MS. COHEN: Okay. So the --

MR. ZINKHON: They can come back and they do when they're offered a lower price during that time, and there's no meter release. It's very informal. We don't have very fancy contracts.

MS. COHEN: Okay. So there's sort of a set price, but is there a volume?

MR. ZINKHON: No, and again because if you told me you're going to buy a million pounds and you come up with 950 this year, what am I going to do, you know? So w trust the customers enough and we know the industries well enough that they use it in, that if they say, you know, we're going to increase by ten percent, oh they only did it by nine this year. Well maybe they'll do 11 next year, you know, whatever. Okay, fine.

MR. SPOONER: And it might be worth pointing out, we've referred a couple of times to the customer that a couple of weeks before the -- a major customer that a couple

of weeks before the petition was filed, demanded a lower price because of the Chinese price. PMP's correspondence with that customer was included in the petition, and to sort of in addition to what Jim was saying, it's probably worth pointing out if you look at that correspondence, the customer is saying we demand that you give us a retroactive price decrease.

MS. COHEN: I'm sorry. I don't remember if this was in the petition or not, but do you have any examples of the same thing happening with French product, with customers asking you to lower the price because of lower-priced French product?

MR. ZINKHON: Not that we put into the petition.

MS. COHEN: Okay. Well, if you have evidence for the brief, we would appreciate that. Okay. That's all the questions I have. Thank you very much.

MS. HAINES: Mr. Boyland.

MR. BOYLAND: Good afternoon. Thank you for your testimony. Excuse me. I'm going to have to begin by apologizing, because the section that I focus on is the financial section. It's all BPI, so it's difficult to ask specific questions. So I hope you bear with me. Some of the questions are going to be a little convoluted, so I can try to explain those later if necessary.

In the financial section of the questionnaire, the companies reported two categories of sales, and I would like to have you in post-conference describe what the differences are between those, and why when I calculate an average value, I'm winding up with a difference? So it's essentially here's a number I'm calculating from the financial statement. Why are the two averages different? So again that's kind of a basic question about, you know, the pattern, okay.

MR. ZINKHON: We'll be happy to address it post-conference.

MR. BOYLAND: Okay, thank you. With respect to raw materials, and again this another kind of convoluted question, but based on the information in the questionnaire, I'm calculating an average raw material cost. The average looks like it's fluctuating during the period fairly substantially. Based on your testimony, it didn't sound like that was the case. So I guess I'd like your impression of what was happening with draw material?

MR. ZINKHON: I might not have been clear about that Mr. Boyland, but you certainly read the data correctly. There was a significant increase and in the past our policy's always been -- you know, we look at this as basically a commodity chemical in essence, and kind of a niche commodity chemical but still a commodity chemical. So

we've always told our customers why it's done.

Our cost increased, you know we raised the price. But we also share the cost decrease with them, and you can see from our historical sales data over time we've always done this. But you know now the cost went back up, but not only could we not increase the price, we've had to lower it further. So I'm sorry if I didn't make that clear earlier, but you're certainly correct.

MR. BOYLAND: No, that's fair enough and I guess from my standpoint it was looking sort of specifically at the raw material cost itself, and based on the testimony, a large part of that would be --

MR. NIEDERMEIER: Liquid corn sugar.

MR. BOYLAND: Liquid corn syrup. So during the period, again thinking about those fluctuations that I'm seeing, was that -- I mean what was behind those? Was it an upstream, the actual cost changed or was it a supply issue internally cost-related?

MR. NIEDERMEIER: We had a significant increase in liquid corn syrup price in -- starting in 2017. You know, if the corn crops for the last three years have been really good in the Midwest. So I think what the wet millers do, the companies that make the corn syrup, they look at see where can they maximize their profits? Is it by making fructose? Is it by making different grades of

glucose or dry starch?

So I think what they try to do is when they make say the liquid sugar that we buy, you know, they want to -- they want to maximize their capacity, but not have overcapacity because that costs them money. So we've seen the price go up. That's the reason that they use. They say their demand has increased, their business has increased, so the price goes up.

MR. BOYLAND: I realized as, you know, you're focused on the current period. But looking in the past and again, like 2015 to '16, it looks to me like it was sort of the other direction that costs had actually declined?

MR. NIEDERMEIER: Yeah. I mean in certain years we've had the price go up, and in certain years it's been flat or maybe gone down a little bit. I mean the price for corn syrup, for example, doesn't always go up. Again, it depends on their market dynamics, how they choose to sell it and what they choose to make.

MR. BOYLAND: Okay.

MR. NIEDERMEIER: So we've had years in the past where it's gone down significantly. Now I don't believe we've seen that too much during the Period of Investigation. But I do know for a fact that in 2017 it went up substantially.

MR. BOYLAND: Okay. So --

MR. NIEDERMEIER: We can address that more in the post-hearing conference if you'd like us to.

MR. BOYLAND: Yeah, my apologies. But essentially it's a pattern, and it would be ideal to be able to explain in each year when we're seeing a change, which is not insubstantial what was happening.

MR. NIEDERMEIER: Sure.

MR. ZINKHON: May I add one thing to that?

MR. BOYLAND: Yes sir.

MR. ZINKHON: There's a very limited number of folks we can buy this from. There's basically only three, kind of four and we're -- we don't have much leverage with them and we're pretty much at their mercy.

MR. BOYLAND: Okay, thank you.

MR. SPOONER: We'll address post-conference.

MR. BOYLAND: I appreciate it, and this is sort of a connected question, but with respect to the sales value and the raw material price, you indicated that there is a connection, but it's not something that's going to be showing up directly in terms of the formula that the price is going to be going up or down depending directly on the --

MR. ZINKHON: Unfortunately, during the POI you won't see that. If you looked back at the data starting in maybe 2005 or '06, you wouldn't clearly see it, because the formula was when the cost went up, we raised the price,

and when the cost went down we lowered the price. But unfortunately during the POI, we can't do that.

MR. BOYLAND: Gotcha. So I mean in the actual contract agreement --

MR. ZINKHON: Oh no, no, no. We always buy the sugar on at least an annual basis, which is why we're confident in setting our sales contracts on an annual basis. We don't see any volatility in cost throughout the year.

MR. BOYLAND: Okay, and did that change during the period as well? I mean did the actual cost of the raw material itself?

MR. ZINKHON: Oh yeah, yeah.

MR. BOYLAND: Such that you really wouldn't know from month to month how much you were going to pay for the raw --

MR. ZINKHON: I'm sorry. Oh no, no. On an annual basis.

MR. BOYLAND: On an annual basis, but not on a less --

MR. ZINKHON: Yeah. We would negotiate in the fall. So by October maybe we would have a pretty good idea of what we were going to be looking at.

MR. NIEDERMEIER: That's correct. Actually we have -- as Jim mentioned one of your contracts on corn syrup. You know, that's our main raw material, that's our

huge expense for us.

So what we'll do is when our contract's going to be up and it's usually up December 31st, then what we'll do is we'll start negotiating that in the fall, and then we'll know hopefully what our price is going to be for the next year or so. If we're able to raise prices or adjust prices, Jim has time to do that, to notify the customers.

MR. BOYLAND: Okay, fair enough. The other primary raw material you -- or not primary, but sodium hydroxide, if you could discuss that. Were there any notable changes in --

MR. NIEDERMEIER: That is a very price dynamic raw material for us. I mean we see the price go up, we've seen the price go down again. We negotiate annual contracts on that.

But when we do that, then our price is fixed. Usually there's a cap on the high side that the price can go up during the year. For example, let's say if we have a contract from -- and our fiscal year runs from April 1st through March 30th, and so that's the same contract period that we use for caustic soda.

So we might have a $50 cap on the high side. So let's say our price is $400 a ton to start out with, and it follows the U.S. Gulf Index for some chemical index that they use for caustic soda. So during that year, our price

can only go up to a maximum $450. But then we have protection on the down side too. We usually negotiate something like that. So we have quarterly protection on the down side.

So that price is able to fluctuate throughout the year, but we know what the maximum is going to be.

MR. BOYLAND: Gotcha, gotcha. With respect to the chart that you have here, and this is specific to G&A products. Are there other products that are being produced here that aren't shown?

MR. ZINKHON: No, no.

MR. BOYLAND: So, and this again is sort of a BPI question, but in the questionnaire you identified -- sorry.

MR. ZINKHON: I'm sorry. We do produce a few other products in Peoria.

MR. BOYLAND: Yeah, and that actually was --

MR. ZINKHON: That's what you were asking.

MR. BOYLAND: Yeah. The next question was sort of your questionnaire data identified and provided shares of sales, and this is a request. You used acronyms. Would you mind spelling -- in a post-conference could you just basically spell out the acronyms you reported?

MR. ZINKHON: Certainly.

MR. SPOONER: And of course we'll explain

post-conference. I should say one -- we have to wait until post-conference to be more precise here. But there's one term that might sound like an acronym but it's actually a customer name. But we'll --

MR. BOYLAND: Okay. Only because I hate using acronyms, if I could actually spell it out. Actually related to that then is these other products are, would be in a completely separate stream, another part of the plant? They're unrelated to this?

MR. ZINKHON: I'm sorry. Actually those two products are in the same stream, and the one that has the acronym that's not the customer name is actually the mother liquor.

Any time you do a fermentation process, you have what's called the mother liquor, and it's the stuff basically that comes from the centrifuge of the water from there and a few other steps along the way. But mainly it's that, and you discharge that water as you dry the crystals.

And then you take that, because there's still some sodium glucanate in there that's useful. So you recycle it back to the beginning of the process in the feedstock, and you keep that mother liquor going. But at some points it gets a little bit dirty or maybe there's not enough good stuff in it or what have you, so then you discharge it. Instead of throwing it away and wasting it

and throwing it down the drain, we sell it as the product you're referring to into the concrete admixture industry.

MR. BOYLAND: Okay. So well with respect to -- you had multiple other products identified, but those would all be sort of splitting off at the fermentation point?

MR. ZINKHON: That's all the result of the process you see up there, yes.

MR. BOYLAND: Okay, okay. With respect to the production process itself, I don't -- could you describe that? It's a continuous process. What I'm kind of interested in is the maintenance and downtime part of this, and sort of how long is the plant generally in operation? How long would it normally be not in operation?

MR. ZINKHON: Roughly we run a 40 day campaign give or take. Now in a fermentation process, I always tell people it's like baking a cake, and if all of us in this room had the exact same ingredients and the exact same -- , the cakes are not going to come out the same. If we tried to be a very best we could do, they're going to be different.

The fermentation process is like that. It's always going to be a little bit different every time. So we're never sure if it's going to go 39 days, 42 days, what have you, but roughly 40 days. Then we shut down and of

course we have to re-sterilize the fermenter and that sort of thing and reset the seed, and there's about a seven day lag time between when we start the fermentation process, when we actually feed the bug to the sugar, and we get the crystals out on the other end.

MR. BOYLAND: Okay, and then again I haven't been to your plant, so I don't -- I'm imagining you have multiple fermenters going on or is it just one --

MR. ZINKHON: Just one fermenter.

MR. BOYLAND: One fermenter.

MR. ZINKHON: And this might get a little BPI-ish, sorry.

MR. BOYLAND: Again, yeah. I don't want to get into any of that. What I was really interested in too was with respect to the period that we're looking at. Did the company take extended down time? In other words, to accommodate any lost sales, etcetera?

MR. NIEDERMEIER: You know --

MR. BOYLAND: What was going on with that?

MR. NIEDERMEIER: Basically, any extended down time that we have we plan. We always plan our production around sales budget. But sometimes we have to do maintenance. Maybe we're going to install a new piece of equipment to upgrade the process, so then we'll schedule that down time. We generally don't have much down time due

to lower demand or something. We keep our employees working. You know, it's very important to us. So most of the extended down time that we have is due to maintenance or capital projects and things like that.

MR. BOYLAND: And during the period we're talking about, was there any notable down time that essentially would be showing up in, you know, higher -- other factory costs, etcetera? I mean that's kind of where I'm going with this.

MR. ZINKHON: Yeah. I think you'll see in he data that we presented that if we hadn't suffered these injuries, we would -- and I don't know how much I can really talk about it here, but we basically would have had -- been running at full capacity and would -- you have to have down time when you run a plant like ours. The industry standard is maximum 320 days of full production, so you leave 45 aside for maintenance and scheduled repairs. The boiler has to be inspected annually, things like that.

To run it safely and properly, a facility like ours, it's 320 days is maximum. If we hadn't suffered the injuries that we had already suffered, we would be at like 319.2 days of production.

MR. BOYLAND: That's actually, I guess, where I was going with that. What if, you know, you weren't running at full capacity. You weren't getting to that 319.

During the period, what was it? I mean from year to year, was it 300 days?

MR. ZINKHON: We've presented that in there but I think --

MR. BOYLAND: You probably did.

MR. SPOONER: We'll address further in the post-conference brief, although and this I'm sorry, it might be a little different than what you're asking. But I should probably also point. We had an appendix in our producer's questionnaire in which we carefully calculated lost days of production due to lost sales.

MR. BOYLAND: And so, and again I apologize. I didn't start off on this case. So in terms of that particular calculation, it's basically saying how many days year by year or however you calculate it, but that were not actually used to produce the product.

VOICES: Microphone.

MR. ZINKHON: Oh, I'm sorry. I'd have to look at that Mr. Boyland again, but I think it was around 60 days lost production.

MR. BOYLAND: Okay, and from the cost standpoint, the impact on the numbers being reported to the Commission. I mean we break out cost of goods sold in a couple of different ways, but where would I be looking to see the impact of that?

MR. ZINKHON: There would simply be less raw material purchases.

MR. BOYLAND: Okay. Now in terms of capacity --

MR. ZINKHON: (off mic) -- much raw material, you know. We're not going to buy the sugar if we don't need it.

MR. BOYLAND: And in terms of fixed cost absorption, just running the plant, is it -- is that a factor as well?

MR. ZINKHON: You can see that in the BPI information. Oh sorry. You can see that in the BPI information, but I don't think you'll see that to be a significant factor either way.

MR. BOYLAND: Okay.

MR. MALASHEVICH: Mr. Boyland, Bruce Malashevich. It's a little bit awkward to discuss this in this kind of forum. But I think what the intent was is what the information reported was on actual production during the POI, as instructed in the questionnaire. But in this particular case, the volumes involved in the lost sales allegations in my experience were much larger as a percentage of total actual production than we see in most cases that come before the Commission.

So I asked Mr. Zinkhon to if we had -- if we

had one of those sales that in reality were lost, how many production days would that have added to the actual results? But there's no hypothetical calculation of the impact that would have had on the actual results, simply the number of days to illustrate how significant this lost volume was in putting forward a case that the volume effects in this case are quite significant as a proportion of the total action.

MR. BOYLAND: Thank you, and I do apologize, because a lot of these questions would be easier to ask in camera and answer. So I guess moving on, Table 3-15, and this actually gets to a point that Mr. Henderson raised regarding what financials are being referenced and discussed. Table 3-15 or it's a narrative, but you actually reference gross profit margins that are not actually what I'm calculating.

I think it may be along these lines that it's -- the narrative itself is focused on a subset, and I'm not asking you to correct it. But I guess I would just -- because that narrative winds up in the report, and any reader is going to be curious as to why the company is referencing something that's not in a staff report table. If you could just clarify what --

MR. SPOONER: Thank you. We'll do so in the post-conference brief.

MR. BOYLAND: Okay, thank you. With respect

to the SG&A, were there any significant changes in the way the company sells the product during the period?

MR. ZINKHON: No.

MR. BOYLAND: Do you have a dedicated sales force or --

MR. ZINKHON: Yes, yes.

MR. BOYLAND: So no sales representatives just --

MR. ZINKHON: Well yeah, we have sales reps. Oh --

MR. BOYLAND: Not independent sales? I mean in other words, it's your own.

(Simultaneous speaking.)

MR. BOYLAND: Gotcha, okay. In terms of the general and administrative functions during the period, were there any significant changes in -- in other words, what I'm seeing doesn't indicate or suggest that there were. So okay.

MR. ZINKHON: No.

MR. BOYLAND: The final question is the level of capital expenditures that you reported, this is a BPI question, but just if you look at them during the period, would you consider those to be a normal level, expected, or were they low or high? I mean -- and again you don't have to answer that now, but just does --

MR. NIEDERMEIER: I think they were fairly normal. I think if my memory serves me correct, if you look at what we spent this year, it's been maybe a little bit higher than years past. But you're going to -- if you ever come and visit our plant, as I mentioned in my opening statement some of the facilities that we have date back to 1849, you know. There's a lot of infrastructure that's really old, and when we have to, we have to repair it.

I mean there's a lot of capital projects that we're going to put off until we know the outcome of this case. But some things we have to fix. So it just kind of depends on the circumstances, on what we're spending right now.

MR. SPOONER: And we should be clear. We'll have to elaborate in the post-conference brief, but there was -- and we do talk about this in the petition. There was one significant capital expenditure during the POI that was merely a repair to the structural integrity of the building, that sort of ended up costing more than PMP anticipated. So it wasn't -- it wasn't that PMP was buying, you now, a new fermenter. It was a wall that needed fixing and that was more expensive to fix than PMP anticipated.

MR. BOYLAND: And you know, that's sort of a segue here just to the question that the level of fixed costs in industries varies, and the extent to which reduced

capacity utilization is really going to impact costs varies. So I guess I would like now or in the spot-conference your perspective on -- because it sounded a bit like from your testimony a lot of these costs are variable.

So you know, the run rate, how much is being produced and the actual costs, a large part of it is variable. That's obvious. But to the extent that capacity utilization is reduced, you know, would you characterize the company as being high fixed cost in terms of just below? How would you?

MR. ZINKHON: Oh no. We feel -- feel it's very low. We try very hard to keep the fixed cost low. In my opinion, it's definitely low fixed cost.

MR. BOYLAND: Okay. And based on that would it be fair to say that the level of capacity utilization, not saying what it is, but being a lower fixed cost it's not going to be as much of a factor when the capacity utilization is at that level in terms of the cost itself?

MR. ZINKHON: Statistically, perhaps, but you still do reach that point where you've got to run the plant sometimes.

Oh, I'm sorry. Statistically, certainly, it would show up, but the reality is that you've got to run the plant sometimes and you do hit that point where you've got to start asking yourself if it's worth running it.

Now we probably have a little more flexibility because of the fixed cost situation, but that doesn't change the facts of the matter that we're losing business every day practically.

MR. NIEDERMEIER: But capacity utilization is a very important factor for us and we watch that very closely because it does affect the bottom line.

MR. BOYLAND: And sir, this is my last question. Unitizing the other factory costs or to COGs I come up with a number that is fluctuating during the period and I'm not sure exactly to what extent that's related to capacity utilization, but if you don't mind looking at the other factory costs on a unitized bases for each period and I'll think you'll see the trend I'm referring to. If you could give me your interpretation what you believe is driving that and I'm particularly interested in 2016 because it's at a range and then interim '17 because it's at another range. If you could give me your impression because I think those are interesting and they probably should be explained, so I'd like your impression on that.

MR. SPOONER: Okay, we'll address it in the post-conference.

MR. BOYLAND: Thank you. Those are all my questions.

MS. HAINES: Okay, Ms. DeCarlo.

MS. DECARLO: Good morning. I just have a few questions more about the chemistry and everything. First, thank you for the chart and how they're all related to one another.

So first, my basic understanding, and please correct me if I'm wrong, the main focus seems to be on the sodium gluconate. Is that because of the gluconate N ion? Is that what we are focused on for the end use in the products? Is the N ion present in all these different products or is that an incorrect assumption.

MR. ZINKHON: Well, I think you can see the chemistry there and the gluconate is present in every one of these.

MS. DECARLO: Okay. So then my next question is during your testimony, you talked about use for de-icing and during that part of the testimony you mentioned the PH, so it was the DNI's PH -- the dry product that made it desirable.

MR. ZINKHON: Yes. The de-icers would love to use the liquid gluconate, but the PH on that's low and the various Departments of Transportation around the country tend to prefer the PH to not be below four in the end product. And when they added this, they were just starting to get to that line. They should buy this anyway because when they buy this you're shipping water. So you know they

buy this and it kills two birds with one stone really. It's a better bang for their buck.

This is the dry sodium gluconate. This is the liquid gluconate. But when you're buying the dry sodium gluconate, you're getting far more bang for your dollar spent and it doesn't affect the PH, so that's why they use it. They all really, really want to use the liquid gluconate, but they really can't.

MS. DECARLO: Okay. So is PH largely a driving factor for the different products? Like is GDL more preferential for use for PH or is it all the same?

MR. ZINKHON: GDL and gluconic acid have exactly the same PH level and they will take whatever you're using it in to the exact same PH or generally lower it, and both will get to the exact same PH.

MS. DECARLO: Okay.

MR. ZINKHON: Now is that a factor in what people buy versus dry or the sodium gluconate? It depends on the formula. It depends on what they're making. I'm sure it is in some cases, but it's not something that we hear about very often.

MS. DECARLO: Okay. And so that's why if you get customers here in the United States that ask for GDL you're able to kind of sell it as gluconic acid instead, right?

MR. ZINKHON: We always offer gluconic acid in you know I'd say half, 60 percent, somewhere in there, the time. The folks, yeah great, we'll take gluconic acid instead. But if they're making a dry product, they're probably going to want to stay with GDL and we fully understand that.

MS. DECARLO: Okay. So you talked some about the continuous fermentation method. Is that considered the industry standard? I know there's not a lot of producers, but is it in the same, in your opinion, in France and in China or is that a PMP?

MR. ZINKHON: I can't speak to the others with certainty, but I can't really imagine doing it --

MS. DECARLO: In another way.

MR. ZINKHON: -- in too much of a different manner and maintaining efficiency.

MS. DECARLO: Okay.

MR. ZINKHON: Now it should be noted that the Chinese also make this material using catalytic conversion, but then you end up with a very technical grade, very low grade that truly cannot be substituted for many of the end uses here in the states.

MS. DECARLO: Okay. Yes, that leads into my next question. So you're only aware of Chinese producers using the catalytic conversion as opposed oxidized

fermentation method.

MR. ZINKHON: No. The ones that are bringing the material in here are using the fermentation.

MS. DECARLO: They are, okay.

MR. ZINKHON: And we have asked the --

MS. DECARLO: Those products do not reach the catalytic conversions ones.

MR. ZINKHON: No.

MS. DECARLO: Okay. So the fermentation it's a proprietary fungus.

MR. ZINKHON: It's not really. You can Google it up. It's asperios nitrate.

MS. DECARLO: That was my next question. In my research I had found asperios nitrate.

MR. ZINKHON: We used to make a big secret out of it, but Google came around and --

MS. DECARLO: Yes, okay, alright. And so that seems to be what is commonly used for the oxidized fermentation. Have you ever had to use any other fungus or do you just --

MR. ZINKHON: We just use that.

MS. DECARLO: And I haven't taken bio class in many, many years. How do you get the fungus? Do you guys produce the fungus?

MR. ZINKHON: We have a cultivated strain that

we then just continue to get the -- perpetuate it.

MS. DECARLO: Perpetuate it, okay.

MR. ZINKHON: It's been a while for me too, but that's in a nutshell how it goes.

MS. DECARLO: Okay.

MR. ZINKHON: It's pretty cool to watch, actually.

MS. DECARLO: Yes, I know. I was looking at videos and stuff and was like, oh, maybe I should've gone to bio.

Alright, so you spoke briefly about the mother liquor also. When you sell the mother liquor is it still in liquor form or do you dry it.

MR. ZINKHON: Yeah.

MS. DECARLO: It is still in liquid form.

MR. ZINKHON: Right. It's no secret. And the nomenclature that Mr. Boyland was referring to is S-45. That's simply because it's 45 percent solids. You've got to call it something. Everybody has a name for it. Everybody that manufactures this product is going to have the byproduct and generally it's sold to the concrete add mixture folks. They just eat it up.

MS. DECARLO: Okay. And even though it's the mother liquid that's not considered a technical grade; that's still a higher quality grade?

MR. ZINKHON: No.
MS. DECARLO: Okay.
MR. ZINKHON: You're not going to use it in any of those products that we passed out here today.
MS. DECARLO: Okay.
MR. ZINKHON: We're not going to let you use it in any of those products that we passed out today.
MS. DECARLO: That's good to know. Thank you.
So in the petition you describe the different uses for GNA in different industries -- agriculture, pharmaceuticals, et cetera and then today those same areas you so described DNA products. So can GNA products be used -- like it was on page 7 of your petition in Part 1. GNA is used to enhance the uptake of micronutrients from the soil to the plant. Would it be appropriate to substitute GNA products into that sentence?
MR. ZINKHON: No.
MS. DECARLO: Okay.
MR. ZINKHOR: Because we do have customers that use gluconic acid. We do have customers that use glucono delta lactone. We do have customers that use the liquid gluconate and we do have customers that use the sodium gluconate in the fertilizer industry.
MS. DECARLO: Okay.
MR. ZINKHON: That's a pretty growing industry

also for us.

MS. DECARLO: Alright, is there any specific industry where only one of the products in the chart would be used.

MR. ZINKHON: Fortunately, I have the list right in front of me, but I would say no.

MS. DECARLO: Okay.

MR. ZINKHON: Except maybe with the caveat of the de-icing where they sure want to use the liquid gluconate, but they really can't.

MS. DECARLO: Okay.

MR. ZINKHON: That's the only one in this list that I can really, off the top of my head, suggest.

MS. DECARLO: Alright, okay, thank you.

I guess my next question is my understanding is that gluconic acid and GDL exist in equilibrium when in water. So if you're selling gluconic acid is there GDL present in the gluconic acid?

MR. ZINKHON: Gluconic acid is the liquid form of GDL.

MS. DECARLO: Right. But if there's an equilibrium presence in the solution is there lactones present in the acid?

MR. ZINKHON: There has to be, so the answer is yes.

MS. DECARLO: Okay.

MR. ZINKHON: And actually, sometimes you'll see the gluconic acid referred to as DL gluconic acid.

MS. DECARLO: Yes, I have seen that. Okay.

MR. ZINKHON: It's just another way to say the same thing.

MS. DECARLO: Yes, chemists like to do that, make more names for things.

I think that's all my questions that I have for right now, so thank you.

MS. HAINES: Thanks. Mr. Casanova.

MR. CASANOVA: I just have a follow-up question as far as demand. You talk about a new phenomenon, I guess, of using sodium gluconate as an anti-rust. Over the course of the year do you find that one of the four products is more preferred over the others? In other words, is there higher demand for sodium gluconate --

MR. ZINKHON: Like seasonality?

MR. CASANOVA: Yes.

MR. ZINKHON: Not really, no.

MR. CASANOVA: No? The last question I have, so in order to produce GDL is just water that you use in the process?

MR. ZINKHON: To produce GDL?

MR. CASANOVA: So looking at this diagram from

gluconic acid to GDL, it's just H20.

MR. ZINKHON: You remove the water.

MR. CASANOVA: You remove the water? Okay. So you don't have to change your equipment at all to -- so maybe you could respond to this in the post-conference brief. Why is it preferable to import it from a non-subject country than to produce it?

MR. ZINKHON: I think we can address that in the post-conference brief, but I also would point you to the fact that the last U.S. producer closed in 2007.

MR. CASANOVA: Okay.

MR. ZINKHON: I'm trying to let that statement speak for itself.

MR. CASANOVA: Okay, that's all I have. Thank you.

MR. HENDERSON: Two quick questions, first, just to invite you in the post-conference brief to address the question of whether the Commission, in an analysis of threat of material injury, should cumulate subject imports from France with those from China.

And second, following up what Mr. Casanova was just asking, I was curious whether, in terms of Petitioner's MPs, importation of GDL from Italy whether there was some reason why this was being imported from Italy as opposed to France or China? And again, without revealing any BPI,

whether P&P had imported this from France or China in the past and whether there were advantages to importing from Italy in terms of price or quality. Thanks.

MR. SPOONER: Thank you, Mr. Henderson. We'll address both issues in our post-conference brief, but I think Jim had one comment.

MR. ZINKHON: The largest use of GDL, historically, is tofu and our parent company is Fuso in Japan and they have a strong relationship with Roquette, who manufactures the material in Italy, so we just piggyback on that.

MS. HAINES: I have just one question. Is there a difference in the shelf life between the various forms?

MR. ZINKHON: Yes, there is. We list all the shelf lives as two years. That's the standard.

MS. HAINES: Okay.

MR. ZINKHON: But in essence, the dry sodium gluconate lasts about eight years before you start seeing any degradation. They liquid products -- and then GDL I think it's more like four or five before it starts degrading, but the liquid products two years is pretty much the limit.

Now if you're doing an industrial application and you've got gluconic acid, maybe a metal cleaner and it's been sitting around for five or six years it's still okay.

You could still use it. It might be gluconic acid 42 percent by then, but it's still going to be gluconic acid.

MS. HAINES: So do you tend to inventory less the ones that have a lower shelf life or do you even keep --

MR. ZINKHON: No, we don't really have a problem moving the product.

MS. HAINES: Okay.

MR. ZINKHON: We know what our customers want. We know when they're going to buy it and we try to keep a couple months on hand of everything. That's our general rule of thumb.

MS. HAINES: Okay. That's all I have, thank you. Yes, Mr. Boyland?

MR. BOYLAND: A quick question, and again, it's sort of a BPI issue. I can't really be explicit about it, but the conversation about these other products that were produced in the U.S. producer questionnaire we have a section for byproducts and the company answered in a specific way. And I guess what I would like to do asking in the post-conference brief if you can confirm that the financial results, specifically, the costs reflect or better said do not reflect the costs of these other products. If there's been an adjustment -- I'm not obviously in a position to say what adjustment, but that if you're reported byproducts in a specific way or not reported

byproducts in a specific way that the costs being reported to the Commission reflect that.

MR. ZINKHON: To confirm once again, the byproduct is what we call S-45 -- sorry for the acronym, mother liquor is what it is. As far as the cost factor goes that's BPI, I think, and we'll address that.

MR. BOYLAND: Thank you. I hope my question was sufficiently okay.

MR. ZINKHON: I think you'll be pleased with it.

MR. BOYLAND: Okay, thank you very much.

MS. HAINES: Any other staff questions? No? Well, I guess we're done with our questioning. Thank you very much for traveling this distance to give us your testimony. I think we will take a 15-minute break before the other side comes up to testify. Thank you.

(Recess.)

MR. BISHOP: Will the room please come to order?

MS. HAINES: Thank you. Any preliminary matters, Mr. Secretary?

MR. BISHOP: Madam Chairman, I would note that the panel in opposition to the imposition of antidumping and countervailing duty orders have been seated. This panel has sixty minutes for their direct testimony.

MS. HAINES: Thank you. You may proceed.

MR. WAITE: Thank you, Ms. Haines. Again, it's

Fred Waite of Vorys, Sater, on behalf of Jungbunzlauer. I'd like to introduce our witnesses today, before we give you our presentation, which I promise will be substantially less than sixty minutes.

To my immediate left is Dan Rainville. He is the President and General Manager of Jungbunzlauer, Inc. Jungbunzlauer, Inc., or JBL, Inc., is located just outside Boston, Massachusetts, and it is the U.S. sales office for all products of the Jungbunzlauer group, in addition to the subject merchandise under investigation.

To Mr. Rainville's left is Carlos Torres. He's Sales Manager, North America, for Jungbunzlauer, Inc. And then last, but not least, certainly on my extreme left, in many ways, is Kimberly Young. She's also from Vorys, Sater. And Mr. Rainville will begin our testimony this afternoon. Thank you.

STATEMENTE OF DAN RAINVILLE

MR. RAINVILLE: Good afternoon. My name is Dan Rainville, and I am president of Jungbunzlauer, Inc., which is located in Newton Centre, Massachusetts. JBL, Inc. is the dedicated sales office of Jungbunzlauer in North America. I became president of JBL, Inc. in 2006.

Prior to that time, I was director of finance, and before that, I was a financial consultant to the company. In total, I worked at Jungbunzlauer for nearly

thirty years. Jungbunzlauer, or JBL for short, is a privately-held, family-owned company which dates back to 1867.

We are celebrating our 150th anniversary this year, and for a century and a half, the name of Jungbunzlauer has been synonymous with quality and reliability. JBL is a global producer of fermentation-based ingredients such as organic acids like citric acids, gluconic acid and lactic acid, the stabilizer xanthan gum, and the sweetener erythritol, all of which are produced from basic carbohydrates.

These products and their derivatives serve as important raw materials and additives in the production of foods and beverages. JBL has manufacturing operations in Austria, France, Germany and Canada, and our headquarters are located in Basel, Switzerland. We produce gluconates only at our facility in Marckolsheim, France. JBL is the only producer of these products in France.

In addition to gluconates, our French plant also has two other production lines, one for lactic acid and lactates, and one for the sweetener, erythritol. Our gluconates product group consists of Glucono-delta-lactone, or GDL, sodium gluconate, and some special gluconate-based products like sodium gluconate EMF, gluconic acid and Naglusol.

Naglusol is JBL's registered tradename for the liquid blend of gluconic acid and sodium gluconate. Sodium gluconate EMF 1240 is what we call the mother liquor from our sodium gluconate production. Also included in our gluconates product group is a series of products specially designed for the gypsum industry.

Glucoset is JBL's registered tradename for these products for the construction industry in Europe. JBL does not sell either the mother liquor or the Glucoset in the U.S. market. JBL began its production of sodium gluconate in France in 1996 and its production of GDL in 1998.

Unlike some of our competitors, JBL uses its production of sodium gluconate in order to product GDL. And we considered gluconic acid to be a byproduct of this processing. JBL's competitor in Italy uses a different production process in which they produce gluconic acid in the fermentation process and use it as a raw material to produce either sodium gluconate, or GDL.

Petitioner PMP acknowledges that it imports GDL from Roquette in Italy, and that there is no production of GDL in the United States. PMP claims that imports from China and France are almost exclusively dry sodium gluconate, not liquid gluconate, gluconic acid or GDL. This may be true for China, but GDL is a more important product for JBL. In fact, GDL represents approximately half of our

total imports of gluconates.

PMP also claims that GDL is just like all the other products included in the scope of this investigation. I believe the term they use is "interchangeable". However, we disagree and we explained in our response to the importers' questionnaire how GDL differs from other gluconic products.

For example, the primary uses of GDL are in food products as a controlled-release acidifier in dairy products, primarily white cheese, as a coagulant in tofu, as a curing accelerator in meat products like salami and sausages, as a chelating agent in seafood, as a leavening agent in bakery goods, and as a mild acidulent and preservative agent in prepared salads, dressings and sauces. GDL is also used in personal care products such as skin care products.

In contrast, the main product produced and sold by petitioner is sodium gluconate. It is used primarily in the construction industry as a set retarder and a concrete plasticizer. It is also used in other industries for the surface treatment of metals and for industrial cleaning.

The main purposes for liquid gluconate are for industrial cleaning, set-retarding for concrete in the production of textile chemicals. Similarly, gluconic acid is used for general cleaning purposes in cleaning in place

such as cleaning pipe insulations in breweries and dairy factories.

Although sodium gluconate, liquid gluconate and gluconic acid do have some limited food applications, these three products are used overwhelming for industrial applications, whereas the vast majority of GDL is used for food applications. The reason that GDL is used for food preparation is because GDL slowly converts gluconic acid when dissolved in water, producing a gentle acidification.

None of the other gluconate products offer this functionality. Our customers who buy GDL, and they are generally distinct from our customers who guy gluconate products, do not consider these products to be substitutes for GDL. GDL is also priced differently than other gluconate products. In fact, GDL prices are often as much as two times the price of other gluconate products.

GDL is even classified in the harmonized tariff schedule under a different subheading than the other products covered in this investigation. We will provide further information about the differences between GDL and other gluconate products in our post-conference brief.

PMP also claims that gluconates are not distinguishable by grade, and that only differentiating the features of the packaging and coloration of the products. We disagree. JBL sells four different grades: food grade,

personal grade, pharmaceutical grade, and technical grade. Although not all of our gluconate products are available in all of these grades.

For example, JBL offers sodium gluconate and gluconic acid in food grade and technical grade. But we sell liquid gluconate only as technical grade. JBL offers GDL in food grade and personal care grade. And we are also registered in the French National Drug Agency as an excipient producer and distributor of GDL for the pharmaceutical industry.

These three non-technical grades are differentiated on the basis of product color, but are also differentiated under purity level of the product. I also want to mention that 100% of JBL's U.S. shipments are certified non-GMO. This is not particularly important to customers buying technical-grade products, their end uses in the construction sector, but for the personal care and food sectors, the non-GMO certification is quite important.

Food-grade products represent approximately two-thirds of JBL's sales of gluconates in the U.S. market. Based on our market intelligence, we believe that both PMP and Chinese are primarily focused on industrial applications for gluconate products. Given that the main use for sodium gluconate is the construction market, and PMP has stated that sodium gluconate accounts for the vast majority of

their U.S. sales, we assume that most of PMP's products are consumed in industrial, not food applications.

The very low prices on Chinese products also suggests that the Chinese are selling mostly technical-grade products in the U.S. market. The prices from China are so ridiculously low that JBL does not even try to compete with Chinese prices. The European Union has had an antidumping measure in place against sodium gluconate from China since 2010.

These measures were recently renewed for an additional five years. In its review, the EU found that there were forty producers of sodium gluconate in China, with a total production capacity in 2014 of approximately one million tons. But actual production in 2014 was only about 550,000 tons, which means the Chinese capacity utilization was only about 50%.

JBL's exports of gluconate products are not subject to any antidumping, countervailing or safeguard findings or remedies in any country. Our principal market is our home market, the European Union. We also sell significant quantities in the Middle East and Asia. Collectively, these markets consistently consume the bulk of our gluconate production.

JBL also operated at a very high rate of capacity utilization during the period of investigation, and

our current utilization rate for gluconates is greater than 80%. Our production capacity has been stable throughout the period, and we have no current plans to increase our capacity to produce additional gluconates. We will provide further information about the differences between JBL and Chinese producers in our confidential post-conference brief. This concludes my statement, and I look forward to responding to your questions. Thank you.

MR. WAITE: And that concludes our affirmative presentation and we are open to your questions. Thank you.

MS. HAINES: Mr. Casanova.

MR. CASANOVA: Thank you very much for being here. My first question. You mentioned a certification process for GDL. Is that correct?

MR. RAINVILLE: Certification?

MR. CASANOVA: Did you mention a certification?

MR. RAINVILLE: For the pharmaceutical in our plant in France, yes.

MR. CASANOVA: Okay. Could you just provide a bit more detail of the certification process and if it differs from the EU certification process and the U.S. certification process?

MR. WAITE: Mr. Casanova, it's Fred Waite. I'm not sure that Mr. Rainville is the one to answer that question, but we will be able to address it by communicating

with our colleagues in France in time for the post-conference brief. I can tell you that the certification process in France is accepted by the European Union.

Indeed, when JBL SA in France sells products in the European Union, when it sells to Germany, it's no different than when it sells to France. When it sells to Sweden, it's no different from when it sells to Austria. You know, it's one large market. And the same rules that apply to its production and qualification and certification in France apply throughout the European Union.

MR. CASANOVA: And you could provide this in the post-conference brief. Are there any differences between the EU certification and U.S. certification?

MR. WAITE: Which U.S. certification, Mr. Casanova?

MR. CASANOVA: I'm just wondering because -- is there a certification process that's equivalent in the U.S. as it is in the EU?

MR. WAITE: We will look into that.

MR. CASANOVA: Okay.

MR. WAITE: I thought initially your question was about certification or qualification by customers.

MR. CASANOVA: No, just U.S. standards. And that just brings me to my next question. Does JBL follow

the same production standards as the standards in the United States? Are U.S. standards different from the European Union standards? And if so, do end users generally mix these standards? So this is specific to end users.

MR. WAITE: Are you asking whether the end users specific standards that the product must meet when it contracts with JBL to purchase gluconate products?

MR. CASANOVA: Yes.

MR. WAITE: I would say that JBL has on its website, it's all public information, the specifications and the quality and the chemistry of all of its products and the customers are aware of that. And perhaps Mr. Torres, as the sales manager in the United States, can speak more directly to his contact with customers and what they demand in terms of qualification or certification, if you will.

MR. TORRES: Thank you, Fred. Good morning. My name is Carlos Torres. I'm sales director for North American Jungbunzlauer, and I think the easiest way to explain or to respond to this question is that we specify our materials according to most commonly globally accepted standards, so we claim on our specifications whether our materials, if they are denominated as to be food-grade, they comply with the food chemical codex monograph defined for those materials.

If we claim that they are suitable for use in

the pharmaceutical industry, then we specify as to which pharmacopeias or they meet standards such as USB or Japanese pharmacopeia or European pharmacopeia. There is no--to my knowledge--there is no globally standardized criteria for personal care. If there would be one, most likely, we would appeal to that one as well. But that's the way we specify our different grades.

MR. CASANOVA: My next question -- are your country's GNA products interchangeable with U.S. produced products? And in what instances are they not interchangeable?

MR. TORRES: I would say that from a quality perspective, I would find them interchangeable. All the knowledge that I have about the quality of the material that are manufactured in the U.S. compared to ours are excellent quality and I would believe that basically any customer would be able to use one or the other, except for some specific grades like pharmaceutical, for instance.

I do not know if PMP manufacturers specify pharmaceutical grade for instance. I do not know. So except in those cases, I would say from a quality perspective, these products would be interchangeable.

From a functionality perspective, we see an essential difference. In particular, about GDL, we see an essential difference between GDL and the other three

materials subject to this case. And I guess it's rather about functionality and how these materials are used instead of chemical nature.

Indeed, all these materials are derived from the gluconate ion, that is true. So from a chemical natural perspective, all these materials are related. That's true. Nevertheless, from an application perspective and how customers may use one or the other, there are big differences that we know and actually we convert these differences into sales arguments.

I can relate to three main characteristics. One would be physical form, and as we have already seen, GDL is a powder, while gluconic acid is liquid. Or liquid gluconate is also liquid. So for some applications, some customers really need to use gluconic acid in powder form, meaning GDL. To give an example, if we think about baked goods, GDL can be used as leavening agent in baked goods.

And typically, if a customer wants to manufacture baking powder, well, they have to use a powder. They cannot just use liquid gluconic acid to make baking powder. And there are some formulations used as preservatives in cosmetics, in the personal care industry.

And these are blends, including powder blends, including GDL and other preservatives that come also in powder form. So these blends need to be sold in powder

form. Again, for such applications, gluonic acid could not be legible.

Another essential difference that we see has to do a little bit with their chemical nature, based on the fact that GDL and gluconic acid are organic acids, whereas sodium gluconate is a salt. So GDL and gluconic acid promote an acidic environment in their formulas, because they are acids, whereas gluconate is neutral.

There are some formulations, depending on the end product in which the end customer needs to promote an acidic environment, and in some other cases, the customer needs to promote a neutral or alkaline environment. And that defines which one of the products you may use.

Last, but not least, and this is in my opinion, probably the most important difference is what Mr. Rainville mentioned, about how GDL becomes gluconic acid. So it's true. If we put GDL into water, it will dissolve and it will convert into gluconic acid. Nevertheless, and this is a unique property of GDL.

When we compare GDL to other organic acids. When we add any other organic acid in powder into water, it will dissolve, and it will hydrolyze. It will dissociate immediately. So pH will drop immediately and the solution will become acidic immediately. In the case of GDL, if we dissolve GDL in water, it will hydrate immediately. It will

dissolve immediately, but it will not hydrolyze immediately. So the drop in pH will be progressively and slowly, continuing for several minutes, sometimes hours, depending on the temperature.

So this is why we say that GDL can be used when we want to promote a control acidification of the environment. This rate of acidification is a unique property of GDL and it can also be controlled by modifying temperature. This is a unique property of GDL that cannot be found in any other organic acid and cannot be found in liquid gluconic acid because it is already dissolved.

So this phenomenon, of course, only while GDL is dissociating in water into gluconic acid. This is a key property. Why GDL -- again coming back to my example concerning baking industry -- this is a key property. Why they prefer to use GDL?

Because as it is hydrolyzing into gluconic acid, by modifying temperature, if we increase temperature, then the release of CO2 to promote leavening of the baked goods will be very quick, so we can have thinner baked goods such as a pancake. Or if we control and will retard the release of CO2, then we can make bigger baked goods such as a muffin. Again, this is a property that is unique to GDL.

MR. CASANOVA: Thank you. That was very informative. So as far as your customer base, can you

describe the market for GNA products in France? Is it significantly different from the U.S. market in any aspect? For example, are end uses in France different from the end uses in the U.S.?

MR. TORRES: Unfortunately, I'm not familiar with the French market. So I'm not sure if I could provide a fair comparison. From a technical perspective, I would be surprised that the applications were completely different because this is not new technology, or this widely spread. But I think we should probably address to that question in our post-conference brief.

MR. WAITE: Thank you, Carlos. Mr. Casanova, we will address it in our post-conference brief. I would note, however, that the applications of the gluconic product, or gluconates manufactured in France and marketed throughout the European Union--it's not just the French market, it's the entire European Union market--are in many cases very similar.

But as Mr. Rainville mentioned, there are some products such as the gluconate product used in gypsum different than the gluconate product that's used in concrete or cement in this country. Because in the European Union, gypsum is the foundation for much construction. They don't use drywall. They use gypsum.

And this is a product that's marketed--I would

say exclusively from the information I've seen--in the European Union and perhaps North Africa and the Middle East. But it's not sold in the United States as Mr. Rainville said.

He also mentioned the mother liquor--that the petitioners also mentioned this morning--as a product that flows from the fermentation process in making the gluconates. Again, that's a product that's produced in France, but it's not marketed in the United States for the reasons that petitioner mentioned, and that is, you would be shipping across the Atlantic, a product that was 50% water. And as a result, that product is marketed in Europe, but it's not marketed here in the U.S.

So there are some differences, but the differences seem to be around the edges. The basic applications appear to be the same. And the fact that French pharmaceutical industry is certified in Jungbunzlauer for applications in pharmaceutical sector in the European Union, again reflects the pharmaceutical use in the United States. But again, we'll get specifics on this for you in our post-conference brief.

MR. CASANOVA: So my next question. Have there been any recent developments or changes regarding the industry in France or the European Union that we should be aware of? For example, has there been change in technology

to produce any of the GNA products?

MR. WAITE: Again, Mr. Casanova, I think I can address that, because we have spoken at length with JBL's production and technology people in Europe. And I will tell you what they've told us, and again, we can amplify this in our post-conference brief.

No, there haven't been any particular developments. Now, we're talking about JBL in France manufacturing gluconates. We do not have perfect information about the Roquette firm in Italy. It's also producing these products and indeed, shipping some to the United States, GDL, for example, which are then marketed by petitioner.

But as far as we can see and our response to the foreign producers' exporters' questionnaire from the Commission, I don't think I'm disclosing any sensitive information to say that they did not report any changes in production techniques, technology or anything that would suggest that there were changes that I think that you're looking for. But we will confirm that in our post-conference brief, so you don't have to take it from a lawyer.

MR. CASANOVA: I think you mentioned this in your opening remarks, so I'm sorry if I'm asking you to repeat yourself, but do you have any plans to expand

capacity in the foreseeable future? If so, do you plan on increasing exports of GNA products into what destinations?

MR. WAITE: I think I can answer that question. I did say that in my opening statement, and indeed, Mr. Rainville testified to that fact, too. And again in the foreign producers' exporters' questionnaire response from JBL you will see.

There has been no increase in capacity during the entire POI. There are no plans to increase capacity. JBL is a multi-national supplier of gluconate products to the world. I mean, we don't deny, and we're not apologizing for sales to the United States. This is a good market for JBL. All you have to do is look at the pricing data in the questionnaire responses and you'll see that it's a very good market for JBL.

But JBL's focus and the vast bulk of its production and sales are in the European Union, and secondarily North Africa. Egypt is a large consuming country, and the Middle East. But there are no plans to accelerate exports, if you will. JBL looks at the markets where it can sell at a price that is attractive to it, that is above its cost of production, above all, its incidental costs and marketing costs.

It will look at those markets, and I think you can see in the United States market, again, from JBL, Inc.'s

response to the importers' questionnaire, despite what you heard this morning from petitioners, that data tells a very different story than what you heard this morning, both in terms of JBL's shipments in volume terms and certainly in terms of pricing of the products that the Commission surveyed JBL and PMP on.

And indeed, those were the two products that were selected by PMP. The sodium gluconate products in various sizes. And JBL responded and provided all the information. And again, you can compare that pricing data with PMP's pricing data, and I think it's very revealing. Thank you.

MR. CASANOVA: So my last question, what are the key purchasing factors for your customers here in the U.S.?

MR. TORRES: I would say that quality is a big factor. Functionality and stability is another big factor. And we make a big deal about how stable our materials are and about the benefits of using our materials. Price is also important always, but we always try not to base our approach to our customers on price, because it's just not us. This is not our home market. We believe we have stronger arguments to acquire customers.

And I would say that in a nutshell, the sustainable and environment-friendly character of these materials is also a strong sales argument. And again, it's

all about functionality.

We really try -- I guess we are aware that we are selling commodity-like materials into differentiated niches. So we really try to focus on differentiated niches.

MR. CASANOVA: That concludes my questions. Thank you very much.

MS. HAINES: Mr. Henderson?

MR. HENDERSON: Thank you. And I'd like to welcome our company witnesses for travelling here to Washington to help us in this inquiry. And my first question is for Mr. Waite and basic obvious question, does JBL agree with the proposed definition of the domestic-like product in the petition or does it contest that definition?

MR. WAITE: No, we agree with the definition. Although as you mentioned, or I believe it was you, Mr. Henderson, mentioned about the scope of the investigation. And we note that JBL has tweaked that scope I think in a way that most people expected, but the scope is a definition that we agree -- that we agree with, yes.

MR. HENDERSON: And so there's no argument about domestic-like product in terms of GDL --

MR. WAITE: Well, that's a different question.

MR. HENDERSON: Yeah, okay, but yeah, does -- these initials are getting confusing. Does JBL contest the proposed the definition of the domestic-like product that

petitioners have --

MR. WAITE: We take the position that there is a separate like product, that GDL is a separate like product even though it falls within the scope of the investigation. And perhaps to anticipate another question on your part, Mr. Henderson, we would also be addressing the cumulation issue in our post-conference brief.

Let me note that, again, it's a very interesting case because there is one domestic producer of the product. And from the French side, the only side that's participating in this proceeding, there's only one producer.

So it's very interesting that you have sets of data that I think are probably going to be the greatest clarity that you may see in most cases, because you essentially have -- well, you do have the entire domestic industry before you supplying data and you have the entire French industry and its importers -- importer rather supplying data to you.

Unfortunately, what that creates is a situation where so much of what we would love to talk about as Mr. Boyland indicated is confidential. I think that both sides will be able to deal with that in our post-conference briefs, but it is a little challenging for us because we went through the petitioner's petition, the public version of their petition. We listed everything that we thought was

relevant from the public version, so we would not stray too far or far at all from the straight and narrow in keeping BPI information out of the discussion.

But it just makes the discussion, forgive me for saying this, a little bit sterile because we can talk in general terms like politicians. The tax bill is the greatest thing that's happened since 1776. The tax bill's going to be a disaster. We can say that, but we can't provide any factual support or any even legal arguments to support those positions, because it's all based on confidential data.

MR. HENDERSON: And thank you Mr. Waite. And with respect to the question of GDL as a separate domestic-like product, I take it you're under -- the -- JBL's understanding is that the GDL is not produced domestically in the United States, is that correct?

MR. WAITE: Again, it's Fred Waite, Mr. Henderson. That's our understanding. Indeed, it was confirmed by petitioners in their petition and again this morning.

MR. HENDERSON: Thank you. And like I say, the same sort of question I raised with petitioners this morning if we're talking about GDL, whether as a separate domestic-like product or being treated differently within the domestic-like product from the other three products

which we know are produced by the petitioner, we'd certainly be interested in a legal analysis of whether the Commission should find GDL to be a separate domestic-like product even though there is no domestic production of it, or whether the Commission should look at it in terms of what is most similar. And if you can give us -- well, I mean, obviously be able address this in your post-conference brief, but if you can give us some thoughts at the present time?

MR. WAITE: Again, it's Fred Waite. This reminds me of a recent case I was in involving carbon and alloy steel wire rod. And the argument of whether a particular type of wire rod that was used to make a cord and bead for automobile tires is a separate like product. And we had the same conundrum because the domestic industry essentially didn't make the product.

So how do you make that argument? I'd like to go back and review the briefs of my colleagues in those cases and maybe I can give you a far more informative and structured answer in our post-conference brief than I can give you here today.

MR. HENDERSON: Thank you. And as a say, if you're addressing this in your post-conference brief, it would also be useful for -- to address the component of if the Commission decides to look at this from the point of view of what product is most similar to the GDL that is

within the scope, that would be useful for the Commission's analysis as well.

MR. WAITE: We understand.

MR. HENDERSON: Now does the -- does JBL contest the petitioner's definition of the domestic industry as the one firm?

MR. WAITE: No, we do not.

MR. HENDERSON: That's a relief. Now with respect to cumulation, does JBL contest petitioner's position that imports from France and China should become cumulated for purposes of the Commission's with the present material injury analysis?

MR. WAITE: Yes, we do. We will be addressing the cumulation issue in detail. On the four factors that are considered on fungibility, I think you already have a very good idea of our views on that GDL versus the other products. The same geographic markets, same channels of distribution, and simultaneously present in the market, the same geographic markets, but are they the same market? They're the same geographic areas, but if they're going to completely different segments of the industry, is that -- does that fall within the definition of same geographic markets?

The same with simultaneously present in all markets. If it's going to different markets, does that meet

that standard? And finding channels of distributions, if it's going to different completely different customers?

And again, you can look at the questionnaire responses of PMP and JBL. Again, the beauty of this case is you just put them next to each other and you can address a lot of the issues that all of you have queried about this morning. And you can see who JBL sells to, and in what quantities, and to whom PMP sells, any in what quantities.

And I might add as a side note, usually when I'm involved in these trade cases, and we come with clients often sales people or customers and appear before the staff or the Commission, it's like old home week when they see the domestic producers, the domestic industry.

I asked Mr. Rainville and Mr. Torres if they knew the two gentleman who had testified from PMP and they said they never met them.

So I think that's an indication that you've got two companies operating in different markets. PMP obviously operating in a market that's heavily, heavily infiltrated in into deep damage by the Chinese. And JBL operating essentially in a different market share. They may see PMP from time to time and even the Chinese, but it's almost incidental.

MR. HENDERSON: Thank you, Mr. Waite. Question, and I know in Mr. Rainville's opening testimony, there was a

lot of discussion about specifically with respect to GDL and the differences between that and what the, you know, the other products within the scope.

But you know I thought the percentage was roughly half or so of the imports from JBL to the United States were GDL. Is that more or less correct? I mean, I don't need specifics any way, but just --

MR. WAITE: Yes, that's correct.

MR. HENDERSON: So but the other imports, the other half more or less of the imports from JBL from France are these other three categories?

MR. WAITE: Yes, they would be.

MR. HENDERSON: Now --

MR. WAITE: It had weighted towards Sodium Gluconate.

MR. HENDERSON: Sodium Gluconate. Now we understand your arguments about the distinct different end uses, food products, et cetera for GDL. But of the Sodium Gluconate and the other two products, do those -- are the end uses and the same as for the GDL that comes in or are those related to construction and industrial and the other things that you were describing as being the end uses for petitioner's product?

MR. TORRES: And yes, Mr. Henderson. In many cases, the uses are similar. Nevertheless, the quantities

that we sell into the food industry are significant for us. Probably I want to say more than 20 percent at least of our Sodium Gluconate sales goes specifically into the food industry. And another market segment that I was hearing during this morning is de-icing industry. We do not participate in that business or not to my knowledge.

If some sales of Sodium Gluconate are made through one of our distribution channel into that industry into de-icing, I am not aware of. Those would be the two big differences that I see.

MR. HENDERSON: Okay. And again, this is something you can address in the post-conference brief, but as I say, when we're looking particularly for the cumulation analysis, we wouldn't -- mean, depending on obviously what the Commission does on domestic-like product, but if it's all one domestic-like product, then they would be considering, you know, the half that is GDL as well as the other half and there might be overlap. There could be overlap with one-half, but there isn't for the other half.

But anyway, I don't want to get into a legal discussion with you here about that. And I assume in the post-conference brief or at least I would request that you also address if you've got arguments about in addition to your arguments for present material injury, whether imports from Canada or from France and China should be cumulated for

purposes of the Commission's threat analysis?

MR. WAITE: We will address that as well, Mr. Henderson.

MR. HENDERSON: And one other question since I was asking petitioners this morning about some of the analysis in the petition where, you know, some of the analysis seemed to be based on products of all the domestic products within the scope and presumably within domestic-like product. And some of it related to specifically analysis of just the petitioner's performance with respect to Sodium Gluconate. And does JBL have any comments on that at this time or going to address that in the post-conference brief?

MR. WAITE: Other than we were initially confused when we were reading the petition as the term GNA Products with a capital P seemed to have a different meaning than GNA products with a lower case P. And it seemed to shift from one to the other, as it went through its analysis.

But I think it's very clear from the testimony this morning that Sodium Gluconate is the critical product within the family of three products that the petitioner makes, is the critical product for that company.

And in this regard, I would just invite you to look at their pricing data and compare the total sales

reported in their pricing data with their total sales period and see what percentage of their total sales of Gluconate products consisted of the two pricing products that they identified for the Commission to collect data.

MR. HENDERSON: And does JBL from its perspective agree with the statements from petitioner this morning that -- which I can characterize it correctly, but that the sort of the most important competition between subject imports and the domestic product in the U.S. market was in Sodium Gluconate specifically?

MR. WAITE: Again, it's Fred Waite, Mr. Henderson. I'm hesitating responding to that, just because of confidentiality issues. But again, if you look at the questionnaire responses of both petitioner and JBL, JBL France that is, I think -- I'm sorry, JBL, Inc., I think you would be able to answer that question and the answer will probably be the one that you expect from the way you phrased that question.

MR. HENDERSON: I'll have to go back and look what I asked. Thank you. I have no further questions at this time.

MS. HAINES: Ms. Cohen?

MS. COHEN: Good afternoon. Thank you for your testimony this afternoon. I'm going to ask a few of the same questions that I asked the petitioners this morning.

The first one is about demand. The testimony was that demand is -- has been increasing. Is that -- do you agree with that?

MR. TORRES: Thank you, Ms. Cohen. Good morning, it's Carlos Torres again. Afternoon, actually. We do not see any important growth dynamics in -- at least in the markets that we participate. If I had to ask -- if I had to answer by the product differentiated, probably I see more potential growth on the GDL side again, mostly because of new developments going around in the industry for new applications for differentiated application. I would see a higher dynamic in -- on the GDL side, rather than on the Sodium Gluconate side. All in all, we don't see too strong growing -- growth in these market.

MS. COHEN: So has GDL growth, has that been during the period of investigation or that's something you see for the future?

MR. TORRES: That's something we see for the future.

MS. COHEN: I also asked about the qualification process for your customers. Can you describe that, please?

MR. TORRES: Sure. I would say that a very quick qualification process may be completed within a quarter. That's -- that would be extremely quick, all the way to a couple of years. It really depends on what they

want to do with our materials.

If they are only interested in replacing one existing raw material by an equivalent one, it may be a fast evaluation process. And basically, most of our customers, what they do is they compare specifications on paper. They do recollect some additional data concerning our quality assurance practices, etcetera. And in some cases, they may even also evaluate samples of our materials sometimes at lab scale, just bench tests. Sometimes also at plant scale and that would be it.

If the customers are having in mind developing a new product, a new formula, a change in -- or a significant change in an existing formula, then the period extends and then many times, they require technical assistance, joint project investigation, joint tests. Sometimes we are required to conduct part of tests with them. In Germany, where we have our application technology center, so in those cases, the period may go long.

MS. COHEN: Do you have customers that are switching from Sodium Gluconate to GDL and does that have that?

MR. TORRES: No.

MS. COHEN: No. So those are entirely new applications?

MR. TORRES: I guess -- I said no because we do

not know of any of our customers are currently using Sodium Gluconate that may be able to switch to GDL just replacing one material by the other. So that's why I said no.

If there are customers with interested in developing new materials or new products, in my opinion, in all cases, we would very clearly know whether we can recommend the use of Sodium Gluconate or GDL, depending on the physical form of the end product, depending on the functionality that they are interested in getting from each material, I would say those, too, would be the differentiating factors.

MS. COHEN: On the Sodium Gluconate side, are you competing against the Chinese?

MR. TORRES: Well, yes, we do see them from time to time, but I believe the Chinese volumes are mostly sold in construction or perhaps also metal treatment. And we do not compete a lot in those segments, because we know that the price -- that the customers normally expect is very, very low. So it's -- those segments are not just naturally attractive to us.

We do have some sales in those segments. We do see Chinese competition. And as Mr. Rainville and Mr. Waite said, sometimes with ridiculously low prices. So we just don't follow.

MS. COHEN: I think you said 20 percent of your

Sodium Gluconate is going for food?

MR. TORRES: At least, yes.

MS. COHEN: This is approximate -- what are -- what is the other 80 percent going for?

MR. TORRES: We have sales in metal treatment, metal surface treatment. We have sales in construction. We have sales in cleaners and detergents as well. Yeah, that would be the core.

MS. COHEN: And those are all areas where the Chinese would sell as well?

MR. TORRES: Typically, yes.

MS. COHEN: Another question I asked this morning was about contract negotiations. Are your -- do you operate under a similar procedure with annual contracts?

MR. TORRES: Yes. It's a common practice. Not only for Gluconates, but in general for our raw materials. To enter into raw material negotiations, it's common. It's not 100 percent, I would say of our sales, but it's common.

MS. COHEN: And do you see that on the Chinese side as well? Do you know?

MR. TORRES: I -- I'm not sure how to respond to that question, because I haven't seen any contract sign with -- by any of our customers with a Chinese manufacturer. And I don't want to speculate. So the feedback that we get from our customers is that they do try to enter into such

negotiations, but I do not -- like I said, I haven't seen any evidence of that. So I wouldn't like to speculate.

MS. COHEN: Thank you.

I also asked this morning about the differences in the unit values for the imports from different sources. What's the reason for the difference in unit values? Is it the form of the product? Is it -- what's going on there?

MR. RAINVILLE: Good afternoon. It's Dan Rainville again. I would strongly encourage you to look at the numbers we used in our importer questionnaire. I have looked at the unit average values. I think our sales versus our imports are more an indication of the volumes that we have and the consistency of our volumes over the POI and the mill fluctuation that imports might show.

I think that's more timing of inventories, but especially on the valuation side. I would refer you to our importer questionnaire please.

MR. WAITE: Ms. Cohen, it's Fred Waite. This is pure hypothesis based on the data we've seen, because as was indicated by you and others earlier, including Petitioners, a number of the numbers, especially average unit values for the Chinese for some of these products seem to be aberrational to say the least.

What I would say is that for French imports, that is imports from France of glucanate products, JBL is

the sole importer. JBL, Inc. is the sole importer, and that's obviously going to be a sale from one sister company to another sister company, and then when it enters the market it's going to be JBL, Inc.'s price to its customers. Which may be very different from the data you're seeing on the Chinese, where the importer in fact may be the customer.

So the point of sale for the Chinese might be the importer bringing the product in, where the number that you see for AUVs may be closer to reality of what's going into the market, and certainly what you see for JBL. But again, the data seems to contradict that in some cases because for GDL, for example, the numbers for China just seem to be from a different universe.

I know there was speculation this morning there could be different products included in that tariff category that would artificially inflate those numbers. You do have pricing data on Chinese imports in the questionnaire responses, the number of imports. You had, I believe, eight importer questionnaire responses, seven of which were usable.

I would suggest you look at those numbers too to see how they would compare, just like we would intrigue to look at JBL's response to its importer's questionnaire, to see how its data on both quantity and -- total quantity, total value of imports and pricing data compares with what

you're seeing from the data from the otherwise wonderful data web source at the ITC website.

MS. COHEN: Sure. We will certainly be looking at that, since that data's confidential. It's the reason I was asking. We asked for pricing data on the two pricing products suggested by the Petitioner, which were the different-sized packaging. I assume there would be a price difference between the two packaging sizes just because of being in a larger packaging size. Do those different-sized packages, do they tend to go to different types of customers would you say, or would --

MR. TORRES: It's Carlos Torres again. We do have two basic types of packages for in the case of powders, which are small packs and typically 25 kilo packs, and also super-sacks or big bags typically containing 1,000 kilogram of materials. In the case of GDL and sodium glucanate, which are the biggest products that we sell in powder here in the USA, there are no significant differences in prices between these two packaging or presentations.

The choice of which package to source depends entirely on the customer. So in some cases the customers are equipped to handle big bags; in some cases they prefer to handle only small bags. It's entirely their choice.

MS. COHEN: Okay, thank you very much. That's all I have.

MS. HAINES: Mr. Boyland.

MR. BOYLAND: Good afternoon. Thank you for your testimony. Just a couple of questions. The Petitioner referred to its primary raw material as liquid corn syrup essentially. Is that the same in France? Is that the same primary input?

MR. TORRES: Yes. Yes, it is.

MR. BOYLAND: And with respect to the production process, they provided a description today about, you know, a 40-day campaign primary fermenter. Is that the same in France or is it a different layout in terms of the production process?

MR. TORRES: So this is probably a better question for our colleagues in manufacturing. I don't want to say something that is inaccurate. I can confirm that we use the same raw material, liquid corn syrup that also we manufacture. I can say that we have dedicated lines for the product made of glucanates, of -- and lactates.

But the details, concerning the details, how we run those lines, I would really not know. I think this is a question that our colleagues in manufacturing should respond.

MR. BOYLAND: I understand. It's more of a general question. I wouldn't expect a great deal of detail, but I would be curious if there was a significant difference

in terms of the scale or the way the plant was being run compared to the U.S.

MR. TORRES: We'll be pleased to address that.

MR. BOYLAND: And just with respect to the raw material, is that sourced in Europe or is that a --

MR. TORRES: Yes.

MR. BOYLAND: Okay, it's a commodity that's sourced in the European Union?

MR. WAITE: That is correct. Indeed, if you look at Exhibit 1 to the importer's questionnaire response, we actually include tables on costs of corn in Europe.

MR. BOYLAND: In Europe, okay great.

MR. WAITE: European-sourced, as well as sodium hydroxide or caustic acid, which Petitioners mentioned this morning is another key input into this product. So we've included that to show you what the European picture looked like in terms of those costs.

MR. BOYLAND: Yeah, and I guess where I was going with that is that, you know, in some cases we look at a cost that's really global, and this sounds like it probably might be influenced more by regional factors as opposed to global factors. Is that --

MR. TORRES: I would agree to that, and actually maybe it's worth it to add that we manufacture our own glucose syrup. So we start from the very corn. We

crush the corn. We extract the starch. We convert the starch into glucose, into liquid glucose and then we ferment. So we source our raw material right from -- right from corn.

MR. BOYLAND: Gotcha, okay. So as opposed to buying it for the process, you're actually starting with the corn?

MR. TORRES: It's European. It's European corn, so that we can control and we can trace back to the very non-GMO status of the very corn --, and we also control the stream, so -- and it's all I guess that European source.

MR. BOYLAND: Thank you. Those were all my questions.

MR. RAINVILLE: Could I comment further?

MR. BOYLAND: Yes sir, yes.

MR. RAINVILLE: Waite can stop me if he wants to be confidential on it. PMP I believe mentioned this morning that maximum production time would be about 320 days a year, which to me is about 80 percent, and in my testimony as is stated, it was all the runs consistently above 80 percent. So that alone as a non-production person tells me something is different in how it runs our production.

MR. BOYLAND: Yeah, that's a good point. I guess that's what I was going with. You know, to the extent there are differences in the production process itself, as

well as other factors. I think those would be useful to understand.

MR. WAITE: Again, it's Fred Waite Mr. Boyland. We will address those, but generally speaking we have production flow charts from JBL SA, and I can tell you from reviewing those flow charts the production process is quite dissimilar from the sequence of --

MR. BOYLAND: Dissimilar? Dis --

MR. WAITE: Dissimilar.

MR. BOYLAND: Okay.

MR. WAITE: From the sequence of the production process of PMP. It doesn't mean one's superior, one's inferior. It's just a different process that's used, and you can see why, for example, GDL is a very important product for Jungbunzlauer when you see that production process.

MR. BOYLAND: Thank you.

MS. HAINES: Ms. DeCarlo?

MS. DECARLO: Hi, good afternoon. Thank you for coming. So I was going to ask about the production process, so any insight that you can give a flow chart would be really nice. During your statement, you mentioned that gluconic acid is a byproduct in your production. Can you clarify? I was trying to take notes while you were -- so that's not -- is GDL basically your angle and gluconic acid

sales are just kind of happenstance? Can you just clarify what you mean by byproduct?

MR. TORRES: Thank you, Ms. DeCarlo. It's Carlos Torres again. I think what I can say, without going into the confidential zone, is that indeed for us gluconic acid is a byproduct because the direct product from fermentation that we obtain is sodium glucanate, and then we proceed from sodium glucanate into GDL and gluconic acid. So that is an essential difference to what I heard this morning.

MS. DECARLO: Okay.

MR. TORRES: I hope I have responded good enough.

MS. DECARLO: Yeah, no. And like I said, a flow chart would be very much appreciated, just to understand the difference.

MR. TORRES: Yes. We will provide a flow chart.

MS. DECARLO: Okay, thank you. Is JBL aware of any other producers of gluconic acid other than Roquette in Italy and PMP, other than the Chinese producers, anywhere else or --

MR. TORRES: No, not to our knowledge.

MS. DECARLO: Okay. So earlier I asked my understanding is that GDL is in equilibrium with gluconic

acid in water. So if you do make sales of gluconic acid, are there lactants -- present in gluconic acid in your understanding, or somebody else who could answer that question?

MR. TORRES: Sure, absolutely. I would say yes, as long as the concentration remains below 50 percent. Above 50, if you go above 50 percent, then the solution becomes unstable and then the equilibrium is shifted onto the GDL side.

You can start to see recrystallization of the GDL part. I would say that's another reason why if I was a customer, perhaps I would choose to buy GDL, because if I buy GDL in powder I can get 99 percent gluconic acid. If I buy gluconic acid, all I can get is 50 percent solution.

MS. DECARLO: Okay. So in your opinion then it's a purity-driven factor, that GDL is obviously more pure than the gluconic acid, or is it -- yes? No?

MR. TORRES: No, not really. So you can have extremely pure GDL and you can also have extremely pure gluconic acid.

MS. DECARLO: Okay.

MR. TORRES: So purity in my opinion would not be a driving factor. It would rather be about physical form and functionality.

MS. DECARLO: Okay, and then are you aware of

any of your customers who purchase GDL and then I don't know, but would they go back to gluconic acid in the United States if they bought the powder form and then, for whatever reason, convert it back to gluconic acid for -- and then label it as gluconic acid in their labeling?

MR. TORRES: Okay. Not for resale.

MS. DECARLO: Okay.

MR. TORRES: In some cases, if a customer is -- it's a -- company or they make sales, salad dressings, for instance, well they have to dissolve GDL and they will convert it to gluconic acid, but that would be part of their process.

MS. DECARLO: Okay, and there isn't -- I'm sorry. MR. TORRES: That's a fair remark. In these cases, they would do that for functionality, because like I explained before, the drop in pH progresses slowly, and it can be controlled by manipulating temperature.

MS. DECARLO: Okay. So you explained that GDL is different in the food industry compared to other organic assets due to the gentle acidification. Is that due to the fact that there is an equilibrium between the gluconic acid and GDL? Like do you know chemically what makes it different than citric acid and stuff like that?

MR. TORRES: Sure. So when you compare GDL to other or to many other organic acids commonly used in the

industry, such as citric acid or lactic acid or tertaric, fumaric, etcetera, you have two essential differences. One is about the size of the molecule. The molecular size is typically bigger than GDL, and the other difference -- Well, first of all because of that, commonly citric acid, malic acid, fumaric acid -- probably fumaric acid is not a good example -- but citric acid or malic acid, which are commonly used, they will dissolve and they will also hydrolyze immediately, dropping the pH also instantaneously. In the case of GDL, you have a bigger molecule. You have a six-carbon molecule with five hydroxyl groups and two carboxylic groups, and in dry form it acquires the form of a lactone. So it's a lactone ring.

That lactone ring is extremely stable. When you put it in water, it will dissolve, but it takes time before that lactone ring can be broken. This is why the acidification process goes on slowly.

MS. DECARLO: Okay, great. I think that's all my questions for today. Thank you.

MS. HAINES: Mr. Henderson.

MR. HENDERSON: Hi. I wanted to get back to our cumulation discussion, and I know you will present your arguments in the post-conference brief about, for example about fungibility and differences between imports from France, imports from China and the domestic like product.

But I wanted to follow up specifically with respect to just GDL and the imports from France, and we've heard this morning there are some imports of GDL from China, and we know there are non-subject imports from Italy.

I just wanted to know information about whether they're from -- from JBL's perspective, whether there are quality differences or differences between the imports of GDL from these difference sources. Thank you.

MR. TORRES: The only evidence of a difference that I have seen in terms of quality comes on the GDL side again, and the last one that I saw was probably I won't say eight years ago. So maybe I should need, you know, I need to look at a newer one. But that one that I saw revealed yellowish color in GDL and sometimes quite significant yellow color in GDL coming from China.

When we would dissolve GDL and filter it through a filter paper, we would find traces of impurities on the filter paper, which we don't see in our material. That would be the only significant difference that I recall.

MR. HENDERSON: Thank you, and if there's anything more in response to this question, you can address that in your post-conference brief. That's all I have.

MS. HAINES: I think that's all the staff questions. So thank you very much for traveling all the way here to give us your testimony. We appreciate it, thanks.

So Mr. Secretary, do you announce the closing statements.

MR. BURCH: The rebuttal and closing remarks on behalf of the Petitioners will be given by David M. Spooner of Barnes and Thornburg.

You have 10 minutes.

CLOSING STATEMENT OF DAVID SPOONER

MR. SPOONER: First of all, thank you again to each of you for taking time on December 21st for doing this. I know -- again I know how incredibly busy the Commission is and how it's even more difficult at this time of year, so thank you.

I'm David Spooner, counsel -- attorney at Barnes and Thornburg and counsel for Petitioner, PMP. I'll just make a few remarks in closing -- about half of which to be frank will be in rebuttal to Respondent JBL's affirmative case.

But to start -- and at the risk of being didactic, the Chinese industry is not here today and has not bothered to participate in the Commission's proceedings. Frankly this is one thing we agree on.

JBL, I believe, in its opening statement this morning referred to the predatory pricing of Chinese exports. We agree and the Commission should not -- of course must not make any favorable inferences with respect to China.

Subject imports from China and France have caused material injury to PMP. This is evident. We hope it's amply evident. And PMP's rapidly squeezed margins, its reduced operating income and a long list of lost sales.

But with respect to France -- it is important to remember that the French Respondent JBL exports both GNA and GDL to the United States. At the risk of being a bit undiplomatic about it JBL would like the Commission to believe that JBL only exports GDL -- John, frankly I agree with -- the acronyms could be a mouthful, but nonetheless JBL does not only export GDL to the United States.

In examination cumulation the Commission of course, looks at core factors -- not of which are dispositive. And with respect to these factors -- first, there's no dispute as to whether imports from China and France are simultaneously present in the market.

Second, there's no dispute that exports -- that exporters from China and France as well as PMP offer to sell in the same geographic markets. There's also no dispute that imports from China and France and PMP share similar channels of distribution, also to distributors and directly to end users -- the same end users.

JBL conveyed this afternoon that JBL in addition to the food sector sells to cleanser manufacturers and the metal cleaners. PMP sells to the same three sectors --

sells gluconic acid and GNA and other GNA products to cleanser manufacturers, to metal cleaners and to food producers.

Finally fungibility -- and I hope I'm being fair to JBL but -- and we'll have to learn more in the post-hearing -- I'm sorry, post-conference Briefs of course. But JBL's decumulation argument almost surely hinges on convincing the Commission that the Commission should decumulate based on one of the four factor's fungibility.

Despite JDL's indication this morning that it will pursue decumulation, there can be no claim. I don't think there has been any claim that French exports of GNA and GDL are in any way different than Chinese exports of GNA and GDL.

Remember, China exports GDL as well as France and GNA -- just like JBL. Meanwhile, and this gets a little confusing but it goes to our slide number 3 that showed the interchangeability of all of the products -- there can be little dispute that GDL is not highly fungible with gluconic acid which PMP produces in spades.

Again, as we explained this morning gluconic acid is simply GDL plus water. And frankly I'd have to think -- well we'll jump to the next factor.

Also, JBL has also indicated that it may make a separate like product argument with respect to GDL. We

would vigorously dispute the notion that GDL is a separate like product. There are no clear dividing lines between GDL and other GNA products -- particularly gluconic acid.

For goodness sakes again gluconic acid is simply GDL plus water and PMP commonly sells gluconic acid to customers who inquire about GLD. Indeed we could have provided other examples but part of our show and tell, again this morning, were two bottles of ranch dressing -- one which contained gluconic acid and one with GDL.

And frankly -- and we hope it's evident from our repeated assertions that gluconic acid is merely GDL plus water. Excluding finding that GDL was a separate like product would invite circumvention to be frank and it would be a gift to the Chinese who export GDL as well.

Again, all they would have to do to avoid any remedy would be to export GDL and add water upon entry into the United States.

To close Commission staff I can't stress enough again the Chinese are not here today and the Commission should not make any favorable assumptions with respect to Chinese after their complete lack of participation.

That would include a separate like product finding on GDL which the Chinese export. I hope it's amply evident from the long list of lost sales that PMP has provided today from the decades of industry experience from

both Randy and Jim and from the significant deterioration of PMP's balance sheet, particularly towards the latter half of the POI that imports of GNA products from both France and China have materially injured PMP and/or threatened PMP with material -- I'm sorry, threatened PMP with material injury.

And I would probably end by pointing the Commission again to the addendum to PMP's producer's questionnaire in which PMP calculated very carefully the lost days of production from all of those lost sales and I would encourage the Commission to perhaps unnecessarily encourage the Commission to include that addendum in its analysis and actually tack it on as an appendix to the staff report.

But with that I would close and thank you again for your time.

MS. HAINES: Thank you very much.

MR. BURCH: Rebuttal and closing remarks on behalf of the Respondents will be given by Frederick B. Waite of Vorys, Sater, Seymour and Pease, you'll have 10 minutes.

CLOSING STATEMENT OF FREDERICK P. WAITE

MR. WAITE: Thank you very much. I will be mercifully brief. As you've heard today and as you've seen in the responses to the questionnaire from JBL -- thank you Tyrell, there's only one producer/exporter in France of the

subject merchandise with one affiliated importer in the United States.

These two companies control the total volume of subject merchandise being imported and sold in the U.S. market from France. JBLA, the French producer is an established long-time reliable supplier of gluconates.

The vast majority of JBL's production is devoted to its home market -- the European Union with additional markets in the Middle East, Asia and also in the United States. JBL's capacity has been stable throughout the period of investigation.

And as Mr. Rainville testified, there are no plans to increase that capacity. Your capacity utilization rate is very high and it has been that way throughout the period of investigation.

As I mentioned JBL, Inc. is the sole supplier of gluconates imported from France. JBL, Inc. markets these products with a significant focus on food grade and higher quality products for their customers. In particular, nearly half of their sales are product GDL -- a product that is used nearly exclusively for food applications.

Petitioner does not even produce this product. As we saw in the Petition, PMP is largely focused on its most significant product -- sodium gluconate. The primary use of this product is for industrial applications where the

Chinese also appear to be heavily concentrated.

In that regard JBL does export both GDL and sodium gluconate from France to the United States but GDL does not compete with the U.S. industry and sodium gluconates sold by JBL are concentrated in the food sector and I would again urge you to review the confidential pricing data and comparison of the pricing of the sodium gluconate products that Petitioner selected for survey in the questionnaires and compare JBL's prices throughout the POI with those at PMP.

I suppose I'm just beating a dead horse by saying we will address in our confidential post-conference Brief, many of the issues that were raised today in the conference, particularly by Mr. Henderson and Mr. Boyland.

Separate like products, status for GDL, accumulation issue with which we disagree with Petitioners, the difference between the French and the Chinese products and sales practices as well as with the United States and the threat issues that we were asked to comment on. We would again, particularly draw the Commission's attention to the pricing data and the volume data in the questionnaire responses which is the best information that the Commission has on both the U.S. and the French industries and we would endorse Petitioners entreaty's to you to apply facts available via adverse facts available to the Chinese for

ignoring this process and not participating at all -- not even submitting a questionnaire response. Thank you very much.

MS. HAINES: Thank you. On behalf of the Commission and staff I would like to thank the witnesses who came here today as well as counsel for helping us gain a better understanding of the product and the conditions of competition in the sodium gluconate, gluconic acid and derivative products industry.

Before concluding please let me mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of post-conference Briefs is Wednesday, December 27th.

If briefs contain business proprietary information, a public version is due on Thursday, December 28th. The Commission has tentatively scheduled its vote on these investigations for Friday, January 12th and it will report its determinations to the Secretary of the Department of Commerce on Tuesday, January 16th.

Commissioner's opinions will be issued on Tuesday, January 23rd. Thank you all for coming, the conference is adjourned.

(Whereupon the meeting was adourned at 1:22 p.m.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Sodium Gluconate, Gluconic Acid, and Derivative Products from China and France

INVESTIGATION NOS.: 701-TA-590 and 731-TA-1397-1398

HEARING DATE: 12-21-17

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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: 12-21-17

SIGNED: Mark A. Jagan

Signature of the Contractor or the Authorized Contractor's Representative

I hereby certify that I am not the Court Reporter and that I have proofread the above-referenced transcript of the proceedings 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 proceedings.

SIGNED: Duane Rice
Proofreader

I hereby certify that I reported the above-referenced proceedings 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 proceedings.

SIGNED: Gaynell Catherine
Court Reporter