

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of: ) Investigation Nos.:  
REFILLABLE STAINLESS STEEL KEGS FROM ) 701-TA-610 AND 731-TA-1425-1427  
CHINA, GERMANY, AND MEXICO ) (PRELIMINARY)

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Place: Washington, D.C.  
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UNITED STATES OF AMERICA  
BEFORE THE  
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF: ) Investigation Nos.:  
REFILLABLE STAINLESS STEEL KEGS FROM ) 701-TA-610 AND  
CHINA, GERMANY, AND MEXICO ) 731-TA-1425-1427  
) (PRELIMINARY)

Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC  
Thursday, October 11, 2018

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

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Staff:

4 William R. Bishop, Supervisory Hearings and  
5 Information Officer

6 Sharon Bellamy, Records Management Specialist

7 Tyrell T. Burch, Program Support Specialist

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9 Douglas Corkran, Supervisory Investigator

10 Celia Feldpausch, Investigator

11 Allison Thompson, International Trade Analyst

12 Karl Tsuji, International Trade Analyst

13 Jonathan Ruder, Economist

14 David Boyland, Accountant/Auditor

15 Michael Haldenstein, Attorney/Advisor

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1 Opening Remarks:

2 In Support of Imposition (Andrew W. Kentz, Picard Kentz &  
3 Rowe, LLP)

4 In Opposition to Imposition (Craig A. Lewis, Hogan Lovells,  
5 LLP)

6

7 In Support of the Imposition of Antidumping and

8 Countervailing Duty Orders:

9 Picard Kentz & Rowe, LLP

10 Washington, DC

11 on behalf of

12 American Keg Company, LLC

13 Paul Czachor, Chief Executive Officer, American Keg  
14 Company, LLC

15 Steve Rubeo, Controller, American Keg Company

16 Scott Bentley, Owner, American Keg Company

17 Kathreen Mangaluz, Trade Analyst, Picard Kentz & Rowe,  
18 LLP

19 Andrew W. Kentz, Nathan M. Rickard and Whitney M. Rolig

20 - Of Counsel

21

22

23

24

25

1 In Opposition to the Imposition of Antidumping and  
2 Countervailing Duty Orders:

3 Hogan Lovells US LLP

4 Washington, DC

5 on behalf of

6 Thielmann Mexico S.A. de C.V.

7 Thielmann US LLC

8 (collectively "Thielmann")

9 Alejandro Galvez, Chief Commercial Officer, Thielmann

10 AG

11 William Stacy, Managing Director, Thielmann

12 Craig A. Lewis, Jonathan T. Stoel and Michael G.

13 Jacobson - Of Counsel

14

15 Pepper Hamilton LLP

16 Washington, DC

17 on behalf of

18 Blefa GmbH

19 Blefa Kegs, Inc.

20 (collectively "Blefa")

21 Justin Willenbrink, Sales Director, North America Blefa

22 Kegs, Inc.

23 Gregory C. Dorris - Of Counsel

24

25

1 Rebuttal/Closing Remarks:

2 In Support of Imposition (Nathan M. Rickard, Picard Kentz &  
3 Rowe, LLP)

4 In Opposition to Imposition (Craig A. Lewis, Hogan Lovells,  
5 LLP)

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## 1 P R O C E E D I N G S

2 9:30 a.m.

3 MR. BURCH: Will the room please come to order?

4 MR. CORKRAN: Good morning and welcome to the  
5 United States International Trade Commission's conference in  
6 connection with the preliminary phase of the antidumping and  
7 countervailing duty investigation numbers 701-TA-610 and  
8 731-TA-1425 - 1427 concerning Refillable Stainless Steel  
9 Kegs from China, Germany and Mexico.

10 My name is Douglas Corkran. I am the Supervisory  
11 Investigator on these investigations and I will preside at  
12 this conference. Among those present from the Commission  
13 Staff are to my far right Celia Feldpausch who may be able  
14 to join us later; Michael Haldenstein the Attorney Advisor;  
15 Jonathan Ruder the Economist; David Boyland the Accountant;  
16 Karl Tsuji the Industry Analyst and Alison Thompson our  
17 second Industry Analyst on this case.

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

1 court reporter. All witnesses must be sworn in before  
2 presenting testimony.

3 Are there any questions? Alright, Mr. Secretary,  
4 are there any preliminary matters?

5 MR. BURCH: Mr. Chairman, I would like to note  
6 that all witnesses for have been sworn in and there are no  
7 other preliminary matters.

8 MR. CORKRAN: Very well, let us begin with  
9 opening remarks.

10 MR. BURCH: Opening remarks on behalf of those in  
11 support of imposition will be given by Andrew W. Kentz of  
12 Picard, Kentz and Rowe. Mr. Kentz, you have five minutes.

13 OPENING STATEMENT OF ANDREW W. KENTZ

14 MR. KENTZ: Thank you, good morning. My name is  
15 Andrew Kentz partner at Picard, Kentz and Rowe LLP and  
16 counsel to the American Keg Company. I am joined this  
17 morning by other members of our team from Picard, Kentz and  
18 Rowe and most importantly by representatives from American  
19 Keg.

20 We're here this morning because the domestic keg  
21 industry is at a crossroads. Since its founding, American  
22 Keg has been the only keg producer in the United States. In  
23 fact, American Keg assumed the assets of the previously sold  
24 domestic keg producer which in turn entered the market after  
25 the prior sole Domestic Producer was purchased and closed by

1       Blefa, a German keg producer.

2                 In short, because of the unfair trade practices  
3       of Foreign Producers from China, Mexico and Germany and  
4       without the trade relief afforded by our antidumping and  
5       countervailing duty laws, purchasers will have no options to  
6       purchase American produced, refillable, stainless steel kegs  
7       and instead will be completely reliant on foreign sources of  
8       supply.

9                 The Domestic Industry has operated on the  
10       well-founded belief that there is opportunity in the U.S.  
11       keg market. The trends are clear, with the explosive growth  
12       of small craft brewers throughout the country, businesses  
13       who know that customers value American products and want to  
14       support American businesses, there should have been a robust  
15       market for domestically produced, refillable stainless steel  
16       kegs.       American Keg was well-positioned to take  
17       advantage of this prospect. They had acquired the existing  
18       capital assets of an established keg producer, they had  
19       fresh capital investments to further improve their  
20       efficiency and capacity, they had a strong customer base,  
21       they had a skilled workforce and they understood their  
22       market.

23                 What they did not anticipate was the onslaught of  
24       low-priced, unfairly traded imports. As you will hear  
25       directly from company officials, the company is on the verge

1 of shuttering its operations as it fights to make sales and  
2 retain customers at prices that have been depressed below  
3 sustainable levels by dumped and subsidized keg imports.

4 American Keg's inventories are rising, employment  
5 declining and capital investments are being delayed until  
6 relief from these unfairly traded imports is put into place.  
7 American Keg's business plan anticipated growth in  
8 investment, employment, sales and production. This  
9 carefully constructed, long-term plan has been turned on its  
10 head by these unfairly traded imports.

11 American Keg is a small company and they  
12 understand that competition from imports is a reality of the  
13 market, but American Keg is fully capable of meeting those  
14 challenges if they are given the level playing field  
15 afforded to them by the anti-dumping and countervailing duty  
16 laws. Unfortunately the environment they face today is one  
17 of deeply unfair competition.

18 We are asking the Commission to give American Keg  
19 the opportunity to compete against fair trade. This  
20 administration has made it a priority to ensure that the  
21 fair trade laws work for smaller U.S. Industries. If ever  
22 there was a case for where the laws need to work as enacted  
23 by Congress to defend a small industry, in this case a  
24 single company against injurious unfairly-traded imports and  
25 allow that company to maintain and grow good, well-paying

1 manufacturing jobs, this is it.

2 To be clear, American Keg is literally in an  
3 existential battle with unfairly-traded imports. As you  
4 will hear today, both the experience of this company and the  
5 data before the Commission more than justify an affirmative  
6 preliminary finding. Thank you.

7 MR. CORKRAN: Thank you.

8 OPENING STATEMTN OF CRAIG A. LEWIS

9 MR. BURCH: Opening remarks on behalf of those in  
10 opposition to imposition will be given by Craig A. Lewis of  
11 Hogan Lovells. Mr. Lewis, you have five minutes.

12 MR. LEWIS: Good morning Commission Staff, Mr.  
13 Corkran. My name is Craig Lewis and I'm a partner at Hogan  
14 Lovells. I represent the Mexican producer Thielmann Mexico  
15 but I speak this morning on behalf of all the parties who  
16 have appeared in opposition to the Petition.

17 The standard for a negative determination at the  
18 preliminary phase of an antidumping investigation is fairly  
19 high. We recognize it is not common for the Commission to  
20 go negative at this stage, however this is not a common  
21 case. This is an unusual case and one in which we believe  
22 the record compels the Commission to render a negative  
23 determination at this preliminary stage and spare the  
24 parties the burden of an expensive and frivolous  
25 investigation.

1           American Keg is a very small startup company that  
2           only began its stainless keg business in 2015. From  
3           published sources we understand it employs barely 20 people  
4           and has a production capability that even at its absolutely  
5           full reported capacity is incapable of supplying more than a  
6           minuscule fraction of total U.S. demand.

7           That demand has to be satisfied from somewhere  
8           today and will have to be met from somewhere after this case  
9           is over. Indeed, based on its website and press reports,  
10          American Keg is itself a significant importer of subject  
11          kegs, a circumstance that seriously calls into question  
12          their status under the statute as a Domestic Producer.

13          According to its own public statements American  
14          Keg has run into financial difficulties. However, as we  
15          will explain in great detail this afternoon the Commission  
16          does not need to look far to identify the source of this  
17          problem and it's not Subject Imports.

18          American Keg has repeatedly, consistently and  
19          very publically asserted that its problems arose when the  
20          U.S. Government began imposing 25% tariffs on its principal  
21          raw material stainless steel leading to a significant  
22          increase in the price of those materials and loss of  
23          competitiveness.

24          Other market factors you will hear about later  
25          today further support a negative determination. First,

1 Subject Imports and American Keg for the most part compete  
2 in completely different segments of the market. American  
3 Keg publically acknowledges that it is focused exclusively  
4 in the craft brewery segment of the market.

5 Subject Imports in contrast are predominantly  
6 focused on the separate market for large volume customers.  
7 This is a high volume market comprised of a relatively  
8 select group of large brewers as well as certain large keg  
9 rental and leasing companies who likewise buy in volume.  
10 American Keg is incapable of competing in this market  
11 segment. They don't claim otherwise.

12 In a news article attached to the Petition, one  
13 of American Keg's owners candidly admitted that American Keg  
14 "doesn't make enough kegs to supply large brewers like  
15 Anheiser Busch and Miller or even large craft brewers like  
16 Yeungling and Sam Adams."

17 Second, this is not by any stretch of the  
18 imagination a volume case in which the U.S. Industry has  
19 suffered declines in production, shipments and market share.  
20 While the precise figures are unfortunately confidential I  
21 can confirm publically that all of the relative domestic  
22 industry volume indicia demonstrate strongly positive trends  
23 during the investigation period.

24 Third, there is no evidence of price depression  
25 or suppression on the record of this case. To begin with,

1       Petitioner is wrong to suggest that stainless kegs are a  
2       commodity that competes solely on the basis of price. We  
3       hear this claim in every antidumping case however as our  
4       witnesses will tell you, non-price factors are critically  
5       importance to purchase decisions in this industry.

6               Such factors include the quality in the  
7       configuration of the kegs such as those in front of you,  
8       brand recognition, reliability of supply and lead times.  
9       Indeed, American Keg's heavy promotion of its "Made in USA"  
10      status and the price premiums they apparently obtain for  
11      their U.S. origin products demonstrates the importance of  
12      non-price factors such as branding in this market.

13             Further, while American Keg claims in the  
14      Petition that there was a steady downward trend in pricing,  
15      we don't see it in the questionnaire data collected by the  
16      Commission. As I've noted, the most profound factor  
17      influencing the pricing of stainless kegs is the market  
18      price of stainless steel. Stainless steel costs have  
19      driven keg prices both up and down over the investigation  
20      period.

21             Moreover to the extent there are negative pricing  
22      pressures in the craft brewery sector in which American Keg  
23      competes, those pressures are coming principally from the  
24      existing alternatives to purchasing new stainless kegs such  
25      as cheaper, single use plastic kegs, and alternatives of



1 leasing used kegs rather than tying up capital buying new  
2 ones.

3 Eventually when the damaging tariffs on stainless  
4 steel are lifted, American keg will undoubtedly continue to  
5 face the challenge of remaining competitive in a market  
6 where its scale of production is completely out of  
7 proportion to the industry. These are problems inherent to  
8 the small startup company seeking a niche position in an  
9 established industry.

10 These challenges existed from American Keg's  
11 establishment three years ago and have been temporarily set  
12 back by an unexpected dramatic rise in the material costs  
13 that have damaged financial results. However, they are not  
14 problems that stem from import competition.

15 MR. CORKRAN: Mr. Lewis, can I ask you to  
16 summarize, please?

17 MR. LEWIS: Yes, I'm finished.

18 MR. CORKRAN: Okay, thank you.

19 MR. BURCH: Would the Panel in support of the  
20 imposition of antidumping and countervailing duty orders  
21 please come forward and be seated. Mr. Chairman, I would  
22 like to note this Panel has 60 minutes for their direct  
23 testimony.

24 STATEMENT OF WHITNEY M. ROLIG

25 MS. ROLIG: Good morning. My name is Whitney

1 Rolig, Counsel for the American Keg Company. I want to  
2 start off by thanking the Commission Staff for their  
3 extensive work in the preliminary phase of this case and the  
4 assistance you've offered in compiling the data thus far.

5 Because American Keg is the sole U.S. Producer  
6 and Petitioner in this case, we are limited in what we can  
7 publicly discuss with respect to the financial and  
8 quantitative evidence that demonstrates the severe injury  
9 caused by Subject Imports. Nevertheless, the witnesses from  
10 American Keg that you'll hear from today will review in  
11 detail their efforts to maintain their operations in the  
12 face of devastating price competition from abroad and why  
13 those operations will seize absent trade relief.

14 To set the stage for that, my presentation this  
15 morning will walk the Commission Staff through the product  
16 itself and the manufacturing process followed by a brief  
17 overview of the market opportunities that should have been  
18 available to American Keg. As will become clear, U.S.  
19 produced stainless steel kegs are for all intents or  
20 purposes equal or superior to subject kegs.

21 The production processes that American Keg uses  
22 are comparable to Foreign Producers'. The distinguishing  
23 factor, the factor that American Keg cannot overcome no  
24 matter how much it invests in capital improvements and no  
25 matter how much it markets its kegs, is price.

1           American Keg simply cannot continue as a business  
2           as long as the playing field remains uneven as a result of  
3           unfair trade. My first slide today shows a standard  
4           half-barrel Sankey Keg with the neck, valve, chimes and  
5           body. You can also see the handles in the upper chime and  
6           roller rings protruding from the sides, both of which allow  
7           the keg to be moved more easily.

8           Sankey kegs, which have a single dispensing point  
9           through the neck became the global standard after their  
10          introduction in the 1960's replacing the old style of keg  
11          that required the use of two holes for dispensing and  
12          cleaning. My next slide shows the inside of a Sankey keg  
13          with a spear inserted.

14          The spear dispenses liquid by injecting dispense  
15          gas which displaces the liquid through the sphere. In the  
16          United States, a "D" spear is the overwhelming standard for  
17          use in kegs. These can be attached to the keg while  
18          threading the valve into the neck or by dropping it in as  
19          you see in the picture on the right. D spears, or D systems  
20          require D system couplers, otherwise known as a keg tap.

21          Some foreign brewers may ship their beers with  
22          kegs with other types of spears which in turn will require a  
23          different type of tap, but the vast majority of keg  
24          purchasers in the United States are using kegs with a D  
25          spear. The production process for these kegs is relatively

1 straightforward. As the next slide shows, a  
2 producer uses stainless steel to create two body halves and  
3 two chimes. These are all welded together and the neck is  
4 welded to the opening. The next few slides show this in  
5 action.

6 First, we have the stainless steel in coils.  
7 Next, you can see that these are cut into discs which are  
8 drawn or punched to form the body halves and as the next  
9 slide shows the stainless steel is also cut into strips  
10 which reforms to make the chimes.

11 Once all those pieces are welded together you  
12 have the finished product which can also include embossing  
13 which you see on the upper chimes of these kegs and silk  
14 screening which is the branding you see on the body.

15 There are other types of kegs on the market of  
16 course. These include corny kegs which are used to hold  
17 soda and are now used by homebrewers and single-use plastic  
18 kegs which you can see in this next slide. These single-use  
19 kegs are not covered by this investigation and are not a  
20 real substitute for the subject merchandise. They are  
21 lighter and less durable which contrast to subject kegs  
22 which can last for ten to thirty years.

23 Single-use kegs are also not designed or intended  
24 to withstand the cleaning process used for subject kegs and  
25 they are not always compatible with the valve and coupling

1 systems the stainless steel kegs use. Finally, single-use  
2 kegs can alter the flavor or otherwise degrade the quality  
3 of their contents over their storage period.

4 Turning to the market for stainless steel kegs,  
5 the trends are pronounced. As should be no surprise, demand  
6 for stainless steel kegs is largely tied to the demand for  
7 beer. As my next slide shows, that demand has been fairly  
8 flat overall. However, as seen on the next slide there has  
9 been a sharp increase in craft beer sales over the last  
10 decade and craft beer now represents a significant portion  
11 of the market.

12 This is reflected in a number of craft brewers  
13 entering the market, which has skyrocketed since 2015 with  
14 an increase of nearly 38 percent from 4,544 breweries in  
15 2015 to 6,266 breweries in 2017 and this demand does not  
16 even tell the full story. There are cideries, coffee shops  
17 and wine makers that increasingly rely on kegs.

18 As you'll hear from our witnesses today, this is  
19 the increasing demand that American Keg hoped to supply and  
20 this is the growth opportunity that American Keg hoped to  
21 realize with its investments. Those investments have  
22 included putting substantial capital into optimizing its  
23 production processes and it stands to undertake further  
24 capital improvements to scale up those operations.

25 The company is well-positioned to win back and

1 grow its customer base but it cannot pursue those  
2 opportunities or continue to operate at all with the  
3 downward price pressure that unfairly traded imports create.  
4 As officials from American Keg will describe in detail the  
5 story from would be customers is often the same, that  
6 despite their interest in buying good, quality American  
7 made kegs the price gap between American Keg products and  
8 cheaper imports is too wide to overcome.

9 I'll address one last point before turning it  
10 over to American Keg and that is regarding the effect of 232  
11 and 301 tariffs. As is clear from the manufacturing process  
12 I've described stainless steel is the primary input for kegs  
13 and accounts for the bulk of the value of a keg.

14 Without getting into American Keg's proprietary  
15 data, I will note that steel prices have been volatile since  
16 before the 232 tariffs took effect but that upward pressure  
17 on steel prices is apparent in the relationship between raw  
18 material costs and sales values between last year and the  
19 first half of this year.

20 The upshot however is that American Keg is now  
21 caught in a classic cost-price squeeze. They are unable to  
22 pass rising steel costs to their customers because Subject  
23 Imports continue to enter at even lower prices. While there  
24 may be some small measure of relief from the cost affects of  
25 Chinese Imports because of the 301 tariffs that have been

1 announced that relief pales in comparison to the level of  
2 dumping and subsidization that we have alleged.

3 The story before the Commission is an all too  
4 common one. An American company saw an opportunity in the  
5 market to produce a good quality product and generate good  
6 jobs and now sees that opportunity evaporating with the  
7 crush of unfairly traded imports.

8 As my colleague said earlier, American Keg is the  
9 only and last American Producer of stainless steel kegs and  
10 the U.S. Industry will not survive without a fair playing  
11 field. We ask that the Commission make an affirmative  
12 preliminary finding and I will now turn things over to the  
13 owner of American Keg, Mr. Scott Bentley. Thank you.

14 STATEMENT OF SCOTT BENTLEY

15 MR. BENTLEY: Good morning. My name is Scott  
16 Bentley and I'm here to address the Commission staff with  
17 respect to the partitions filed by American Keg Company, a  
18 business that I bought, because of my belief in American  
19 manufacturing and to save the jobs of smart, hard-working  
20 Americans in Pottstown. These folks have spent several  
21 years devoted to reestablishing the keg business in the  
22 U.S.

23 Over the course of my professional life, I have  
24 had the great fortune of working with several close friends-  
25 -and my brothers--to start successful businesses. In the

1 mid-1980s, I was the second employee of Bentley Systems,  
2 Incorporated, a company that now has more than 3,300  
3 employees and hundreds of millions of dollars in annual  
4 revenue.

5 By the way, we started as a niche business and we  
6 built a brand. I left Bentley Systems in 1999 to start  
7 VideoRay, a business that has moved several times as it  
8 grew. It is now headquartered in Pottstown, just down the  
9 road from American Keg.

10 Today VideoRay is the largest volume producer of  
11 Underwater Remotely Operated Vehicles in the world,  
12 employing approximately 45 people. It started as a niche  
13 business. I built the brand. These successes have allowed  
14 me to give back to my community in a number of ways.

15 I have been involved in Big Brothers/Big Sisters  
16 since 1981, and I am now on the Board of Directors of Big  
17 Brothers/Big Sisters Independence Region, including several  
18 counties in Pennsylvania and New Jersey. I am the Vice  
19 President of the Board of Directors of our local theater  
20 company, and a volunteer in the local tourist railroad, and  
21 a major contributor to many charities of both my money and  
22 my time.

23 In 2006, as craft breweries blossomed across the  
24 country, I had the opportunity to purchase what is now  
25 American Keg Company. In buying the company, I acted on



1        what I considered a great opportunity based on my years of  
2        business experience. I would own the Nation's only  
3        stainless steel keg company at a time when the market for  
4        stainless steel kegs was growing.

5                I was drawn to the prospect of having Pottstown  
6        become the home of an American manufacturer producing  
7        American kegs, using American steel. It is important to me  
8        as Pottstown, over the last several decades, has experienced  
9        many of the same challenges faced by countless other  
10       manufacturing cities across the country, including idle  
11       factories and high unemployment for manufacturing labor..

12               When I bought the company after carefully  
13       reviewing its business plan, I had great confidence in  
14       American Keg's ability to produce the best refillable  
15       stainless steel kegs and generate profits, all the while  
16       generating meaningful employment opportunities for the  
17       people of Pottstown. I knew that I wouldn't be able to make  
18       money for a few years, but I did not enter the business to  
19       lose money.

20               In initially invested over four million dollars  
21       in American keg anticipating that the company would soon  
22       break even and then become profitable. Since then I have  
23       continued to invest in American Keg's facilities and in its  
24       people.

25               However, I did not anticipate that we would face

1 unfair competition from dumped and subsidized foreign  
2 imports. These unfair trade practices have cost American  
3 Keg dearly. They have cost dedicated employees their  
4 livelihood.

5 They have made it impossible to expand production  
6 and hire any of the qualified applicants that come to us  
7 regularly looking for a job. We have had two rounds of  
8 layoffs. I do not want to see any more of our hard-working  
9 employees lose their jobs--particularly when I know that  
10 most of the people and their families will go without any  
11 income as a result.

12 I am here today because I am committed to  
13 American and its employees. I know that American Keg  
14 Company produces an outstanding product that can compete  
15 with any keg so far as the playing field is fair. All  
16 American Keg Company is asking is there be fair play. It  
17 this is achieved, I am prepared to further invest in  
18 American Keg Company, doubling our current manufacturing  
19 employment and investing in our physical assets.

20 Thank you for your time you have dedicated to  
21 preparing for the hearing. I am happy to answer any  
22 questions the staff may have.

23 STATEMENT OF STEVE RUBEO

24 MR. RUBEO: Good morning. My name is Steve  
25 Rubeo, and I am the Controller of American Keg Company.

1 American Keg Company is located in Pottstown, Pennsylvania,  
2 in the heart of the rust belt. We are the only U.S.  
3 manufacturer of stainless steel kegs. Today, we have 29  
4 employees.

5 I began working with American Keg Company in  
6 November 2013 when the company started as Geemacher.  
7 Geemacher was founded by John Giannopoulos, the owner of Sly  
8 Fox Brewery, also located in Pottstown. At that time,  
9 there were no stainless-steel kegs manufactured in the  
10 United States, and there was a limited supply of imports.  
11 As a result, small brewers were struggling to get stainless  
12 steel kegs, and John founded Geemacher to address that  
13 shortage.

14 While Geemacher began by importing kegs, it  
15 decided in 2011 that it would start producing keg in the  
16 U.S. and eventually started production in 2014. When  
17 Geemacher began manufacturing, we started by manufacturing  
18 kegs to order. Then, we grew to marketing our own kegs  
19 rather than only selling imported ones. We currently  
20 manufacture one-sixth and one-half barrel kegs because they  
21 are universally the most popular sizes.

22 We started out by marketing to small and craft  
23 breweries. We focused on them because we were started by  
24 craft brewer ourselves, and we felt that we built up our  
25 inventory, focusing on craft breweries made the most sense.

1           We also recognized that craft breweries often  
2           have a preference for American-made products, and they  
3           wanted to support the country's only stainless-steel keg  
4           manufacturer.

5           We have customers located across the Continental  
6           United States, serving customers in the Northeast,  
7           Southeast, Midwest, and out West including California and  
8           Oregon.

9           While most of our customers are breweries, we  
10          also sell to wineries, cideries, and coffeehouses. Aside  
11          from our website, we attract customers at trade shows such  
12          as national and regional craft brewers' conferences, brewery  
13          trade shows, and winery conferences. We also advertise in  
14          trade publications.

15          As I mentioned, we are both a manufacturer and  
16          importer of stainless steel kegs. So we can see firsthand  
17          how customers make their decisions about which kegs to  
18          purchase. At the end of the day, one stainless steel keg is  
19          the same as another, and many breweries have kegs from  
20          multiple suppliers. Unless a customer has a strong  
21          preference for a product that's made in America, they will  
22          go for the cheaper keg every time.

23          There was a time when there were some perceived  
24          quality issues with kegs from China when Chinese imported  
25          kegs entered the market around 2007.

1           However, since that time Chinese manufacturers  
2           have invested in their own production and have improved the  
3           quality to the point that their kegs are interchangeable  
4           with American, German, and Mexican-made kegs, and the  
5           customer perceptions are that the only thing that  
6           distinguishes among kegs from all four countries is price.

7           And, frankly, that gets to the crux of our  
8           problem here today: Chinese, German, and Mexican kegs are  
9           distinguished from American-made ones only by the fact that  
10          they are much, much cheaper. These imported kegs are  
11          unfairly traded, making it impossible for American Keg  
12          Company to compete on a level playing field.

13          Until late 2016, we were very optimistic about  
14          our business. We were a growing company with plans to  
15          expand our operations and sales in the future. Our plans to  
16          grow have been thwarted by unfairly traded kegs, driving keg  
17          prices down dramatically. Imports from China, Mexico, and  
18          Germany are the primary driver in these downward prices.

19          And we are caught in a real squeeze because we  
20          manufacture our kegs with American-made steel. Steel prices  
21          through the United States are going up due to the high price  
22          of imported steel resulting from the 25 percent tariffs.

23          Steel is the single largest cost associated with  
24          manufacturing kegs. While we are paying higher U.S. prices  
25          pushed up by the tariffs, Chinese manufacturers in

1 particular benefitted from heavily subsidized steel.

2 We have no choice but to absorb these costs  
3 ourselves, especially when we are in a head-to-head price  
4 war with subsidized foreign manufacturers. When customers  
5 ask us to quote, we will quote them American Keg Company  
6 kegs first, and invariably they will ask for quotes for the  
7 imported kegs as well. And the imported kegs are much, much  
8 cheaper.

9 We can't blame the customer for this. Many of  
10 them would love to purchase American-made product. We know  
11 this because they tell us. However, most of our customers  
12 are cost conscious. They just aren't going to pay more for  
13 American-made kegs when they can get a comparable one so  
14 much cheaper due to unfair trade practices by foreign  
15 manufacturers.

16 Of course I am worried about this and what it  
17 means for American Keg Company's business. But my worries  
18 are compounded by my concern for what this situation means  
19 for our employees and the families who depend on them. As I  
20 said, we are a small business, and as is often the case with  
21 small businesses I wear many hats.

22 In addition to serving as the controller, I also  
23 handle human resources. We have been through two layoffs.  
24 Just this February we had to lay off 20 employees, and a  
25 third of our entire workforce. This is really difficult for

1 us because we are located in a community that needs jobs.

2 Pottstown is a steel town. And while it is used  
3 to be thriving, most of its mills have been shut down and  
4 they aren't coming back. So we have taken our  
5 responsibility as an employer seriously.

6 We pay a living wage, starting at over \$12 per  
7 hour, with a raise after a three-month period. Many of our  
8 employees significantly increase their salary as they  
9 continue to learn higher level skill sets. We are also a  
10 second-chance employer. We will hire and train people who  
11 have criminal record or who have had problems in their life.  
12 We give them a chance to make a decent living while learning  
13 skills that apply to a mid-level manufacturing job  
14 fabricating and welding stainless steel. When we lay off  
15 employees, there is a good chance that these people will  
16 have no place else to go to find a decent job that allows  
17 them a living wage.

18 We do everything we can to avoid layoffs.  
19 Management has not received a raise in three years. We have  
20 eliminated production bonuses to allow us to meet payroll  
21 instead. If we do not receive help to allow us to compete  
22 on a level playing field, we won't be able to survive much  
23 longer. We'll have 29 more people out of a job, which is a  
24 loss not just for them but for their families and community  
25 as well.

1           At the same time, if we get some help to allow us  
2 to compete on a level playing field, we have plans to grow  
3 our business that would allow us to expand our workforce.  
4 For one, we have plans to hire regional warehouses and  
5 regional sales personnel to allow us to better compete with  
6 the extensive distribution and sales infrastructure the  
7 German, Mexican, and Chinese manufacturers have built in the  
8 United States.

9           We also would hire more sales personnel,  
10 engineers, and management to allow us to grow our customer  
11 base and improve the efficiency of our operation. We can  
12 also buy and store larger volumes of steel to allow us to  
13 manage some of the costs and better deal with the changing  
14 market conditions. I am optimistic that the American Keg  
15 Company can grow and thrive if we have a chance to compete  
16 in a fair environment.

17           Thank you for allowing me this opportunity to  
18 tell you about American Keg Company, and why this  
19 investigation is so important to us, our employees, and our  
20 community. Thank you.

21                           STATEMENT OF PAUL CZACHOR

22           MR. CZACHOR: Good morning. My name is Paul  
23 Czachor and I am the Chief Executive Officer for American  
24 Keg Company, a position ai have held since 2016.

25           American Keg Company is the only remaining



1 producer of stainless-steel refillable kegs in the United  
2 States. We take immense pride in producing an American  
3 product from beginning to end.

4 Our workers in Pottstown, Pennsylvania, can earn  
5 a living wage by fabricating and welding American-made steel  
6 into finished kegs. Today I am here to discuss how unfairly  
7 traded imported kegs from China, Germany, and Mexico have  
8 almost destroyed our company.

9 First, I would like to show you some examples of  
10 refillable stainless-steel kegs. Usually at this point a  
11 lot of people ask me, are they full? Unfortunately, those  
12 kegs are not full. But those kegs are very similar. They  
13 look alike. They all have the same performance guidelines,  
14 or meet the same performance guidelines. They're all made  
15 from stainless-steel, have similar dimensions, have a height  
16 of approximately 233.25 inches, and they all use a D Sankey  
17 spear.

18 The first key, the closest to me (indicating), is  
19 a keg produced in the United States made by American Keg  
20 Company. The second keg is a keg produced in Germany made  
21 by Blefa. The third keg is produced in China, made by China  
22 Major Ningho China Major. And the last keg is produced in  
23 Mexico by Thielmann. Also up there I've included a D Sankey  
24 spear. This spear goes into the keg and is used to fill and  
25 extract the liquid from the keg.

1           I will be glad to answer any questions afterwards  
2 regarding the technicals of the keg, if you would like.

3           No matter where these were produced, these four  
4 kegs are similar and are used interchangeably. In fact,  
5 many brewers will have more than one brand of kegs in their  
6 fleet.

7           I would now like to give you a background of  
8 American Keg and my relationship to this great company.  
9 American Keg began in 2016. It was also in 2016 when the  
10 owner, Scott Bentley, asked me to lead American Keg. I was  
11 brought on to help make the company's operations more  
12 efficient and to grow the business. When Scott brought me  
13 on, we had a business plan that looked positive and  
14 achievable based on market trends.

15           We were able to improve operations substantially.  
16 We ramped up capacity, improved efficiencies, reduced lead  
17 times while growing our customer base. In doing so, we  
18 built a highly efficient and cost competitive production  
19 facility in Pottstown, Pennsylvania. Our company goal was  
20 to sell American kegs to all regions in the Continental  
21 United States.

22           Despite our positive expected business  
23 trajectory, we were hit with a challenge we never expected.  
24 Specifically, a surge of unfairly traded foreign imports of  
25 stainless-steel kegs in the U.S. market.

1           In 2017, we saw the prices of imported kegs drop  
2 substantially. Prices have stayed at rock bottom levels  
3 ever since. Today you can buy an imported keg cheaper than  
4 what you would pay for the same keg in 2015. At the same  
5 time, our steel prices increased and continued to rise.  
6 This has put us in a cost/price squeeze.

7           Unfairly traded foreign imports continued to take  
8 over an increasing share of the American keg market. As a  
9 result, these foreign imports are injuring our company. The  
10 imports have prevented us from expanding our market share to  
11 potentially provide kegs for American breweries.

12           Most importantly, the imports are taking away  
13 jobs from the hard-working men and women who produce our  
14 kegs. We were left with no choice but to bring this case in  
15 an attempt to save our company by leveling the playing  
16 field.

17           We are a small company that is being hammered by  
18 unfair imports. We didn't have much of a budget to bring a  
19 trade case forward. As a result, Steve and I completed much  
20 of the research showing that imports of kegs were unfairly  
21 priced and subsidized. It is also why we first attempted to  
22 bring a case ourselves. For these reasons, I feel I can  
23 give you a detailed perspective on how we compiled the data  
24 for our case.

25           As CEO of American Keg Company, I am hyper-aware

1 of the trends of low-priced imports of stainless-steel kegs  
2 flooding the U.S. market. As a result, I called the  
3 International Trade Commission on November 29th, 2017, and  
4 spoke with an attorney about filing a possible petition.  
5 Steven and I then put together a few drafts of a sample  
6 petition, which I sent the attorney at the International  
7 Trade Commission. The attorney was extremely helpful and  
8 eventually introduced us to the Department of Commerce's  
9 Petition Counseling Unit.

10 Steve and I know most of the companies importing  
11 kegs into the United States. We gained this knowledge from  
12 our own personal experience in the market, customers we lost  
13 sales to, and observing foreign producers targeting American  
14 brewers at trade shows.

15 However, we needed more data to fully understand  
16 the unfairly traded imports. We needed to determine who was  
17 producing the imported kegs and the number of kegs that were  
18 being exported to the United States. So we did our own  
19 research.

20 We started by creating a map which showed the  
21 channels of trade for stainless-steel kegs. The diagram  
22 identified the foreign producers we knew were shipping kegs,  
23 where the producers were located, and how the kegs were  
24 entering the United States.

25 We ran into a problem early in our investigation.

1 The Harmonized Tariff Schedule Code typically used for an  
2 imported keg is a basket category number. This means the  
3 import heading for kegs also includes a number of other  
4 items that were not stainless-steel kegs.

5 To solve this problem, we purchased a Datamyne  
6 subscription service that gave us summary bill of lading  
7 information based on the quantity and weights for maritime  
8 imports into the United States.

9 The Datamyne product also provided calculated  
10 pricing per unit. However, we ignored this pricing because  
11 we determined it was not accurate. Using this data set and  
12 our own market knowledge about foreign producers, we created  
13 queries of maritime import data. The queries provided us  
14 with accurate volumes for imported kegs from China, Germany,  
15 and other nonsubject countries. The queries also show us  
16 where the kegs were shipped to.

17 We also have access to the Mexican export  
18 component of Datamyne. This information allows us to look  
19 at the Mexican keg exports shipped by truck and rail into  
20 the United States.

21 The product provides weight and quantity data.  
22 In addition, this Datamyne export data shows the actual  
23 declared value, not an unreliable calculated value. As a  
24 result, we were able to go back and get actual pricing for  
25 kegs being imported into the U.S. from Mexico. These prices

1 are highly troubling.

2           Ultimately, what we understood to be true in our  
3 day-to-day operations was backed up by data.  
4 Stainless-steel kegs from China, Mexico, and Germany are  
5 flooding the U.S. market at unfair low prices. As a result,  
6 we have been losing domestic sales to U.S. customers.  
7 Almost every time a customer tells us why they are not  
8 purchasing a domestic keg, it is because they are purchasing  
9 a lower cost imported keg.

10           Price is paramount in keg sales. A Chinese keg,  
11 for example, is imported into the U.S. for the cost of what  
12 we pay for raw materials alone. Our customers that our kegs  
13 are American made, produced by American workers, and built  
14 from American steel.

15           These customers are willing to pay a small  
16 premium for American products. Unfortunately for our  
17 company, even that preference maxes out. The price  
18 differential is just too great between American kegs and  
19 unfairly priced foreign kegs to convince customers to  
20 continue buying domestic produced kegs from our company.  
21 Our company cannot allow these unfairly traded imports to  
22 continue to erode our domestic customer base. We cannot  
23 afford to continue to lose business and have any hope of  
24 surviving.

25           We believe there are 6,000 to 7,000 entities in

1 the United States that purchase refillable stainless-steel  
2 kegs. Of these, nearly 5,300 companies have either ordered  
3 from us, received a quote from us, or connected with us  
4 through trade shows or other venues.

5 We are a well-known company with a strong brand.  
6 We effectively promote our product. We provide competitive  
7 pricing and our customers will tell you that we provide  
8 great customer service.

9 Regardless, because of the low-priced imports  
10 entering the U.S., we have not been able to grow our  
11 customer base. As I mentioned earlier, we are not losing  
12 keg sales because of quality, delivery, supply, or service.  
13 The only factor that is affecting our lost sales is price.

14 Low-priced imports have hindered our plans to  
15 expand our market reach. They have prevented us from  
16 expanding our production, warehouse locations, and product  
17 offerings.

18 First, we have been unable to add regional  
19 warehouses to allow us to better serve our customers  
20 throughout the Continental U.S. We had planned two separate  
21 projects to expand our warehousing capacity. However, as a  
22 result of the low-priced imports we had to cancel both  
23 projects just to survive.

24 Second, we had to cancel a project to expand our  
25 product offering into additional sizes as a result of unfair

1 trading practices.

2           Lastly, we were unable to expand our production  
3 to meet the needs of larger American breweries. American  
4 Keg has traditionally focused on supplying craft breweries.  
5 We started with that focus because we saw that market as an  
6 opportunity. We also focused on craft breweries because  
7 larger breweries require a higher volume of kegs. One large  
8 brewery could take the entire inventory of a star-up keg  
9 company in one purchase order.

10           However, we are now a well-established company.  
11 We have added capacity since our founding and stand ready to  
12 add even more. A level playing field will give us the  
13 chance to produce kegs for larger American breweries and to  
14 compete fairly with foreign keg manufacturers.

15           Protection from unfair imports will also give us  
16 the chance to achieve greater efficiencies that are  
17 currently out of reach as we fight to stay in business. For  
18 example, our company would be able to pre-order more steel  
19 so that we can mitigate the effects of steel price  
20 volatility and produce more kegs with a shorter lead time.  
21 We would also be able to have a larger workforce available  
22 to produce kegs. We are ready to make significant  
23 investments in production capacity.

24           We will only get there, however, if we have a  
25 level playing field to compete with. Instead, we are



1 currently losing a substantial amount of money each month.  
2 We anticipated as we ramped up the company, there will be  
3 short-term losses. However, the losses we are experiencing  
4 from low-priced imports are unexpected and unfair.

5           These losses mean that we cannot invest in the  
6 facilities that would help us reduce lead times and prices  
7 for our existing customers. The losses also mean that we  
8 cannot expand production to begin supplying larger  
9 breweries.

10           That harsh reality cuts to the heart of the case:  
11 Unfairly priced imports have been devastating our company,  
12 our employees, and our community.

13           Pottstown is a small and economically depressed  
14 area outside of Philadelphia. It is impossible for us to be  
15 a business in that community and not want to contribute to  
16 its wellbeing. One of the ways we do this is in providing a  
17 living wage. In fact, many of the people working for our  
18 company are the main wage earners for their families.

19           We are also a believer in second chances. This  
20 is why we are a "Second Chance" employment company. We  
21 don't run background checks on those who apply to work with  
22 us because we believe that a good hard worker has a place at  
23 our company. This includes those individuals who have  
24 served their time for past choices and want to positively  
25 contribute to society.

1           In short, if it were not for American Keg Company  
2 most of our employees would not have the same wage  
3 opportunities. And if we can grow production and sales, we  
4 would love nothing more than to add new positions to our  
5 workforce. These new positions would be in production,  
6 engineering, and sales.

7           However, instead of creating new job  
8 opportunities, we have been forced to let people go. The  
9 layoffs we've undergone were heartbreaking to witness.

10           Equally heartbreaking is turning away people in  
11 Pottstown who need a job and look to us. We could provide  
12 those jobs if we had a fair opportunity to produce and sell  
13 our kegs. Instead, we get several people every day who  
14 knock on our door to apply for jobs that do not exist. It  
15 has gotten so bad that we had to lock our door and put a  
16 sign up saying we are not hiring.

17           This is the driving reason behind why we are here  
18 before you today. We are not here looking for a handout,  
19 and we're not afraid to compete with foreign producers.

20           In fact, I would put our engineers and production  
21 employees against anyone in the world. But we cannot  
22 continue to operate and compete with unfairly traded foreign  
23 kegs. I'm asking you to help us bring the U.S. keg industry  
24 back to life by leveling the playing field.

25           Thank you for your time and consideration today.

1 MS. ROLIG: We'd be happy to take your  
2 questions.

3 MR. CORKRAN: Thank you very much, and thank you  
4 to the entire panel for your presentation today. It's very  
5 helpful to us, particularly when we're seeing product in an  
6 industry that has not been before us before. We will start  
7 our questioning with our attorney, Michael Haldenstein.

8 MR. HALDENSTEIN: Good morning. Thank you for  
9 coming in today to tell us about your business. I'm Michael  
10 Haldenstein in the Office of the General Counsel. Although  
11 your keg business is young, it's been operating for over  
12 three years, and I notice you did not assert material  
13 retardation in the petition. I take it you view this case  
14 as better framed as a material injury case, because the  
15 industry is established and that's why you haven't raised  
16 it, or am I -- or am I wrong?

17 MR. RICKARD: I think that the -- this is Nathan  
18 Rickard from Picard, Kentz and Rowe. We have gone through  
19 the factors in the analysis that the Commission uses in  
20 material retardation cases, and including the question, the  
21 initial question as to whether or not an industry is  
22 established.

23 As we've gone through the history of the  
24 Commission's practice, I think what we have come down to in  
25 terms of our conclusion and the way that we are proceeding

1 with the case, is something that another attorney in another  
2 firm, Judd Dorn said in Laminated Woven Sacks, it really  
3 doesn't matter. You can do it as a material injury case and  
4 all the factors are met, and there's a clear, reasonable  
5 indication of material injury.

6 You can do it as a material retardation case and  
7 all the factors are met, and there's a reasonable indication  
8 of material retardation. The issue is that it's either/or  
9 in the way the Commission seems to approach it, that the  
10 first question as to whether or not you're established leads  
11 you down one route or it leads you down to another.

12 So we would be happy in post-conference to go  
13 through both alternates and also to walk through the factors  
14 that the Commission has looked at in the past in terms of  
15 whether or not an industry is established. But for the time  
16 being and for just the purposes of simplicity, we're making  
17 the argument based off of material injury.

18 The last factor is what would happen in final,  
19 the change of the Period of Investigation to start from 2016  
20 to 2018, which we think would go over an even more  
21 established industry part. So the factors will be changed a  
22 bit more to where we think that there's an even stronger  
23 argument for the industry is established, and the material  
24 injury analysis should apply.

25 MR. HALDENSTEIN: Okay, thank you. Those are my

1 thoughts as well, on why you hadn't asserted it. Can you  
2 let me know what the implications are of the scope revisions  
3 you provided to the Department of Commerce? Do those change  
4 our data collection in any way?

5 MS. ROLIG: This is Whitney Rolig from Picard  
6 Kentz and Rowe. No, they shouldn't. We worked with  
7 Commerce to revise the scope simply for clarity, but as far  
8 as the actual imports we're looking at, we weren't cutting  
9 out anything that we were previously looking at. So that  
10 shouldn't affect your analysis, and again as we've described  
11 the HTS codes, the official import data is not terribly  
12 informative because we are dealing with basket categories.

13 So it doesn't affect that now that we have data  
14 from the questionnaire responses that the Commission has  
15 received. The scope revisions don't change any of that, and  
16 so --

17 MR. HALDENSTEIN: Thank you. With respect to  
18 this instruments of international commerce, is that the way  
19 that most beer is imported? Is it imported in kegs that are  
20 instruments of international commerce?

21 MR. RICKARD: We don't -- we do not know the  
22 answer to that question.

23 MR. HALDENSTEIN: But it is in the scope line,  
24 which is excluded, so it must be whether there are some kegs  
25 --

1 MS. ROLIG: This is Whitney Rolig again. We  
2 included that language to make clear that we're not trying  
3 to cover kegs, for example, on a cruise ship that goes out  
4 to sea with beer, comes back. Those kegs don't need to pay  
5 duties every time they come back on the cruise ship. So  
6 we're trying to make sure that if the company's shipping its  
7 beer over, taking those kegs back and again using them as a  
8 vessel, those are not intended to cover because they're not  
9 being imported per se, and Customs has issued at least one  
10 ruling that I looked at, saying that beer kegs that are a  
11 vessel, or beer kegs can be a vessel in that manner.

12 To the extent that specific brewers or companies  
13 may be bringing them in and then not tracking them, or they  
14 do enter the stream of commerce, those would be subject, I  
15 believe. But Customs has experience dealing with this, and  
16 so again we're not trying to cover a keg that comes in and  
17 leaves again. But we do want to cover kegs that come in and  
18 stay in that stream of commerce.

19 MR. RICKARD: But Mr. Haldenstein, just to your  
20 question specifically, we are aware that that is a tool of  
21 importation of beer, but as to how much it affects that  
22 trade, we don't have the answer to that question. But that  
23 is what my colleague has described as a reason why it's in  
24 the scope as an exclusion.

25 MR. HALDENSTEIN: Okay, thank you. I understand

1 the cylindrical kegs under 20 liters are not within the  
2 scope. Are there such kegs that use the Sankey extractor?

3 MR. RICKARD: I'm sorry, Mr. Haldenstein. The  
4 scope as written is the capacity of under ten liters, not  
5 20. So 10 to 20 should be covered, and those would use  
6 Sankey.

7 MR. HALDENSTEIN: How about under ten is what  
8 I'm -- are there no kegs in that size.

9 MR. CZACHOR: Usually under ten. Sorry, it's  
10 Paul Czachor. Usually under ten liters, they are smaller in  
11 size, almost similar to this water jug here and they're used  
12 for quick uses. Maybe you go to a brewery and they fill it  
13 up for that day or that weekend use. There can be kegs that  
14 are under ten liters that can take a D Sankey, but they're  
15 very unique and there's not many in the market.

16 MR. HALDENSTEIN: Thank you. I heard Mr. Lewis  
17 discuss some non-price factors, such as the quality  
18 configuration, lead times and branding that differentiate  
19 the subject imports in his view. Do you believe that any of  
20 these differences are -- limit the substitutability between  
21 the subject imports and the domestic kegs?

22 MR. CZACHOR: I believe, as I stated earlier,  
23 those kegs up there are all very similar and they meet the  
24 same performance guidelines so they're interchangeable.  
25 Each company can add some branding to it as you can see on

1 those kegs up there. But the keg itself has similar  
2 performance. They all meet the same performance guarantees,  
3 and they all have similar dimensions and are made with  
4 stainless steel.

5 MR. RICKARD: This is Nathan Rickard. I think,  
6 and what I understood from Mr. Lewis' opening remarks, that  
7 he's identifying that there are differences in the way that  
8 companies compete in the marketplace, and there are  
9 certainly differences in terms of their lead times or where  
10 they're delivering from. But none of that has a material  
11 impact on the substitutability and interchangeability of  
12 competition of the products.

13 There are places, as they've talked about in  
14 terms of comments that they made about large breweries that  
15 is accurate in terms of what American keg currently exists  
16 at, that they don't supply that aspect of the market. But  
17 it doesn't affect the fact that subject imports compete for  
18 sales in the parts of the markets where they are competing  
19 on exactly the same terms.

20 MR. HALDENSTEIN: So for instance if there's a  
21 large brewery in Pottstown, isn't Yuengling -- Pottsville,  
22 sorry. Pottsville. Is that a brewery that American Keg  
23 sells to?

24 MR. BENTLEY: Excuse me. This is Scott Bentley.  
25 So I spoke to Dick Casselini at Yuengling, who is their



1 chief operations officer and responsible for purchasing  
2 kegs. He previously had purchased kegs from Spartanburg  
3 Stainless, the last person or company in America to make  
4 kegs. He bitterly complained about their quality as they  
5 went down, but they stuck with them.

6 He told me himself he would be happy to purchase  
7 kegs from American Keg when we could make the right quality.  
8 I assured him we did, and then the second thing he said is  
9 when we need more kegs. He said his on premise purchases  
10 were not happening because his volume was down two or three  
11 percent, and he repairs his own kegs at his brewery in  
12 Tampa. But he assured me that when he was ready to buy kegs  
13 he would buy from us, and I'm certain we've also spoken to  
14 other larger breweries.

15 I'm sure someday we'll be able to sell kegs to  
16 Anheuser Busch, and we surely look forward to it. Thank  
17 you.

18 MR. HALDENSTEIN: Thank you. So the purchasers,  
19 I understand, are primarily brewers. Are distributors also  
20 buying kegs, or does the market not work like that?

21 MR. RUBEO: Hello, this is Steve Rubeo.  
22 Currently, distributors really are not in the keg purchasing  
23 of empty kegs anyway. They will take the finished product  
24 from the breweries and then distribute to bars and  
25 restaurant, etcetera.

1                   MR. CZACHOR: Let me just -- this is Paul  
2 Czachor, clarify. There's probably two terms of a  
3 distributor. What Steve is referring to is a distributor  
4 that may take a keg that's full of beer and then distribute  
5 it to bars and restaurants, and I'm assuming you're  
6 referring to a distributor of selling empty kegs?

7                   MR. HALDENSTEIN: Correct.

8                   MR. CZACHOR: Okay, sorry. So there are  
9 distributors in the marketplace. We do sell to at least one  
10 large, what we would call a distributor that takes our kegs  
11 and then resells them. They either sell them, lease them  
12 or do what's called a paper fill where they'll charge a  
13 customer to fill them for a one-time trip, say from Orlando  
14 to Texas. So yes, the answer to your question is we do sell  
15 to distributors.

16                   MR. HALDENSTEIN: Do breweries generally buy a  
17 few, like a few hundred or a few thousand kegs each year, or  
18 do they just make large purchases every ten years. I mean  
19 -- or when the prices are good. How does the market for  
20 kegs work? How are they replaced I guess is what I'm  
21 wondering?

22                   MR. CZACHOR: If we knew that answer, we'd be a  
23 lot better off. I think everyone would be. Brewers,  
24 depending on the size, the larger the organization, they  
25 have a little bit more planning and they will call and

1 generally ask, hey we're going to be purchasing, you know,  
2 2,000 kegs in January. Should we do it now, lead time,  
3 etcetera?

4 So that's one type of conversation. More  
5 frequently with small brewers, we'll get a phone call about  
6 4:30 on Friday asking if they can pick up kegs on Saturdays  
7 in just one example.

8 But a lot of times the planning process is just  
9 dependent on did they get their kegs back from a  
10 distributor, do they have some big summer show coming up,  
11 and also their seasonality to the purchasing. So more  
12 breweries start to purchase in early spring, because their  
13 summer and fall are big seasons.

14 In terms of size of orders, they can vary.  
15 We'll sell people one keg and that's not quite that often  
16 someone will walk in the door and ask just to buy one keg.  
17 Most people will buy kegs where they can maximize freight.  
18 So they'll buy either full pallets or sometimes full  
19 truckloads, and it could vary just depending on the size of  
20 the brewery.

21 MR. HALDENSTEIN: Thank you. What percentage of  
22 kegs are used for liquids other than beer? Do you have a  
23 sense of that?

24 MR. CZACHOR: We do not have exact percentage.  
25 We do know that wineries, cideries and coffee houses are

1 starting to purchase more kegs and starting to grow their  
2 business using kegs. For example, bars and restaurants that  
3 serve wine would often have to, at the end of the day, cap  
4 off the bottle of wine. Sometimes it will not be good the  
5 next day.

6 So a lot of wineries are now putting their wine  
7 in a keg and they sell it to a bar and they put it in a bar  
8 under a nitrogen gas, and then they can continue to serve  
9 it, very similar to how they would serve a draft beer.

10 MR. HALDENSTEIN: I heard you discuss that you  
11 sell both American and imported kegs. So how do you quote  
12 prices for your imports so as not to undercut your domestic  
13 keg sales? I mean I'm just wondering how that works,  
14 because I saw a news article that I think was saying that  
15 you sell your imported keg around 95, and the domestic keg  
16 around 115. So I'm wondering who's going to buy the more  
17 expensive American keg, with that big a price differential.

18 MR. CZACHOR: That is part of the whole issue  
19 out here today of unfairly traded imported kegs being so  
20 low-priced. We continue to try to survive by selling our  
21 kegs. The reason for the higher cost is just the cost to do  
22 business in the United States.

23 We'll continue to try to offer other items in  
24 terms of why you should buy an American keg. We'll upsell  
25 some items. We'll also talk a little bit about other

1 features we can do such as silk screening in terms of  
2 customer service if it's a local brewery reduced freight.

3 So it is a difficult upsell, and again that's  
4 hence why we're here today because of the low-priced  
5 imports.

6 MR. RICKARD: Mr. Haldenstein, I think also to  
7 just point out that on the record in one of their responses  
8 to the supplemental questions that came back from Commerce,  
9 we put information regarding examples of four sales, written  
10 documentation that went back. It kind of goes through the  
11 dynamics of what the American keg sales process is to that  
12 specific question.

13 MR. HALDENSTEIN: Thank you. With the 301  
14 coming, I believe the tariff is going to go up to 25  
15 percent. Will that make the Chinese kegs much less  
16 competitive? Do you see that as taking them out of the  
17 market?

18 MR. CZACHOR: The 301s will have minor impact.  
19 Again, the 301s are only against -- are only referencing  
20 Chinese imported kegs. It will help the situation, but it  
21 does not fully fix the situation. And then also we're  
22 unsure of -- we know the timing of the 301 announcements.  
23 We're just not sure does that last one month, does that last  
24 one year or ten years.

25 MR. RICKARD: Also, this is Nathan Rickard, one

1 of the things that they're seeing in the marketplace that  
2 they'd like to be able to talk more about, but one of the  
3 unfortunate things that happens is because the tariff rates  
4 are at 10 now and will go up to 25, is that there are  
5 indications in the market that what that has caused is the  
6 buildup of inventory right now, before any possible  
7 increase in the rates.

8 And so it mitigates the impact of what that 25  
9 percent might be if stuff is already inside the United  
10 States and is being drawn out from inventory over the next  
11 year.

12 MR. HALDENSTEIN: Thank you. That's all the  
13 questions I have.

14 MR. CORKRAN: Thank you very much. Actually  
15 before we proceed the questions down the panel, I'm going to  
16 ask just one question to maybe help clarify the history of  
17 this industry just a little bit. Can you provide in a  
18 little bit more detail the starting of Geemacher, the  
19 transition from Geemacher as a U.S. producer to American Keg  
20 as a U.S. producer, and whether this was a continuous  
21 process or whether there were -- there were disruptions or  
22 interruptions in operations along the way?

23 MR. RICKARD: I am going to try and go through  
24 what we've written out about it, and hopefully they will  
25 correct me if any part of it's wrong. So Geemacher starts

1 in February 2007, right after Spartanburg Steel's keg-making  
2 operations were acquired by Franke. The Giannapoulos  
3 family, which started Geemacher LLC had in 1995 opened Sly  
4 Fox Brewhouse and Eatery in Phoenixville, Pennsylvania.

5 Off of that craft brewery business Mr.  
6 Giannapoulos, seeing challenges to the craft breweries in  
7 acquiring keg supply, and so they moved and created  
8 Geemacher. So they started off by importing refillable  
9 stainless steel kegs in 2007. But in 2012, Geemacher leased  
10 a facility in Pottstown and started its initial development  
11 and build out of manufacturing operations.

12 They had trial production in 2014 and began  
13 commercial quantities of manufacturing of refillable  
14 stainless steel kegs in that plant in 2015. In 2016, let's  
15 see, in March of 2016 the American Keg Company is formed,  
16 and then they acquire the assets of Geemacher and began  
17 their own, and continued on the commercial manufacturing of  
18 fillable stainless steel kegs in the plant. Is that what  
19 you're looking for?

20 MR. CORKRAN: And during that time when it  
21 transitioned from Geemacher to American Keg, did production  
22 continue, or was there a discontinuation of production?

23 MR. CZACHOR: This is Paul Czachor. Yes,  
24 production continued and customers that may have placed the  
25 purchase order when it was Geemacher, they were all shipped

1 their product and American Keg will service those kegs for  
2 them today.

3 MR. CORKRAN: Okay, thank you very much, and  
4 with that we'll resume the regular questioning order. I'll  
5 turn next to Jonathan Ruder, our economist.

6 MR. RUDER: Good morning. My name is John  
7 Ruder. I work with the Office of Economics. I'm wondering  
8 if you could tell me or if you could estimate what  
9 percentage of the U.S. market your firm could supply in the  
10 absence of competition from subject country imports? Just a  
11 ballpark estimate would be fine. Or if you need to address  
12 it in the briefs, that would be acceptable.

13 MR. CZACHOR: If I understand your question  
14 correctly, assuming we could level the playing field and  
15 make additional investments, our target market share would  
16 be eight to ten percent.

17 MR. RUDER: I'm sorry, could you repeat that?

18 MR. CZACHOR: Assuming we can level the playing  
19 field and we can make additional investments, our target  
20 market share in the short term would be eight to ten  
21 percent.

22 MR. RUDER: Thank you. Could you tell me if you  
23 anticipate that growth in the craft brewing industry will  
24 continue, or do you see any change in that trajectory, if it  
25 might level off, increase or decrease in the next couple of



1 years?

2 MR. CZACHOR: Unfortunately, we can't predict  
3 that. But I will note, as I mentioned earlier, that there  
4 is growth starting now in winery, ciders and coffee houses  
5 for the use of kegs. But as far as craft brewing, the  
6 forecast is for -- we can't forecast. We just don't know  
7 that data at this point.

8 MR. RICKARD: Mr. Ruder, this is Nathan Rickard.  
9 Can we go back the -- can we go back to the slide, just on  
10 the production? A couple more back. Back one more. All  
11 right. So this is from the Brewers Association what the  
12 production has looked like from craft breweries. So it's on  
13 an upward slope.

14 If your question is is it leveling off more in  
15 terms of what it looks like in the future, the growth is not  
16 as pronounced as it had been over the last, you know, ten  
17 year period. But it continues to scale upwards from a very  
18 high level. So I think from what we've been able to see,  
19 and obviously their opinion is more important than ours.

20 But from what we've been able to see, it would  
21 continue -- you would expect that that market would continue  
22 to grow and to keep increasing production over the next  
23 several years.

24 MR. RUDER: Thank you.

25 Could you tell me when you are negotiating

1 prices to potential buyers, are there any recognized steel  
2 price indexes? Or other steel benchmarks that are used in  
3 negotiations? Or do your buyers not give any consideration  
4 to what is going on with the costs of steel?

5 MR. CZACHOR: We typically do not see buyers that  
6 reference steel pricing in either indexes or steel pricing  
7 at all.

8 MR. RUDER: Thank you. Are there any other raw  
9 materials aside from steel that would be needed to be  
10 brought into your calculations when you discuss prices? I  
11 don't know if there are paints or chemical treatments or  
12 anything aside from steel?

13 MR. CZACHOR: I mean we obviously look at our  
14 cost structure all the time, but the volatility of steel is  
15 more pronounced than other items that are used in our  
16 manufacturing process.

17 MR. RUDER: Thank you.

18 MR. RICKARD: I'm sorry, one other thing. I  
19 don't know if this matters, we can move on if it's not  
20 important. But the stout tanks written submission went in  
21 yesterday, it's up on the record. It talks a little bit  
22 about differences in spears. And I don't know if that would  
23 be of use to talk about that at all, if you guys have some  
24 comments about the way that spears are made, or used in  
25 kegs?

1           MR. CZACHOR: I think what we have submitted  
2           previously is that the sphere that is used in the majority  
3           of kegs, stainless steel kegs sold in the United States, is  
4           called a D Sankey spear and the manufacturer that's  
5           predominantly used for the spear that I believe all four of  
6           the -- I know all four of those kegs had what was called a  
7           Micromatic D Sankey spear. Micro Matic is the  
8           manufacturer. So I don't have an exact percentage, but it's  
9           a very, very high percent of kegs that are sold in the  
10          United States that use the Micromatic D Sankey spear.

11          MR. RUDER: Thank you. Earlier in presentation,  
12          you commented on the fact that you value your American-made  
13          brand and marketing. Since that's a newer mark, could you  
14          tell me if some of the imported brands, if they are able to  
15          sell based on their brand recognition?

16          And do the buyers buy some of the subject imports  
17          because of the competition might've been in the market for a  
18          longer period of time? I understand that branding is  
19          important for you, but is it important for the subject  
20          competition as well?

21          MR. CZACHOR: I think our answer to that would be  
22          that companies that have been established selling kegs do  
23          have an identified brand out there and customers do  
24          recognize that.

25          MR. RUDER: Thank you.

1                   MR. RICKARD: Yeah -- this is Nathan Rickard  
2                   again. They all market in the same place. One of the  
3                   things that we've put together from the publication this is  
4                   from, is the print ads that go in place -- so that you can  
5                   see American Keg's print ad next to Thielmann's print ad  
6                   next to Blefa's print ad. And also I think one of the other  
7                   Chinese manufacturers has a print ad up.

8                   And so they, the branding is important, at least  
9                   in terms of how they go out and market themselves. I note  
10                  that right now, Thielmann has changed its marketing to say  
11                  that all the kegs that they're selling into the U.S. market  
12                  are all made from North American steel, so it's something, I  
13                  think, that they're attempting to try and develop more, but  
14                  they can speak more to it on their panel.

15                 MR. BENTLEY: This is Scott Bentley. My  
16                 contribution to the company, other than millions of dollars,  
17                 is, in my experience starting companies, I always try to  
18                 make the name of the company be the same as the product. So  
19                 at VideoRay we sell videorays. At American Keg, we sell  
20                 American kegs. The brand is hugely popular. And hugely  
21                 valuable.

22                 Because, all things being equal or close to  
23                 equal--and equal is ten to fifteen dollars--people will buy  
24                 American Kegs. Patriotic Americans will buy American kegs.  
25                 And patriotic Americans go as far as Yuengling at least, and

1 will go to the larger breweries as well, and they'll buy  
2 American, too. So is branding important? Yes. Do we have  
3 the best brand? Yes. In my opinion. Thank you.

4 MR. RUDER: Thank you. I don't have any  
5 additional questions right now.

6 MR. CORKRAN: Thank you very much, Mr. Ruder.  
7 Next we'll turn to Mr. Boyland, our auditor.

8 MR. BOYLAND: Good morning. Thank you for your  
9 testimony. I'm the accountant and I'm primarily interested  
10 in the financial information. So obviously there aren't  
11 many direct questions I can ask because the information is  
12 proprietary. I can try to ask questions that are general,  
13 and I'll try to keep it that way. I think a lot of  
14 responses would be in post-hearing, which is fine.

15 But one question is, in the questionnaire itself,  
16 it requested feasibility studies that the company had  
17 prepared, business plans, etcetera. Were those submitted  
18 with the questionnaire?

19 MR. RICKARD: Mr. Boyland, there's an attachment  
20 at the back of the questionnaire that has analysis of the  
21 feasibility study that --

22 MR. BOYLAND: Okay. So that was included?

23 MR. RICKARD: Yes, there should be projections,  
24 it's an excerpt from what is a much, much larger database of  
25 stuff that went to a lot of other details, but we tried to

1 provide what we thought were the --

2 MR. BOYLAND: Kind of like a summary?

3 MR. RICKARD: Yeah, that, and it went to  
4 specifically about sort of into products about that had --  
5 well, it's in the questionnaire response.

6 MR. BOYLAND: Okay.

7 MR. RICKARD: I'm sorry. There's an attachment  
8 that's at the back. There's also price lists that are  
9 attached to -- the standard price list was attached to the  
10 questionnaire response that went in.

11 MR. BOYLAND: Okay. And that actually sort of  
12 raised one question. In terms of the product mix that  
13 company reported during the period. Table 2-9, I believe,  
14 broke out keg by type. And it looks like that there was a  
15 shift, it wasn't dramatic, but is that correct? Am I  
16 interpreting this?

17 The company did sort of shift its emphasis in  
18 terms of the keg type being sold? And if so, I mean, is  
19 that something I should sort of be expecting as going to  
20 impact the average unit value and cost during the period?

21 MR. CZACHOR: Throughout the period, I do not  
22 believe there was any fundamental shifts. I think a lot of  
23 it was just mixed, depending on the customers, we sold the  
24 size of the orders and the location could vary the mix  
25 throughout a year, or from year to year.

1                   MR. BOYLAND: Okay. So no deliberate shift, but  
2 an effective shift?

3                   MR. CZACHOR: Correct.

4                   MR. BOYLAND: Just a variation --

5                   MR. CZACHOR: No deliberate shift.

6                   MR. BOYLAND: Okay. And this is a question  
7 that's gonna be difficult to ask non-BPI, so bear with me.  
8 The capital expenditure information that the company  
9 reported and the capacity that the company reported that was  
10 available, I'm looking at the first half of January/June  
11 2017, and then the total capital expenditure on that for the  
12 full year suggests that the majority of it was incurred in  
13 the second half of 2017.

14                   And I guess, what I'm asking is the pattern of  
15 capacity itself? When I'm looking at the way the company  
16 reported total capacity half year 2017, full year 2017, it  
17 suggests to me that the total capacity that the company was  
18 able to produce was sort of being recognized in the first  
19 half. So I'm just doubling that amount to come up with an  
20 annual total.

21                   So I guess what my question is, the pattern of  
22 capital expenditures, and maybe I should ask the question  
23 first, in terms of the company's objectives in 2017. Could  
24 you describe those in terms of what was actually being done  
25 to increase capacity?

1                   MR. CZACHOR: Let me attempt to answer that. We  
2 were working on, throughout the period, always working on  
3 capacity and productivity and efficiency and reducing cycle  
4 times to improve your capacity. In reference to the CAPX  
5 that you mentioned, the timing of the CAPX was the second  
6 half of 2017. It was specifically a project that was  
7 started earlier, just due to timing was pushed to the second  
8 half. It had minimal to no impact on capacity. It was more  
9 around quality and service and productivity.

10                   MR. BOYLAND: So I should be looking at that as  
11 being, it obviously has an impact on production itself, but  
12 when you're saying capacity is this in the first half, and  
13 then I'm extrapolating to a full year, essentially you had  
14 what the increases in capacity had been achieved in the  
15 first half?

16                   MR. CZACHOR: Yes. Basically the capacity was  
17 there in the first quarter, for example, of 2017.

18                   MR. BOYLAND: Okay, thank you. And I guess,  
19 related to that question, in 2016, when the company  
20 transitions from Geemacher to American Keg, the capacity  
21 itself is also different. It's moving upward. Could you  
22 describe what happened there? I mean, was it existing  
23 facilities or just sort of being taken out of mothballs?  
24 What happened in 2016?

25                   MR. CZACHOR: To increase the capacity?



1                   MR. BOYLAND: To increase capacity.

2                   MR. CZACHOR: Yeah, there was a series of  
3 projects that were very minor, non-CAPX projects, some that  
4 were minor CAPX projects that were implemented through 2016  
5 to improve the production capacity.

6                   MR. BOYLAND: Okay. And I know your initial  
7 testimony is focused on price and from an accounting  
8 standpoint, I'm also interested in costs, and you've talked  
9 about the raw material. I guess what I'm interested in is,  
10 in terms of feasibility studies and capacity utilization,  
11 what was the company projecting in terms of capacity  
12 utilization?

13                   MR. RICKARD: Mr. Boyland, I think we'll deal  
14 with it in post-conference. But again, that specific  
15 question is addressed on the attachments to the  
16 questionnaire in terms of -- they have kind of arranged out,  
17 sort of what it looks like in terms of different means of  
18 production.

19                   MR. BOYLAND: One question, too, along those  
20 lines. Does that attachment include what the standard cost  
21 is expected to be? I mean, fully absorbed overhead, when  
22 capacity reaches a certain ideal amount? It does?

23                   MR. CZACHOR: Yes, it does.

24                   MR. BOYLAND: Okay, thank you. I guess the sales  
25 process itself, you discussed the regional warehouse that

1       you were not able to implement, etcetera. Currently the  
2       company is selling out of inventory at its facility? As one  
3       warehouse?

4               MR. CZACHOR: The U.S.-produced kegs are sold out  
5       inventory in Pottstown, Pennsylvania.

6               MR. BOYLAND: Okay. And your sales force, is it  
7       regional? Do you have sales agents? How do you actually  
8       sell the kegs?

9               MR. CZACHOR: Basically it's -- as I explained  
10      earlier, the market of people who can buy a keg is limited.  
11      We believe it's six to seven thousand people. So we either  
12      reach out to those people directly via outbound call, or we  
13      see them at numerous shows throughout the year. There's a  
14      lot of regional shows. There could be a California show one  
15      month, and the following month there could be a show in  
16      Florida.

17              So we see customers at regional shows. We see  
18      them on our social media. We also market to them, either in  
19      print ads or e-mail blasts or several other ways that we  
20      market to our customers. We do have one, as I mentioned  
21      earlier, larger distributor in the Southeast, that sells  
22      kegs for us. And then we have an internal sales group.

23              MR. BOYLAND: Thank you. And this is again, a  
24      BPI type question, but could you confirm as appropriate that  
25      the total SG&A expenses that the company is reporting are

1 related to U.S. manufacturing of the American Keg kegs? I  
2 mean I just wanna make sure we're talking about a discrete  
3 operation and -- is that correct?

4 MR. RUBEO: This is Steve Rubeo. Yes, that is  
5 correct. We do separate our import and USA keg business.

6 MR. BOYLAND: All right. In the -- again, kind  
7 of getting back to that attachment, do you actually include  
8 an estimated or a projected gross profit margin in that?

9 MR. CZACHOR: Yes.

10 MR. BOYLAND: You do?

11 MR. CZACHOR: Yes.

12 MR. BOYLAND: Okay, thank you. Has the company  
13 whittened down inventory? Is it taking a charge of inventory?

14 MR. RUBEO: Currently we have not been.

15 MR. BOYLAND: You have not? Okay, thank you. In  
16 the petition, now, I don't think this is BPI or anything,  
17 but you talk about the finished goods inventory turnover,  
18 and you provided that. Would you be able to provide a raw  
19 material turnover in post-hearing?

20 MR. RUBEO: Yes, we can provide that.

21 MR. BOYLAND: Okay. And with regard to raw  
22 material, and again, I'm talking mainly about the stainless  
23 steel part, and I took it, based on the testimony, that the  
24 spear you'd also include that as a material cost in raw  
25 material?

1 MR. RUBEO: That is correct.

2 MR. BOYLAND: In terms of raw material  
3 purchasing, you discuss in testimony that you were hoping to  
4 increase the size of your receiving area so you could  
5 actually take advantage of preordering larger size orders,  
6 etcetera. Currently is the company just ordering on a spot  
7 basis? Or how does the raw material procurement --

8 MR. CZACHOR: Currently through our planning  
9 process. We would purchase stainless steel, if that's what  
10 you want to reference, on a monthly basis, based on the  
11 projection of our capacity for the next four to five to six  
12 months. So we plot out when the steel needs to arrive. We  
13 back out the lead time and the purchase orders are placed  
14 that way.

15 MR. BOYLAND: Okay. And your slides showed two  
16 U.S. producers who I took to be, those are your suppliers?

17 MR. CZACHOR: Yes. For stainless steel, we  
18 purchase stainless steel from four different U.S. mills.

19 MR. BOYLAND: Four different? Okay. In terms of  
20 product switching, does -- the testimony indicated, half keg  
21 and one-sixth keg. Those are your products? Those are the  
22 kegs produced?

23 MR. CZACHOR: Yes, that is correct.

24 MR. BOYLAND: Do you have dedicated lines for  
25 those? Do you switch back and forth? How does that --

1           MR. CZACHOR: We switch our equipment back and  
2           forth. Very few pieces of equipment dedicated for that, but  
3           we have a quick job change procedure in place to switch from  
4           one product to another.

5           MR. BOYLAND: Okay. And for, and again, kind of  
6           switching back to raw material, the inventory valuation  
7           method -- is it FIFO, LIFO, weighted average?

8           MR. RUBEO: It's FIFO.

9           MR. BOYLAND: FIFO? Okay, thank you. I guess  
10          again, this is one question that's kind of difficult to ask  
11          directly, but based on the financial information, I can  
12          calculate averages for all of the costs and raw material, I  
13          can calculate a pattern.

14          Would you mind for post-hearing, looking at the  
15          averages for each year and specifically for 2016, discuss  
16          the trend? Because it -- when I'm looking at -- I think you  
17          submitted attachments in the petition regarding stainless  
18          steel, the sort of pattern, and I just kind of -- I'm not  
19          seeing something that looks exactly like what I would  
20          expect, so based on your testimony to Doug regarding my  
21          understanding is 2016, there really wasn't any disruption in  
22          production -- is that, that's correct?

23          MR. CZACHOR: That's correct.

24          MR. BOYLAND: So I initially thought, well, maybe  
25          that pattern is reflecting some kind of a disruption, but if

1       there really wasn't any disruption, if you could explain and  
2       take a look at the raw material average, and you know,  
3       provide me with a description of what was driving that?

4               And sort of along the same lines, I can't ask it  
5       directly, but in 2016, the pattern of total SG&A expenses,  
6       if you could sort of explain why 2016 was different? An  
7       absolute amount?

8               MR. RUBEO: That was our transition year between  
9       the books of Geemacher and American Keg company, so there is  
10       an explanation for that.

11              MR. BOYLAND: And that's kind of what I was  
12       hoping you could provide.

13              MR. RUBEO: Yes.

14              MR. BOYLAND: Sort of a general picture of what  
15       -- kind of a bridge between --

16              MR. RUBEO: Yes, we can do a financial, when  
17       Geemacher ended and then start one where American Keg picked  
18       up.

19              MR. BOYLAND: Thank you. And I have no further  
20       questions.

21              MR. CORKRAN: Thank you, Mr. Boyland. Next we're  
22       going to turn in our questioning to one of our industry  
23       analysts, Ms. Allison Thompson.

24              MS. THOMPSON: I have no questions at this time.

25              MR. CORKRAN: Thank you. With that, we'll turn

1 to Mr. Tsuji.

2 MR. TSUJI: Good morning. I'm Karl Tsuji, the  
3 other commodity industry analyst for this investigation. I  
4 have several questions about the product and its  
5 manufacturing process. I'll just start off with the  
6 manufacturing process. How is the neck piece produced?

7 MR. CZACHOR: How is the actual neck produced?  
8 Or how is the neck produced on the keg, or inserted on the  
9 keg?

10 MR. TSUJI: Oh, I'm sorry. How is it  
11 manufactured? Because I see from the slides, one of the  
12 slides, that the neck piece itself is welded to the dome.

13 MR. CZACHOR: Correct.

14 MR. TSUJI: But I was wondering, how is the neck  
15 piece itself manufactured?

16 MR. CZACHOR: We actually purchase that neck  
17 piece, so it's a purchased item from a subcontractor.

18 MR. TSUJI: Okay. Is it produced, so you know if  
19 it's produced from steel bar or pierced steel bar or --

20 MR. CZACHOR: We actually have more than one  
21 supplier. One supplier uses a cast process, and another one  
22 uses, I believe, a forged process.

23 MR. TSUJI: Okay, thank you. And then, I wanna  
24 ask about -- I noticed in the slides, there were very good  
25 diagrams showing how the spear is fitted and secured into

1 the neck piece. I notice it's either threaded or there's a  
2 lock slot mechanism with a retaining ring. So that would  
3 answer my question about, is the spear indeed removable and  
4 could be replaced.

5 So I'll move onto the weight of the spear -- how  
6 does it vary with the length of the extractor tubing?  
7 Because I noticed the spear that's on display, most of the  
8 weight of course is up at the top with the valve mechanism.  
9 But what would be the weight difference between a spear for  
10 the one-sixth barrel keg versus the one-half barrel keg?

11 And then how would that differ significantly for  
12 other sizes of kegs when you get to the liter sizes, all the  
13 way down from the 10-liter keg all the way up to the  
14 European 50-liter keg?

15 MR. CZACHOR: Good question. With the  
16 American-made keg, we use what's called a 552 spear, which  
17 is 552 millimeters. We use the same spear for our one-sixth  
18 keg and for our one-half keg. I'm not 100% sure what the  
19 other manufacturers do, if they use the same spear in  
20 different size kegs, for example, the half-keg and the  
21 one-sixth keg.

22 The overall dimension of the keg is approximately  
23 23.25 inches, and that is the same for all manufacturers up  
24 on that table. So I do not know if they use the same spear,  
25 but the spear will vary in weight if it's longer, shorter,



1 by the bottom part as you referenced.

2 MR. TSUJI: All right. This may be more suitable  
3 for your post-hearing brief. If the weights of the spears  
4 for the various-sized kegs are readily available, we would  
5 be grateful if that information could be shared with the  
6 Commission for its staff report.

7 MR. CZACHOR: We'll do our best to provide that.

8 MR. TSUJI: Very good. And then follow-up  
9 question. I notice on your website that the one-sixth  
10 barrel keg and the one-half barrel kegs are shipped with the  
11 spear included. Now the imported kegs, do they tend to also  
12 have the spear included when they come into this country?

13 MR. CZACHOR: Yes, that is correct. Most import  
14 kegs that arrive into the United States have a spear  
15 inserted into them.

16 MR. TSUJI: Okay. Thank you. And then, onto the  
17 product itself. Is there an industry-wide product and  
18 performance or design standard for refillable stainless  
19 steel beer kegs?

20 MR. CZACHOR: Yes. There's at least one, the one  
21 that I think a lot of manufacturing companies or purchasers  
22 of kegs are referred to as the Brewers Association's  
23 performance guidelines. And I believe we have submitted  
24 that.

25 MR. RICKARD: Those performance guidelines have

1       been submitted for refillable kegs, and then for single-use  
2       kegs and I think Ms. Thompson put it on the record,  
3       separately also, on the record of this proceeding.

4               MR. TSUJI: Okay. And this particular guideline  
5       is the imported kegs would also meet those guidelines?

6               MR. CZACHOR: I cannot confirm that all imported  
7       kegs would meet those guidelines, but majority of imported  
8       kegs that we are familiar with would meet those guidelines.  
9       A lot of customers that we're aware of, use that reference  
10      when they're purchasing kegs.

11              MR. TSUJI: Okay. And then, more specifically,  
12      are kegs normally marked? Or are they required to be marked  
13      with various types of information, as well as the Country of  
14      Origin?

15              MR. CZACHOR: Yes, to those questions. And I'll  
16      detail them out. The Brewers Association guideline that I  
17      referenced, they went back and asked that all manufacturers  
18      mark their keg with the country where it was manufactured,  
19      or the origin.

20              So I cannot guarantee that everyone's doing it,  
21      but if you look in the marketplace, we see that as the  
22      majority of imports have the Country of Origin on it. And  
23      then what was your second question to that?

24              MR. TSUJI: Any other product performance or  
25      design information?

1           MR. CZACHOR: Yes. There are some other  
2 information on the kegs, mainly on the top of the keg,  
3 around the side of the keg is a government warning, and we  
4 can provide the wording for that in the post brief.

5           MR. TSUJI: Okay. I would appreciate that. And  
6 then, this is a question about the distribution of the empty  
7 kegs. How are the empty kegs returned to a brewery? Is  
8 there a formal mechanism in place? Or formal channels of  
9 return?

10          MR. CZACHOR: Yes, there are a few channels.  
11 The predominant channel would be a distributor, and I'm  
12 going to reference a distributor that sells full kegs. So a  
13 bar or a restaurant or a chain would order, let's say  
14 they're going to order a keg of beer or ten kegs of beer.

15          They would call the distributor. The  
16 distributor would come and drop off ten kegs, and then take  
17 the empties back. The distributor's then responsible for  
18 collecting the empties and taking it back to the appropriate  
19 breweries that have filled them. There are other mechanisms  
20 that can happen. Some smaller companies that can  
21 self-distribute and I'm sure there are some other ones.  
22 But the primary method is through a distributor, and there's  
23 a distribution network throughout the United States.

24          MR. TSUJI: Okay, thank you. And finally, we  
25 would appreciate it if we could be provided with the

1 electronic images for the Commission staff report of the --  
2 of the cutaway view of the keg, that image which has labeled  
3 the various parts of the keg, as well as the images of the  
4 D-Sankey sphere, the valves and the coupler. It's both the  
5 images that are on pages three through seven of the slide  
6 deck.

7 MS. ROLIG: This is Whitney, and we would be  
8 happy to provide this.

9 MR. TSUJI: Thank you very much. Mr. Corkran, I  
10 have no further questions.

11 MR. CORKRAN: Thank you, Mr. Tsuji, and now it's  
12 my turn, and first and foremost, again I appreciate very  
13 much your presentation today. It's been very helpful. The  
14 first question I would like to ask is one that -- I'd like  
15 to go perhaps a little bit further than some of the  
16 information that Mr. Bentley provided in his testimony.

17 Can you describe your firm's financial  
18 performance and that of Geemacher before you, in terms of  
19 revenues versus expenses? I'm not asking for any numbers,  
20 other than in the years for which you've provided data.  
21 Have your revenues exceeded your expenditures or not in this  
22 product?

23 MR. BENTLEY: During the Geemacher years,  
24 revenues were much lower than expenses. During the American  
25 Keg years, revenues were much lower than expenses.

1                   MR. CORKRAN: Thank you very much. I appreciate  
2                   that. To the extent that you can say publicly, what does  
3                   your firm believe that breakeven performance would look  
4                   like? Given the market in which you're competing and the  
5                   product which you're selling, what would you be targeting as  
6                   breakeven?

7                   MS. ROLIG: This is Whitney. Would you like in  
8                   terms of price or in revenue, or both?

9                   MR. CORKRAN: Both. But in general, what would  
10                  be the level of performance that you would be expecting your  
11                  company to achieve?

12                 MR. CZACHOR: I think we'll follow up in the  
13                 post-brief. But some of the information you're asking was  
14                 already submitted in terms of an analysis of what would be  
15                 breakeven and profitable and at what levels. We have done  
16                 that and we have that data, so if it's not sufficient, we  
17                 will submit and post, the post-brief here with additional  
18                 information.

19                 MR. CORKRAN: No, I appreciate that, and let me  
20                 preface this by saying that in some instances, I'm simply  
21                 trying to probe to see if there's a little bit more that can  
22                 be stated publicly in advance of all parties preparing their  
23                 briefs. But likewise, feel free to tell me that the  
24                 information is confidential, and I appreciate that.

25                 MR. BENTLEY: This is Scott Bentley. I'd just

1 like to reiterate that we had a plan. Until the last few  
2 months, we were on that plan. We've been losing money, but  
3 we had significant progress we could talk to you about  
4 post-brief in reaching breakeven and eventual profitability,  
5 until the cost-price issues we've discussed derailed that.

6 It's no hobby. This is a serious business, a  
7 very serious business. We're a serious industry. We're  
8 just the only company in it, and we have every confidence  
9 that the industry can survive and thrive in the future, in a  
10 level playing field.

11 MR. CORKRAN: Would it be possible to show the  
12 slide that reads "Demand for Refillable Stainless Steel  
13 Kegs"? It has two pie charts on it. Yeah, thank you very  
14 much. Okay. So the next question goes to the issue of the  
15 scale of domestic operations, as the Commission will need to  
16 consider whether the industry is established or not.

17 I was juxtaposing the information that I see in  
18 this with testimony that was presented earlier, that  
19 indicated that target market share was eight to ten percent  
20 of the market, which is less even than the volume of craft  
21 beer in the U.S. market. So my question is what scale of  
22 operations is necessary to be considered established in this  
23 industry?

24 You referenced a hope that you would be able to  
25 sell the larger non-craft breweries, but given your current

1 scale of operations or even your projected scale of  
2 operations, is that a hope that's likely to be fulfilled,  
3 regardless of what else happens with U.S. imports?

4 MR. BENTLEY: This is Scott Bentley. When Paul  
5 said that, he said "short term." Like a lot of capital  
6 intensive businesses, we need the ability to plan for years  
7 in advance to purchase buildings, build plants, purchase  
8 extremely expensive presses. We'll do that if we have a  
9 reasonable expectation of getting our money back and making  
10 a profit.

11 We won't do that if there's no hope. So I think  
12 it's as simple as that. But every business starts small,  
13 and every business, successful business grows by doing the  
14 right things. I know how to do that. I will do that and I  
15 absolutely promise that somebody else will do it too, and  
16 we'll have competitors in the domestic industry if we can  
17 all look forward to a profitable future. Thank you.

18 (Pause.)

19 MR. CORKRAN: This may go over some ground that  
20 you've already covered a little bit, but just to get a  
21 little bit more clarity, can you tell us a little bit more  
22 about the predecessor companies to American Keg. I believe  
23 I understand the role that Geemacher played in the U.S.  
24 market. But if you can discuss a little bit more about that  
25 company and American Keg's operations, predecessor

1 operations before becoming a keg manufacturer.

2 MR. RICKARD: So this is -- the historical  
3 things about Geemacher? Is that what you're asking about?  
4 Our understanding of how Geemacher operated is that it was a  
5 company that was born out of the Giannapoulos family  
6 involvement with their craft brewery, and that the goal was  
7 not only to supply themselves with kegs, but also other  
8 craft brewers.

9 So when they began in 2007, that they were  
10 acting as importers of merchandise, and then decided that  
11 there was a market opportunity for manufacturing. That was  
12 later, after they were an established business, that they  
13 began to look into the plans to actually manufacturer  
14 refillable stainless steel kegs. So their actual beginning  
15 initial phase was -- and really like the first concrete  
16 thing was in 2012 when they leased this facility, and then,  
17 you know, commercial production begins in 2015. Before  
18 that, are you also asking before Geemacher?

19 MR. CORKRAN: Sorry, the companies that evolved  
20 into American Keg?

21 MR. RICKARD: Oh okay. So that really is the  
22 only company that evolved into American Keg. But one of the  
23 things that informs is we understand that at Geemacher's  
24 formation is the closure of Spartanburg Steel's keg-making  
25 manufacturing facilities in South Carolina.



1                   That one consequence of that was worse ability  
2                   for craft brewers to be able to get kegs, and that's what  
3                   Mr. Giannapoulos was responding to as he constructed his  
4                   business.

5                   MR. CORKRAN: Okay. My next question goes into  
6                   fundamental distinctions in the marketplace between craft  
7                   brewers and the larger scale brewers in the United States.  
8                   What are the key characteristics of selling to each of those  
9                   groups of customers? How similar or how different are their  
10                  needs?

11                  Obviously I'm sure volume plays a part in that,  
12                  but just even more broadly, how do you go to market to those  
13                  various types of customers?

14                  MR. RICKARD: Mr. Corkran, I'm going to respond  
15                  to it just because of a little bit of proprietary stuff that  
16                  we were talking about beforehand. But one of the things  
17                  that comes up in a business like this is there are some  
18                  qualification procedures that come in place with certain  
19                  types of customers. What American Keg has done is gone  
20                  through some of the qualification procedures for one of the  
21                  large distributors, to get to the point where they can be a  
22                  qualified supplier.

23                  There isn't anything that would be different in  
24                  terms of what they were producing, in terms of like the  
25                  feedback and stuff that they've got, how their manufacturing

1 operations work or what the product was that they were  
2 putting out. Ultimately, they didn't proceed because of  
3 price. So the view from American Keg is that it really is  
4 about volume, about whether or not you can do the volume  
5 supplies.

6 But nothing otherwise in terms of specifications  
7 or abilities within the plan that would make a difference,  
8 other than price.

9 MR. CORKRAN: Can you -- I'm sorry to interrupt,  
10 but could I ask for some more detail on that. You said  
11 there were qualifications required by each of the major U.S.  
12 producers, and at this point you've gone through one?

13 MR. RICKARD: I'm sorry. We understand that  
14 there would be qualifications for some of them, and at least  
15 on one of the distributors, larger distributors that  
16 American Keg went through the qualification process, or at  
17 least started the qualification process but didn't complete  
18 it based off of -- the end result was just on price that  
19 they couldn't meet.

20 MR. CORKRAN: Okay. So help me a little bit  
21 with this, because as we heard in the opening arguments for  
22 the Respondents, they characterized it as -- and forgive me  
23 if I mischaracterize this, but I thought they characterized  
24 it as different, different markets or completely different  
25 segments is what I wrote down.

1                   And you're indicating that there are  
2                   qualification requirements for the major breweries that have  
3                   not been met yet. What is your -- what is your view of the  
4                   characterization of these being two different market  
5                   segments?

6                   MR. RICKARD: Mr. Corkran I think -- again this  
7                   is Nathan Rickard. I think what you've heard today from  
8                   industry witnesses is that it's a question about volume and  
9                   scale, that if permitted to continue on what they had as  
10                  their plan in terms of industry development at the scale  
11                  that they are intending to get to, that they would be able  
12                  to supply and that the quality --

13                  You know, and I underscore this point. The  
14                  qualification requirements that we're talking about are not  
15                  something that changes anything about the way that American  
16                  Keg manufactures or produces refillable stainless steel  
17                  kegs. It's a great question about volume and whether or not  
18                  they're chasing that market now.

19                  You can always point to different customers and  
20                  say that they have different demands or different  
21                  requirements in the marketplace. The question is can  
22                  American Keg compete in that market, and the answer is  
23                  absolutely yes. They're not doing it right now, but their  
24                  intent was to have the volumes that they would be able to  
25                  supply those customers.

1                   I think that's kind of, you know, in terms of  
2 the public record what you're hearing from Mr. Bentley about  
3 Yuengling and that type of supply. Those are sort of the  
4 specific anecdotal evidence about where they plan to enter  
5 into the market. Now I think Mr. Lewis and others will  
6 point to certain customers that do not look to American Keg  
7 right now, and that's true.

8                   But it doesn't make a difference in terms of  
9 what you're talking about in import competition across the  
10 marketplace.

11                  MR. CORKRAN: Okay. I might circle back to  
12 that, but can you give me a sense of the impact, and you've  
13 talked in terms of a cost-price squeeze, and there's been a  
14 focus on imports. Let me ask two things. One, has import  
15 behavior changed? I mean have you seen increases in volume  
16 or decreases in price, or are we talking about events that  
17 are happening mostly on the cost side?

18                  I mean I look back to the anti-dumping and  
19 countervailing duty orders that were issued on stainless  
20 steel sheet and strip in China in the spring of 2017. I  
21 look to public articles regarding the 232 proceedings. I  
22 just want to get a clearer sense of whether we're talking  
23 about changes that have taken place in -- since American Keg  
24 began operations, and whether they are largely being driven  
25 on the cost side or in other areas of competition?

1           MR. CZACHOR: I think your first question was  
2           have we seen a change in import volume and/or price, and I  
3           think over the POI we've seen a change in volume and a  
4           decrease in price on imported kegs.

5           MR. RICKARD: And then Mr. Corkran, one of the  
6           things that we point to in terms of the changes that have  
7           occurred over the POI, we made some reference today in the  
8           direct testimony about the difficulties of measuring what  
9           import volumes and import trends look like.

10           Paul's walked through it a little bit about his  
11           process, and in terms of analysis. So Exhibit 35 for the  
12           petition goes through what the volume numbers look like,  
13           which is what we had the most confidence in in terms of what  
14           had happened in the market.

15           You can see from those numbers a significant  
16           change in the participation in the marketplace that we think  
17           is a change in the way that imports have been competing over  
18           the POI.

19           MR. CORKRAN: Thank you, I appreciate that.  
20           Mainly, I wanted to establish just a little more detail in  
21           terms of the nature of the cost-price squeeze that you were  
22           asserting, what the sources of that were. In terms of  
23           price, is this a market in which contracts are prevalent and  
24           if so, do your contracts tend to reference the price of  
25           stainless steel? Are there any formal mechanisms that would

1 allow you to pass through changes in your own raw material  
2 cost to your customers?

3 MR. CZACHOR: From our perspective as well as  
4 from what we understand in the marketplace, there are no  
5 contracts. Most of the purchases are spot buy or short term  
6 contracts. There can be other suppliers that have contracts  
7 in place, but we're just unaware of them.

8 MR. CORKRAN: I think that will conclude my  
9 questions. I would ask, there are a number of articles that  
10 do reference American Keg, and including references that  
11 attribute the layoff to workers to higher steel prices. If  
12 you could in your post-conference brief be clear in terms of  
13 changes in your own performance that you're attributing to  
14 imports, as opposed to other market considerations, that  
15 would be -- that would be really helpful. I'd greatly  
16 appreciate that.

17 Let me turn to my colleagues to see if there are  
18 other questions to be asked. Mr. Tsuji, yes.

19 MR. BOYLAND: This is just with respect to the  
20 questions I had about the bridge between the transition,  
21 Geemacher to American Keg. We were talking about raw  
22 materials specifically. If you could also address that with  
23 respect to direct labor and other factory costs?

24 MR. CZACHOR: Yes, we can do that.

25 MR. BOYLAND: Thank you.

1                   MR. TSUJI: Karl Tsuji again. The commodity,  
2 one of the commodity industry analysts. I had one further  
3 question, and that is are you aware of any current  
4 anti-dumping or countervailing duty orders in third country  
5 markets on refillable stainless steel kegs imported from the  
6 subject countries, China, Germany or Mexico?

7                   MS. ROLIG: This is Whitney Rolig. We're not  
8 aware of any. We've continued to look for those, but  
9 currently we're not aware of any.

10                  MR. TSUJI: Thank you very much.

11                  MR. CORKRAN: Okay. Thank you. I believe that  
12 will end the staff questioning. Again, we very much  
13 appreciate your time here. It's been very, very helpful to  
14 us. I think I'd actually like to go ahead and move on to  
15 the second panel. So with that, we'll go ahead and dismiss  
16 the first panel and move to the second panel.

17                  (Whereupon, the luncheon recess was had.)

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1                   MR. GALVEZ:    Good afternoon, and thank you for  
2                   the opportunity to testify today.    My name is Alejandro  
3                   Galvez.    I am Chief Commercial Officer fo Thielmann.

4                   Thielmann is a global manufacturer of stainless  
5                   steel containers, including the refillable stainless steel  
6                   kegs covered by this investigation.    I've worked for  
7                   Thielmann for 14 years, and I ave worked in various aspects  
8                   of Thielmann's operations, including management of our keg  
9                   operations and other industrial container businesses.

10                  I am based in Switzerland, but I oversee our  
11                  Mexico and U.S. commercial operations.    I wanted to take a  
12                  few minutes to introduce you to our company and explain what  
13                  Thielmann's role has been in the U.S. market for stainless  
14                  steel kegs.

15                  The Thielmann Container business, which includes  
16                  our kegs business, has been in continuous operation since  
17                  1924.    In the more than 90 years of our existence, we have  
18                  grown to include six factories in the United States, Mexico,  
19                  Spain, Germany, and the United Kingdom.

20                  Our product portfolio includes more than  
21                  stainless steel kegs.    We also produce many other type of  
22                  tailor-made industrial containers and special tank  
23                  containers servicing the beverage, food, chemical, coating,  
24                  pharmaceutical industry, and many more.    And we are  
25                  particularly proud to supply certain products to the U.S.

1 Army.

2 Our keg business spans a variety of keg products  
3 of different sizes and configurations produced to European,  
4 U.S., British, Japanese, Korean, Australian, Brazilian, and  
5 other standards.

6 Within each country market, including the U.S.  
7 each keg is specifically branded to each brewery. And so  
8 it's unique to the customer. For example, the one-sixth  
9 barrel for Miller Coors, has a different diameter than the  
10 one-sixth barrel for Anheuser Busch. We have a production  
11 facility in San Louis Porto City Mexico for the manufacture  
12 of stainless steel kegs with an annual output of  
13 approximately 500,000 kegs.

14 Our Mexican home market is a very large and  
15 dynamic market for us. Many of the world's most famous beer  
16 brands such as Corona and Heineken are produced in Mexico,  
17 and this creates a steady demand for our products.

18 The two largest beer companies in the world,  
19 Anheuser Busch and Heineken are present in Mexico with more  
20 than 15 breweries. Our market elsewhere in Latin America  
21 are also very important.

22 Over the last three years we have seen very  
23 strong growth in demand for our products in South America in  
24 particular, and we expect to see ourselves continue to grow  
25 at healthy rates.

1                   We export our kegs from Mexico to Chile,  
2                   Argentina, Brazil, and sometimes even to Australia and New  
3                   Zealand from Mexico. We are also increasingly looking to  
4                   China and India as countries where there's a significant  
5                   growth potential.

6                   The keg business is a seasonable business. One  
7                   of the complexities that we encounter is having to manage  
8                   our business with a clear high season in the Northern  
9                   Hemisphere that goes from January to June, and a low season  
10                  that goes from July to December. Depending on how a  
11                  manufacturer handles the low season, the financial  
12                  performance of the company can be totally different.

13                  We sell to the Southern Hemisphere, and therefore  
14                  we can sell our kegs during peak seasons 12 months out of  
15                  the year. This is one of the reasons why our Southern  
16                  Hemisphere business is stable, growing, and a key part of  
17                  our global strategy.

18                  Of course the United States is also an important  
19                  market for our Mexican plant, and we have been serving the  
20                  U.S. market since the 1980s, by building on our reputation  
21                  for both quality of our products and the level of service,  
22                  including availability of our supply, and short lead times.

23                  In understanding our role in the U.S. market,  
24                  it's important to understand the structure of the U.S.  
25                  market today. It can be roughly divided into two major and

1 distinct market segments.

2           The first segment consists of large purchasers,  
3 including large brewers and keg rental and leasing  
4 companies. The second segment consists of principally of  
5 the smaller scale, independent craft brewers. The large  
6 brewer segment consists of a relatively small number of very  
7 major customers, including the larger brewers like Anheuser  
8 Busch Inbev, Miller Coors, Boston Beer Company, Yuengling,  
9 Sierra Nevada, New Belgium, Lagunitas. This segment also  
10 includes certain keg rental or leasing companies like  
11 MicroStar, Keg Logistics, Global Keg, et cetera.

12           The companies operating in this segment commands  
13 fleets numbering in the hundreds of thousands or even  
14 million rough kegs. Purchase of new kegs by these  
15 large-volume customers may range from 3- to 600,000 kegs in  
16 a year. Certain of these large-volume purchasers,  
17 particularly those operating internationally, may contract  
18 to purchase kegs to service their operation in multiple  
19 countries, making the scale of their purchases even larger.

20           These very large purchases of kegs are our  
21 customers. In fact, only the largest keg producers like  
22 Thielmann, Blefa, and a handful of other global companies,  
23 truly have the production capacity to supply and service  
24 these types of large orders by us within a short period of  
25 time.

1                   We do not know a lot about American Keg  
2                   operations. We never encountered them in the large U.S.  
3                   market segment in which we operate. But we have read their  
4                   press statements. My firm view is that American Keg lacks  
5                   the capacity necessary to sell into the large-volume  
6                   segments of the market. Accordingly, I'm confident that we  
7                   have never competed for sales with them.

8                   On the contrary, imports from Mexico and a  
9                   limited number of other countries remain the only option for  
10                  the larger purchasers to meet their sizeable demand for kegs  
11                  in the U.S. market. As such, Thielmann serves an important  
12                  role in the U.S. market.

13                  The other major segment of the United States  
14                  market consists of the small, independent craft brewers  
15                  purchasing in relatively small quantities. This market  
16                  segment is familiar to anyone who consumes beer in the  
17                  United States. There are literally thousands of craft  
18                  brewers in the United States. In fact, the Brewers  
19                  Association recorded over 6,000 brewers in the United States  
20                  at the end of last year.

21                  This is a growing and dynamic market segment. In  
22                  the last few years, we have seen an explosion of craft  
23                  brewers in America. However, the segment has certain  
24                  challenges. To be frank, it is not the principal or most  
25                  attractive market segment for a large-volume producer like

1 Thielmann.

2           The first reason is the customer purchase  
3 volumes, as I have mentioned, sales to the largest volume  
4 market are made in the tens of thousands, or even hundreds  
5 of thousands of kegs. Sales in the craft market are on a  
6 vastly different scale, tens, hundreds, in some cases  
7 several thousand kegs. The cost of selling kegs to serving  
8 the needs of the craft brewers is therefore inherently  
9 higher.

10           The second challenge is price. You might think  
11 that pricing in the craft market would tend to be higher,  
12 even the lower volume of sales. However, the craft segment  
13 faces its own unique financial pressure that tend to hold  
14 down prices in that segment.

15           Craft brewers are frequently very small  
16 operations with limited liquidity and tight profit margins.  
17 It can be both risky and expensive for these companies to  
18 tie up financial resources with inventory of kegs, their  
19 beer storage option other than buying kegs. Instead of  
20 incurring the large expense of keeping kegs on their balance  
21 sheets and incurring additional costs of cleaning lines and  
22 keg logistics, craft brewers may choose to rent kegs from a  
23 rental or leasing company.

24           We sell to these rental and leasing companies,  
25 but not to the small craft brewers that are renting their

1 kegs. We estimate that more than 4,000 craft brewers  
2 operate via the rental and leasing companies.

3 They also may choose to buy cheaper, single-use  
4 plastic kegs at perhaps 10 to 15 percent of the price of a  
5 returnable stainless steel keg. Both of these options tie  
6 up less capital in the short term, and as a result provide  
7 an attractive alternative to small craft brewers that cannot  
8 incur the costs of purchasing the stainless steel kegs.

9 This puts pressure on the stainless steel keg  
10 suppliers to lower price to craft brewers to compete with  
11 these alternatives. It is my understanding that American  
12 Keg sells its kegs exclusively in the more challenging and  
13 lower priced craft segment of the market and does not  
14 compete at all in the large-volume market. This is  
15 certainly understandable.

16 As one of American Keg's owners said in a 2016  
17 article, "American Keg doesn't make enough kegs to supply to  
18 the larger brewers like Anheuser Busch and Miller, or even  
19 larger craft brewers like "Yuengling and Sam Adams."

20 Indeed, even within the craft segment, it appears  
21 from their public segment that American Keg is trying to  
22 stay competitive by focusing on promoting "Mad In America"  
23 brand, selling to smaller brewers that value their kegs  
24 being produced in the United States and are willing to pay a  
25 premium for a "Made In The USA" product.

1           Finally, I would like to say a few words  
2           generally about pricing of stainless steel kegs in both the  
3           large volume and in the craft brewer markets.

4           First, stainless steel kegs are highly engineered  
5           products that compete principally on the basis of quality,  
6           durability, availability, service, logistic service, and the  
7           brand. At Thielmann we have worked hard over the last 30  
8           years to build a brand name in the United States that is  
9           associated with quality, quick delivery time, and reliable  
10          customer service.

11          Our customers choose us because we are well  
12          established, can produce and deliver large volumes, meet  
13          tight timelines, and have a reliable product that can be  
14          serviced efficiently. Price is typically not the primary  
15          basis on which we compete in the market.

16          Second, the price of stainless steel is directly  
17          and heavily influenced by the cost of raw material prices.  
18          Specifically, the cost of stainless steel. This is hardly  
19          surprising because stainless steel accounts for the  
20          overwhelming majority of the cost of manufacturing stainless  
21          steel kegs.

22          Our pricing, like those of all our competitors,  
23          therefore closely tracks changes in the price of stainless  
24          steel, even weekly. We buy some of our stainless steel from  
25          the United States, and so like American Keg we are impacted



1 by U.S. steel prices. In our confidential post-conference  
2 brief we intend to share evidence of the correlation between  
3 our prices and the price of stainless steel. The  
4 relationship is striking.

5 Thank you, and I will be pleased to answer your  
6 questions.

7 MR. DORRIS: I believe I just heard the church  
8 bell, so I think I can safely say "good afternoon." My name  
9 is Greg Dorris. I'm a partner with the Law Firm of Pepper  
10 Hamilton and counsel to Respondent Blefa GmbH and Blefa Keg,  
11 Inc.

12 Blefa GmbH is a German producer of the kegs at  
13 issue hee today, and Blefa Keg, Inc., is a U.S. importer of  
14 the subject kegs produced by its sister company in Germany.

15 First let me thank all the Commission staff  
16 present and not present for the hard work that I know they  
17 will perform in the short time mandated for this preliminary  
18 investigation. Given the short time, we were not able to  
19 arrange for representatives from Germany to attend today's  
20 conference, but please do not infer from this shortcoming  
21 any lack of zeal for the termination of this process at this  
22 preliminary phase.

23 We were able to arrange for representatives from  
24 Blefa Keg in the United States to be here. So without  
25 further ado, let me present Mr. Willenbrink. Justin?

1 STATEMENT OF JUSTIN WILLENBRINK

2 MR. WILLENBRINK: Thank you, Greg.

3 Hello, and thank you for your time today. My  
4 name is Justin Willenbrink, and I am the North American  
5 Sales Director for Blefa Kegs, Incorporated. Although I am  
6 employed by Blefa Kegs, Incorporated, in the United States,  
7 I also report directly to Blefa GmbH, our sister company, in  
8 Germany.

9 We only manufacture stainless steel kegs from our  
10 production facility in Kreuztal, Germany. We have two sales  
11 and service locations in the United States. Our main  
12 location is in Laverne, Tennessee. And in January of 2016,  
13 we opened a second location in Vancouver, Washington.

14 One thing that makes Blefa somewhat unique is  
15 that in both locations we maintain equipment and personnel  
16 for servicing kegs from simple valve maintenance to the  
17 rechiming of kegs as needed. Our full service capabilities  
18 tie into our sales philosophy, which states: We want to grow  
19 with our customers, and not just sell them kegs, but sell  
20 them solutions, which translates into answers to their  
21 purchasing, distribution, repair issues, as well as advice  
22 on equipment choices for their keg filling and cleaning  
23 needs.

24 The majority of the kegs in the United States--  
25 the majority of our keg sales in the United States are also

1 to large customers, either larger breweries or leasing and  
2 rental companies. We work closely with these larger  
3 companies who typically purchase tens of thousands or more  
4 at a--each time, each year from us.

5 We have to pass very strict and involved  
6 qualification testings from these customers to become  
7 certified. While we've been certified for most of these  
8 customers for many years, such certification takes months or  
9 even years to complete, not necessarily days or weeks.

10 Certification typically involves extensive  
11 testing of the customer's keg specs that are specific to  
12 their brand. These keg specs may include dimensional or  
13 material thickness standards that are different from the  
14 market. These kegs must pass tests such as shake-table  
15 tests, drop tests, over-pressurization tests, sand-blasting  
16 tests, and iron pickup, and are also subject to  
17 weld-quality inspections.

18 We provide a 30-year warranty for all of our kegs  
19 which distinguishes us from a lot of the suppliers that  
20 offer much less.

21 Aside from certification and our full-service  
22 capabilities, these large customers greatly appreciate that  
23 we hold inventory in two U.S. locations, which can make  
24 immediate customized shipments for their needs.

25 We call this our "Quick Keg Model." While some

1 of our sales are from this inventory, we also handle sales  
2 and the delivery of kegs to customers in the United States  
3 wherever they may be.

4 Like I said, we do sell to breweries, and we also  
5 sell to large leasing and rental companies. These customers  
6 value our 30-year warranty, quality of materials, and our  
7 experienced manufacturing processes as they tend to reuse  
8 these kegs they purchase from us many times over many years.

9 Leasing customers typically involve standard kegs  
10 that are branded with the lesser specific customer's  
11 labeling. In contrast, rental typically involves standard  
12 kegs with the renter's branding. In either case, these kegs  
13 are based on their internal company specifications and need  
14 to last for a long time of use.

15 In closing, I just want to emphasize that Blefa  
16 has been making and selling kegs since 1968. In fact, we  
17 just celebrated our 50th anniversary of being in the keg  
18 business. We make quality kegs that we sell at fair prices  
19 that reflect our long-time manufacturing experience, and  
20 full-service quick keg sales model in the United States.

21 Blefa strongly believes the Commission should  
22 react negatively in the determination in this primary--  
23 preliminary investigation, and I want to thank the  
24 Commission for their time today.

25 MR. LEWIS: Mr. Corkran, as I had mentioned, we

1 have a brief video which we'd like to play at this time.

2 (Video is shown.)

3 STATEMENT OF CRAIG A. LEWIS

4 MR. LEWIS: Craig Lewis, Hogan Lovells, on behalf  
5 of Thielmann. Apologize for the sound quality. The best  
6 laid plans go awry with technology, obviously, but I hope  
7 you could hear that.

8 Let me briefly address the main facts of this  
9 case and explain why the Commission should render a negative  
10 determination.

11 In our view, this is one of the rarer cases that  
12 merit dismissal at the preliminary determination stage. Let  
13 me briefly some of the more salient conditions of  
14 competition that set the context for the Commission's  
15 analysis and my colleague, Mike Jacobson will address some  
16 of the statutory criteria for injury.

17 First, although this case has been brought  
18 against imports from China, American Keg and its  
19 predecessor, Geemacher, has a long history as a significant  
20 importer of kegs from China and continues to promote the  
21 sale of imported Chinese kegs on its website.

22 If Chinese keg imports have resulted in negative  
23 price or volume effects in the U.S. market, as American Kegs  
24 asserts in its petition and today at this hearing, one has  
25 to question what role American Keg has had in that result.

1           We're obviously constrained in what we can say in  
2 a public forum on the details of this activity, but we would  
3 also note that American Keg's substantial import activity  
4 calls into question whether American Keg's primary interest  
5 is in domestic production or, as the historical record  
6 suggests, in importing from China.

7           We ask that the Commission carefully consider  
8 that confidential information in American Keg's  
9 questionnaires when assessing whether to exclude American  
10 Keg from the definition of the domestic industry.

11           Second, as our witnesses have testified, the U.S.  
12 industry is structured into two distinct market segments.  
13 The first is the market consisting of a limited number of  
14 large breweries and certain keg rental and leasing companies  
15 who purchase in very large quantities to offer kegs in a  
16 rental in large quantities, to over 4,000 different  
17 breweries. That is to say the leasing companies.

18           This is by far the largest and most important  
19 market for each of those subject foreign producers that are  
20 before the Commission in this investigation. American Keg  
21 is completely absent from this market. This is not because  
22 American Keg can't compete with low-priced imports. In  
23 fact, prices are not lower in this market segment.

24           American Keg is absent from this market segment  
25 because it simply lacks the capacity to produce in the

1 volumes required to service these customers. Indeed,  
2 American Keg's owners admitted in an April 2016 article that  
3 "The company currently sells its kegs exclusively to craft  
4 breweries. It doesn't make enough kegs to supply large  
5 brewers like Anheuser Busch and Miller, or even larger  
6 craft brewers like Yuengling and Sam Adams."

7 The inability of American Keg to compete in this  
8 market segment cannot therefore be laid at the door of  
9 subject imports.

10 Third, the sole U.S. producer, American Keg, with  
11 something in the range of twenty employees, is incapable of  
12 supplying more than a tiny fraction of U.S. demand for  
13 stainless steel kegs. You saw the very small size of  
14 American Keg's operations in the video we just played.

15 Even in American Keg operated permanently at a  
16 100% capacity utilization, its share of the market would  
17 remain miniscule, and the gap would need to be filled by  
18 imports. Indeed, this case is extraordinary in just how  
19 little of the domestic market is capable of being supplied  
20 by the U.S. industry. Imports are an essential element to  
21 the market under any conceivable scenario.

22 Fourth, total manufacturing costs and pricing of  
23 stainless steel kegs are both heavily influenced by the cost  
24 of stainless steel, the single raw material that accounts  
25 for most of the cost of manufacturing kegs. The cost of

1 manufacturing and the price of kegs historically follows  
2 closely the price of stainless steel. We will provide  
3 compelling confidential supporting evidence of this fact in  
4 our post-conference brief.

5           It's in this context that we see another critical  
6 condition of competition, perhaps the most important of all  
7 during the investigation period. That is the shock  
8 experience in the stainless steel market with the  
9 introduction of new tariffs on steel, including the  
10 Austenitic stainless steels used to manufacture stainless  
11 steel kegs.

12           U.S. pricing for stainless steel, both imported  
13 and domestically-produced, has been hit hard by the 25%  
14 Section 232 national security tariffs imposed in March of  
15 this year, which by the way, when this last video was being  
16 filmed as I understand, February or March. Prices rose  
17 significantly in anticipation and in response to the tariffs  
18 themselves.

19           American Keg's executives have spoken frequently,  
20 loudly, and publicly, complaining about the impact that this  
21 development has had on the company's profitability and  
22 competitiveness. You have just seen examples of that in the  
23 videos we've just played. This market factor is important,  
24 not only for American Keg, but also for the Commission's  
25 analysis.



1           You will recall that Mr. Czachor clearly stated  
2           that the problem he was encountering, the very problem that  
3           apparently led to American Keg's filing of the petition, was  
4           not that import prices were declining or expected to decline  
5           in the future.

6           Mr. Czachor stated in the video that in response  
7           to the Section 232 steel tariffs and here, I quote, "All of  
8           the import kegs will still use the low-cost steel from  
9           offshore," and here's the important part, "and those prices  
10          will stay the same; therefore, the delta will be even higher  
11          to purchase an American Keg." I emphasize "and those prices  
12          will stay the same."

13          In other words, the problem Mr. Czachor saw was  
14          that the American Keg's profitability would be hard-hit by  
15          the effects of Section 232 tariffs imposed on his key raw  
16          material by his own government. He was very clear about  
17          this. One can sympathize with Mr. Czachor's plight and  
18          American Keg's plight and we do. And we wish them no ill  
19          will.

20          But we also need to point out that the causal  
21          factor he identified and expressed concern about is not  
22          unfair pricing by subject imports.

23          Fifth, and contrary to what petitioner has  
24          repeatedly claimed, kegs do not compete solely or even  
25          principally on the basis of price. Indeed, American Keg's

1 core marketing strategy of leveraging its status is a Made  
2 in America product and seeking premium pricing on that basis  
3 is a clear reputation of the claim that pricing is the  
4 predominant factor in the purchase decisions, particularly  
5 in the craft brewery segment where American Keg sells its  
6 products.

7           You can see in the videos we played that this is  
8 American Keg's principal strategy, which it believes  
9 justifies higher prices to a niche target group of craft  
10 brewery customers. In fact, the experience of our clients  
11 has been that other non-price factors are critical to  
12 purchasing decisions in this industry including quality and  
13 differentiation of the features of the product, which we  
14 hope we can point out to you in the course of our answers to  
15 your questions. Reliability of supply, brand reputation,  
16 lead times, logistic support and service.

17           Sixth, even before the Section 232 tariffs,  
18 competition and pricing for stainless steel kegs in the  
19 craft segment to which American Keg exclusively competes,  
20 has been subject to certain pressures that are not present  
21 in the large-volume segment.

22           For example, as Mr. Galvez has testified,  
23 suppliers to the craft segment face competition from much  
24 cheaper single-use plastic kegs that present a potentially  
25 viable alternative to small-craft brewers that lack the

1 financial liquidity to purchase a fleet of more expensive  
2 new stainless steel kegs.

3 The option of renting or leasing kegs from keg  
4 leasing companies is another alternative to address the same  
5 financial need. Both of these factors tend to constrain  
6 pricing in the segment, the segment in which American Keg  
7 exclusively competes.

8 Lastly, and certainly not least, of the relevant  
9 conditions of competition that the Commission should take  
10 into account, is the introduction of new Section 301 tariffs  
11 on imports of subject kegs from China. American Keg lobbied  
12 heavily for these tariffs to be imposed, and they've been  
13 successful.

14 Just last month, the White House announced the  
15 imposition of 10% tariffs on imports of Chinese kegs. Those  
16 tariffs are scheduled to increase to a punishing 25% level  
17 starting on January 1.

18 As are supported by responses in the Commission's  
19 questionnaires, these tariffs will undoubtedly lead to a  
20 substantial reduction in imports from China and an increase  
21 in the prices of those that continue to be sold in the  
22 market. That impact is already being felt and will increase  
23 over time.

24 Having reviewed the key conditions of  
25 competition, I'd like to turn it over to my colleague,

1 Michael Jacobson, who will now speak in light of the  
2 Commission's statutory injury factors. Thank you.

3 STATEMENT OF MICHAEL G. JACOBSON

4 MR. JACOBSON: Thanks, Craig. Good afternoon.  
5 My name is Michael Jacobson. I'm an attorney at Hogan  
6 Lovells and I represent Thielmann, a Mexican producer and  
7 importer. With these important conditions of competition as  
8 context, let me turn next to a brief discussion of the  
9 Commission's standard criteria of volume, price, impacts and  
10 threat.

11 First, volume. This is not a volume case. While  
12 I'm constrained not to provide any specific details here due  
13 to confidentiality concerns, I can report that American  
14 Keg's capacity, production, shipments, market share, all  
15 show very strong, positive trends during the investigation  
16 period. American Keg is a growing start-up company.  
17 Meanwhile, petitioners' own estimates in the petition show  
18 cumulated subject import volumes declining in every year of  
19 the investigation period and also in the two interim review  
20 periods.

21 Second, prices. There's no credible evidence of  
22 price depression or suppression on the record in this  
23 preliminary investigation. For confidentiality reasons,  
24 we'll need to provide our detailed comments in our  
25 post-conference submission.

1           However, we can note that the Commission has  
2 collected a robust set of pricing data from the petitioner  
3 and from importer questionnaires. We ask that you look  
4 closely at this data. These data do not evidence any  
5 consistent downward price trend as alleged by the petition,  
6 nor any correlation between movement in subject import  
7 prices and domestic prices.

8           Instead, as we will demonstrate in our  
9 post-conference submission, keg prices moved with the price  
10 of stainless steel. Indeed, if there has been any cost  
11 price squeeze, as petitioner alleges, the squeeze is coming  
12 from costs, specifically the higher stainless steel prices  
13 in the U.S. market as a result of the Section 232 tariffs.

14           American Keg has correctly complained that these  
15 tariffs are hurting U.S. businesses across the board. But  
16 the cost effects of steel tariffs are entirely unrelated to  
17 imports. Additionally, petitioners anecdotal data on lost  
18 sales and lost revenues recently provided in a supplement to  
19 the petition, are suspect. We intend to address these  
20 allegations in our confidential written submission. We also  
21 urge the Commission to verify the accuracy of those claims.

22           Third, on the issue of the impact of imports, as  
23 a preliminary matter, we invite the Commission to carefully  
24 review the questionnaire response submitted by American Keg.  
25 We've identified certain items in the operational and

1 financial data that the Commission should scrutinize. For  
2 example, the capacity figures appear to be inflated. And  
3 several critical expense factors in the financial  
4 performance data, at a minimum, call for American Keg to  
5 provide a detailed explanation.

6 We urge the Commission staff to follow up on  
7 these issues so the record can be corrected in time for the  
8 Commission's consideration. However, even accepting the  
9 data as submitted, there's no evidence that American Keg's  
10 operational and financial performance data to suggest that  
11 subject imports are a discernible causal factor.

12 Indeed, as you've seen in the video we just  
13 played, American Keg's CEO did not point to imports as the  
14 reason he laid off employees and was concerned about the  
15 possibility of shutting down the business. Instead, he was  
16 focused on the Section 232 tariffs on stainless steel and  
17 the rising steel costs as the primary threat to his  
18 business.

19 To the extent that American Keg has  
20 underperformed financially, these results are, if anything,  
21 consistent with what one would expect with a start-up  
22 company. According to its website, American Keg began  
23 production in early 2015. The company has continued to  
24 expand across the period of investigation.

25 As noted earlier, all of the volume indicators

1 for the company include capacity, production, shipments and  
2 growth in market share, are not only positive, they are  
3 quite strong for a company seeking tariff protection. But  
4 for the Section 232 tariffs, American Keg would've shown  
5 even stronger numbers. Thus, the source of any performance  
6 deficiency clearly lies somewhere else in the company's  
7 structure and operations.

8 The evidence suggests that the new tariffs on  
9 subject imports cannot fix the company's problems,  
10 particularly when subject imports are mostly directed to an  
11 entirely different market segment, large customers that  
12 American keg currently cannot serve. We intend to comment  
13 further on this in our post-conference brief.

14 Finally, I'd like to say a few words about why  
15 there is no threat of material injury. First, the  
16 Commission should conduct a decumulation analysis, given the  
17 significantly different conditions of competition applicable  
18 to subject imports. These include notably the fact that  
19 imports from China, unlike Mexico and Germany, are currently  
20 facing 10% duties that are scheduled to increase to 25% in  
21 just a couple months. Also, it's noteworthy that petitioner  
22 has been buying Chinese kegs for many years and continues to  
23 buy from China, but not from Mexico and not from Germany.

24 Second, subject imports from Mexico are stable in  
25 large part due to stable levels of production and strong

1 demand in home and third country markets. As you heard from  
2 Mr. Galvez, Thielmann's southern hemisphere markets provide  
3 a consistent source of demand during nonpeak seasons in the  
4 North American markets.

5 Third, there's little to no competitive overlap  
6 between imports from Mexico, which are concentrated on the  
7 large purchaser market, and sales by American Keg, which are  
8 exclusively sold to the craft sector. Thank you. This  
9 concludes our testimony. We'd be pleased to answer your  
10 questions.

11 MR. LEWIS: And with that, we conclude the  
12 respondents' panel. Thank you.

13 MR. CORKRAN: Thank you very much to the entire  
14 panel. We really appreciate your presence here today and  
15 your assistance in this proceeding. Let me turn first to  
16 Michael Haldenstein, our attorney/advisor.

17 MR. HALDENSTEIN: Thank you, good afternoon. I  
18 appreciate you all coming in today to help us understanding  
19 the keg market. Do respondents accept petitioners' proposed  
20 domestic like products for purposes of the preliminary  
21 phase? Any thoughts?

22 MR. LEWIS: Yeah, I could start with that. For  
23 purposes of the preliminary investigation, we do accept it.  
24 I think there are some issues there that we are considering,  
25 and we will raise in our post-conference brief, but we're



1 willing for purposes of the preliminary to accept the like  
2 product as defined by petitioners.

3 MR. HALDENSTEIN: Thank you. I thought I heard a  
4 reference to excluding American Keg as a related party.  
5 Since they're the only domestic producer, I'm not sure where  
6 that would leave the Commission and I don't believe the  
7 Commission has ever done anything like that before. So can  
8 you comment further on that?

9 MR. STOEL: Mr. Haldenstein, this is Jonathan  
10 Stoel for the record. We agree with you that we're not  
11 aware of any case like that and obviously, we're aware that  
12 petitioner is, in fact, manufacturing kegs. I think,  
13 though, as you see from the slide that we have shown from  
14 American Keg's own FAQ. I mean they've been doing imports  
15 from China for a very long time.

16 And I think if you look at their questionnaire  
17 data, it really does draw into question whether their  
18 primary interest is as an importer or as a domestic  
19 producer. And you know, it's very interesting, and it's,  
20 they were here in this room because Mr. Czachor, of course,  
21 testified to the Commission, I believe, here.

22 And it was interesting to me, when I look at his  
23 testimony, this is from his 301 testimony back earlier this  
24 year on May 15. He noted that there were, in fact, supplies  
25 of kegs from Mexico and Europe. And what did he say about

1 that? He said, the key difference about those supplies is  
2 that they are not subsidized or dumped. He was  
3 distinguishing from China.

4 So my question is, why would the American  
5 producer continue to be importing from China? When they  
6 seem to be alleging that China is the principal problem. I  
7 think to your very good question, that draws in a  
8 significant question of where their primary interest lies.  
9 If they were so upset about China, they went to the  
10 testimony, they came and testified here in Washington.  
11 They've been asking for the president to impose tariffs on  
12 China. Then why are they continuing to import from China?  
13 It really I think draws into question the purpose of this  
14 case.

15 MR. LEWIS: If I could just amplify a little bit  
16 on the legal aspect of that question, too. I think, you  
17 know, the Commission's policy and practice with respect to  
18 exclusion of domestic producers from the industry, is pretty  
19 well established. There's specific criteria for it,  
20 including quite prominently where the interests of the  
21 company lies.

22 I understand and we've considered this ourselves,  
23 the unusual position that that could put the Commission in,  
24 when there's only one U.S. producer in the industry. But I  
25 think that the Commission has to follow the law, has to

1 follow its policies and to follow it to its necessary  
2 conclusions, which could in this case and in our view should  
3 include exclusion and termination of this investigation.

4 MR. HALDENSTEIN: Thank you. Can you comment  
5 further on the seasonality of demand for this product? I  
6 wasn't clear on why demand would be seasonal. Is beer  
7 consumption seasonal? Is that what's driving it, because  
8 from my understanding is these kegs last quite a long time.  
9 So why would purchases be seasonal?

10 MR. GALVEZ: Yeah. Well, as our colleagues from  
11 American Keg mentioned, there's clearly a peak season around  
12 March, April, and that's basically just to get ready for the  
13 summer season. Year after year, we estimate there's 5% keg  
14 lost in the market. There's damage or they're lost and  
15 every year, we see these things have been involved.

16 All purchases really happen between January and  
17 the month of June to get ready for the summer break,  
18 basically. That's when the, sometimes I've been asked,  
19 what's the forecast for next year, and I always say, well,  
20 do we know how the weather's gonna be like? Hot summer, hot  
21 weather brings more sales.

22 And the brewers don't know. They don't really  
23 understand how many kegs they have until they just see the  
24 demand from their commercial teams. And suddenly, they need  
25 kegs right away. And our production sales show clearly year

1 after year. The January to July time frame, it's the peak  
2 season and then goes down considerably in the northern  
3 hemisphere.

4 MR. HALDENSTEIN: Thank you.

5 MR. JACOBSON: Briefly -- Michael Jacobson for  
6 the record. I just add, as mentioned in the testimony that  
7 the southern hemisphere has a different peak season because  
8 the seasons are flipped. So particularly Thielmann being in  
9 Mexico is in a position to have peak seasons in both  
10 hemispheres and to supply kegs during peak seasons to its  
11 southern hemisphere customers.

12 MR. LEWIS: Just to add one quick comment on  
13 that, too. You know, the significance of that shouldn't be  
14 lost on the Commission because these are very capital  
15 intensive companies and maintaining production levels over  
16 the entire span of the year is critically important to your  
17 overall profitability and companies like Thielmann have  
18 managed to balance their production by supplying both the  
19 northern and southern hemispheres.

20 MR. HALDENSTEIN: Thank you. And I heard  
21 discussion of rental or leasing companies who handle these  
22 kegs and they were described as working with craft brewers  
23 and serving their demand for kegs. I'm wondering how much  
24 of the market for kegs is comprised of these rental or  
25 leasing companies?

1                   MR. WILLENBRINK: I mean it's our estimation and  
2 Mr. Galvez had spoken earlier that more than 4,000 of the  
3 craft breweries in the United States are currently leasing  
4 or renting in some capacity. So if you're looking at 7,000,  
5 that's somewhere in the neighborhood of 60-, 65% are  
6 utilizing some sort of rental or leasing model for their  
7 businesses.

8                   MR. HALDENSTEIN: So they wouldn't have their own  
9 kegs that have their own, the brewery name on them? They  
10 just use the --

11                   MR. WILLENBRINK: Yeah, and to speak to that --

12                   MR. HALDENSTEIN: -- the leasing company --

13                   MR. WILLENBRINK: Leasing companies are utilizing  
14 a lease program to free up capital so they can spend more on  
15 personnel, for raw materials and whatnot. So they're paying  
16 a monthly rental, or I should say a monthly lease on that  
17 asset. And then over time, at the end of the lease, you  
18 know, they can buy outright, they can return it, just like a  
19 car lease. It just frees up the capital for other expenses.

20                   From a rental perspective, those are an asset  
21 that are pooled together. So when a brewery that rents,  
22 needs kegs, they simply pick up the phone and kegs are  
23 delivered, and those kegs could be from a different brewery  
24 yesterday or two weeks ago, and they're gonna go to another  
25 brewery after they leave theirs.

1           As on the leasing side, those are branded for  
2 this specific customer, the end user of those kegs, and  
3 those kegs will return to their brewery over time.

4           MR. GALVEZ: If I may add. What we see also,  
5 when we deal with these rental companies that owns over, in  
6 the case of MicroStar, we believe that they own over three  
7 million kegs. That allows them to absorb an imminent peak  
8 or need for any brewery. If a brewery in the East Coast  
9 wants to send their beer to the West Coast, they don't need  
10 to return the keg back to the East Coast, if they optimize  
11 logistics and they use them in the West Coast.

12           And sometimes these companies are also acting  
13 internationally. So some brewers in the U.S., they export  
14 beer to Europe. They don't need to return the keg empty.  
15 They just have their own customers in Europe that want to  
16 export beer to U.S. And they basically optimize  
17 transportation. For the small breweries, it's a huge  
18 advantage for them not to handle the logistics and the  
19 empty returns.

20           MR. JACOBSON: Mr. Corkran asked about the slide  
21 with the pie chart that petitioners showed you this morning,  
22 and I think this brings up an important point about that  
23 slide, so it says that 13% of the beer market by volume is  
24 craft breweries. There's also a figure about value, but  
25 that's probably not relevant to the keg business.

1           The volume is what matters. That 13% number is  
2 also, is now probably inflated, in terms of who's going to  
3 purchase a keg. It's about two-thirds of the market is  
4 renting or leasing kegs, that figure with the craft brewery  
5 pie, is smaller.

6           MR. HALDENSTEIN: What about bottles and cans? I  
7 mean the market is also served by bottles and cans. How  
8 much of the market is really served by kegs? Do people  
9 know?

10          MR. WILLENBRINK: I think a lot of it depends on  
11 the customer and where they are as a brewery. Starting out,  
12 almost every brewery or winery that's using kegs, that's how  
13 they keep -- they're simply dispensing out of kegs in their  
14 tap rooms and local bars and restaurants.

15          And as they continue to grow and their  
16 distribution footprints grow, they need to send kegs to the  
17 new market in order to create demand and then after they've  
18 created demand, that's where secondary packaging comes in.  
19 And where you can find it in C-stores, grocery stores, that  
20 alike. As breweries continue to grow, their demand for tap  
21 handles decreases, and the ability for secondary packaging  
22 increases.

23          So for someone like Yuengling, you know,  
24 twenty-five years ago, Yuengling was on tap and was  
25 everywhere in the East Coast, and now with the overwhelming

1 entry of all these 6,000, 6,800 breweries, it's harder for  
2 them to find tap handle space, so they're in secondary  
3 packaging. It kind of grows. So most breweries may start  
4 out a 100% draft and they'll slowly go down to where I would  
5 -- I would assume Yuengling is probably somewhere in the  
6 neighborhood of 10- to 15% draft.

7 MR. HALDENSTEIN: Thank you.

8 How do Respondents believe that the volume of  
9 imports should be calculated? Should they be based at all  
10 on official statistics? Or just questionnaires? Or a mix?

11 MR. LEWIS: I'll try to take a stab at that one.  
12 There are clearly issues with the import statistics, the  
13 official import statistics in that they are basket  
14 categories that can include nonsubject products in them.

15 We actually think that the Petitioners did a  
16 reasonable job to try to work with that data and come up  
17 with estimates of it. So we actually don't have a problem  
18 with the estimates that they've provided. And if the  
19 Commission wishes to rely on that, that we think is  
20 reasonable.

21 That said, I think the Commission--well I know  
22 the Commission has full coverage from the importer  
23 questionnaires for imports from Mexico, and so swapping that  
24 data in for the Mexican official imports would make sense.  
25 And I think the coverage is also equally full for Germany.



1 And I believe, although we're still looking at it, quite  
2 robust for China as well. So that could be an alternative,  
3 as well.

4 But I think the trends you'll see are essentially  
5 the same under both scenarios, which is what's led us to  
6 assert that this is not a volume case. It's not a situation  
7 where--I think I heard the term, the same term I hear in a  
8 lot of these cases, about a "flood" or an "avalanche" or a  
9 "tsunami" --I didn't hear tsunami today, but I've heard  
10 recently, of imports, subject imports. That's just absent  
11 from the record of this case.

12 MR. HALDENSTEIN: Thank you. I heard the  
13 argument that 232 seems to be like an intervening cause of  
14 injury to the domestic producer. But isn't there a theory,  
15 really, that they can't increase their prices to pass on  
16 their costs, the increase in cost due to the 232? I mean,  
17 isn't the testimony--or not the testimony, but the video  
18 that we heard, you know, the interview with Judy Woodruff,  
19 isn't that consistent with their theory of a cost/price  
20 squeeze?

21 MR. LEWIS: Well, no, is my response to that. A  
22 cost/price squeeze can reflect declining prices, rising  
23 costs, or both. And I think typically when the Commission  
24 hears these allegations, they involve both. And, that there  
25 is evidence that there's been a change over the three-year

1       Period of Investigation that you're looking at in the  
2       pricing or volume or both of the subject imports and that's  
3       putting a downward pressure on prices affecting the market.

4               And sometimes that's accompanied by an increase  
5       in costs that can't be passed through. But in this case--  
6       and that was the importance of the testimony, or not the  
7       testimony but the statements by Mr. Czachor in that same  
8       video, was that he stated--and I think he's correct  
9       factually in the statement--that subject import prices were  
10      not changing over the Period of Investigation that you're  
11      looking at, and weren't expected to change over the Period  
12      of Investigation. There was only one factor in that  
13      equation that was changing, which was the cost.

14             And the importance of that is critical from a  
15      legal standpoint for the Commission, because ultimately one  
16      of the questions before you is causation. If this company,  
17      this industry is suffering financially, the question that's  
18      in front of the Commissioners is what caused this. And  
19      there's only one variable in this equation that's changed  
20      and it's cost. You cannot--there isn't substantial  
21      evidence to blame that on imports as being the causal  
22      factor.

23             MR. HALDENSTEIN: Thank you. That's all the  
24      questions I have at this time.

25             MR. CORKRAN; Thank you. Next we'll turn to Mr.

1 Ruder.

2 MR. RUDER: I don't have any questions, thank  
3 you.

4 MR. CORKRAN: Mr. Boyland?

5 MR. BOYLAND: Good afternoon. Thank you for  
6 your testimony. I usually don't focus on this part of the  
7 panel so much. I'm focused more on the U.S. producers, but  
8 I am curious to what extent you could comment on your  
9 capacity utilization, your company's, in terms of you're  
10 established, you've been in production for quite some time.  
11 What is your capacity utilization year to year on average?  
12 What are we looking at here?

13 MR. GALVEZ: In Mexico, we manage to keep a  
14 stable production capacity. We're working with two shifts.  
15 So we in theory have additional capacity. But we're working  
16 throughout the entire year with two shifts in two production  
17 lines.

18 MR. BOYLAND: So 100 percent? 80 percent?

19 MR. GALVEZ: We're working currently, based on  
20 the labor force that we have, at 100 percent currently.

21 MR. BOYLAND: A hundred percent? Okay. And  
22 would you attribute that in part to the whole idea that  
23 you're basically in both hemispheres? You're able to take  
24 advantage of peak seasons--

25 MR. GALVEZ: Correct.

1                   MR. BOYLAND; --and essentially you're  
2 maximizing--

3                   MR. GALVEZ: It's really a challenge during the  
4 low season. There's no demand from the market. You have  
5 your workers. You need to do something. And that's always--  
6 --you either have a tentative production for different  
7 products, or you just find different markets. It's very  
8 difficult in just one country to manage that throughout the  
9 entire year.

10                  MR. BOYLAND: Thank you.

11                  MR. WILLENBRINK: And, you know, speaking on our  
12 Germany facility, we try to strive for close to 100 percent  
13 capacity based on 46 weeks of production. That has two  
14 weeks of holidays, and four weeks of preventative  
15 maintenance.

16                  MR. BOYLAND: And you'd say during the period  
17 you've been relatively close to that?

18                  MR. WILLENBRINK: Yes, sir.

19                  MR. BOYLAND: Okay. And I guess another  
20 question would be, again, I'm looking at the U.S. producer.  
21 I'm not looking at your financials, per se, but I would be  
22 curious to know what share of your average unit cost is made  
23 up of raw material versus conversion costs. Because that  
24 gets to kind of the idea, if you're at 100 percent, or close  
25 to it, you're basically absorbing all the fixed costs that

1       you can. And it would be, in terms of contrasting costs,  
2       what share of your total cost is now made up of those  
3       conversion costs versus the variable primary raw material?  
4       That's probably BPI, of course, and I'm sure it probably  
5       varies from facility to facility, but if you could provide  
6       me with some kind of a benchmark.

7                 MR. STOEL:    Sure.  Mr. Boyland--Jonathan Stoel--  
8       I think for Thielmann we will address that posthearing.  I  
9       think your questions also go to a very important point,  
10      which is clearly our friends from American Keg are a  
11      startup.  So their finances, their capacity utilization, is  
12      in a completely different realm than ours in terms of where  
13      is maturity of their operations.

14                And like you, as we've looked over their--as Mr.  
15      Jacobson said, as we've looked over their questionnaire,  
16      there are some questions that just frankly aren't answered.  
17      And, you know, for example your question this morning about  
18      business plans.

19                These are--you know, I give them credit.  These  
20      are sophisticated investors.  I would expect to see a robust  
21      business plan that would explain what their timing is, for  
22      example, to get closer to full capacity.  I would expect to  
23      see when they expect to become profitable.

24                From my review, this company looks like what you  
25      would expect from a startup.  They're not getting the

1 financial information. Their operations look like a  
2 startup. But they don't seem to be providing information  
3 about when they're going to reach, you know, sort of  
4 optimization, if I can use that word.

5 And when you have an intervening event like the  
6 232, or Mr. Czachor testified here in this very room, that  
7 makes it, quote, "virtually impossible" for a domestic  
8 supplier to compete, he wasn't talking about imports. He  
9 was talking about the 232 tariff. That obviously has an  
10 impact on your business plans. And I think the Commission  
11 needs to probe, you know, what that was and whether that's  
12 the real reason why we're here today, which of course would  
13 not be the result of subject imports.

14 MR. LEWIS: If I might, Mr. Boyland--Craig Lewis  
15 again--just to add to that. The point about the company,  
16 American Keg, being a startup, too, I noted in Mr. Bentley's  
17 testimony this morning--and I don't have a direct quote in  
18 front of me--he said something along the lines of, you know,  
19 it was only up until a few months ago, everything was going  
20 according to plan.

21 And so I think we're not sitting here trying to  
22 suggest that American Keg has a bad business plan, or that  
23 there shouldn't be production targeting a niche market in  
24 the U.S.--that sounds to me--American Keg's to the right  
25 customer. But I think the important thing is that what I

1 was hearing in that, and I think all of the evidence before  
2 the Commission supports this, is that something went awry  
3 with those plans. And it wasn't a change in the activity  
4 of subject imports. It was steel prices. And steel prices  
5 are absolutely critical in a case where, you know, I've seen  
6 what the figures are for what the percentage of direct  
7 processing costs are for stainless steel. And I hope I'm  
8 not going to be kicked under the table in saying this, but  
9 it's well above 50 percent. This is a major, major cost  
10 driver for this industry.

11 MR. BOYLAND: Thank you. I have no further  
12 questions.

13 MR. CORKRAN: Thank you, Mr. Boyland. Ms.  
14 Thompson?

15 MS. THOMPSON: Hello. Allison Thompson. I have  
16 three questions.

17 Are the Mexican, German, and Chinese kegs also  
18 shipped with the spares included, to the U.S. market?

19 MR. GALVEZ: Yes, they are. From Mexico,  
20 definitely.

21 MS. THOMPSON: Also, are you aware of any  
22 antidumping countervailing orders on kegs imported from  
23 China, Germany, or Mexico in third-country markets?

24 MR. WILLENBRINK: No, I'm not.

25 MR. LEWIS: This is Craig Lewis. I'd just add

1 that we've also, just like our counterparts, have been  
2 searching, and we have not identified any.

3 MS. THOMPSON: Thank you. Also, for Mexico,  
4 Germany, and China, for the share of kegs that are shipped  
5 to the U.S. market, what portion is the half-barrel, the  
6 slim quarter, the six-barrel, and the fifth of a liter keg?

7 So I'd like to know, in terms of volume, how much  
8 is shipped in the U.S.? What portion of that shipment is  
9 for these specific kegs?

10 MR. GALVEZ: I don't have that information with  
11 me, but we'll be happy to provide that posthearing from  
12 Thielmann's side.

13 MS. THOMPSON: I have no further questions.

14 MR. CORKRAN: Thank you very much. And again on  
15 my behalf, thank you very much to the panel for your  
16 appearance here today. It's been very helpful.

17 I do have a few questions. One of which, I  
18 listened with great interest as we were hearing about  
19 producers in Mexico and Germany who have been active for  
20 decades and appear to be fully engaged across the various  
21 groups of consumers in the United States. There was a great  
22 deal of testimony in contrast with, you know, we heard that  
23 the Petitioner's performance is characteristic of a startup,  
24 that it has relationships in terms of import versus  
25 production.



1           So taking all that into account, the thing that  
2           kept on--that I kept on wondering about was: What is your  
3           view about whether there is an industry that is established  
4           in the United States or not?

5           MR. LEWIS:   Craig Lewis.  I'll take a stab at  
6           that.  First, taking into account the position we stated  
7           earlier about the issue of whether there is a basis for the  
8           Commission to exclude this particular company because of  
9           their importing activity, but let me set that aside because  
10          I think your question is more to whether this should be  
11          viewed as a material retardation case, which coincidentally  
12          I have familiarity with for a completely different related  
13          reason.  So I'm quite familiar with the criteria there.

14          I think there's agreement on both sides--although  
15          I heard a little bit of backing off of that from Petitioners  
16          in the morning session--but that this is an established  
17          industry.  There's some confidential information I'd like to  
18          reference in support of that, but I think there is  
19          information in statements on the record that support that  
20          this company has established commercial production levels.  
21          Let me put it that way, and which is the principal  
22          criterion.  I know there's a break-even issue, which I  
23          suspect I may get a follow-up question from you on, as well.  
24          But I think without a doubt this company is, after three  
25          years, while it's still in a startup mode, has passed that

1 threshold as I've seen it discerned in those earlier cases  
2 from the Commission addressing material retardation.

3 MR. CORKRAN: Okay, thank you. We've talked a  
4 little bit today about the impact of stainless steel prices  
5 in the United States. At least with respect to Germany,  
6 have you see any sort of analogous effects from the EU  
7 Safeguard on Steel Products? Does that cover your input?  
8 And have you seen any effects from that?

9 MR. DORRIS: We'll discuss that in a  
10 postconference brief because it's not the expertise of this  
11 witness. So we'll check into it for you.

12 MR. CORKRAN: Thank you very much. I appreciate  
13 that. I'd like to ask you to address a similar question to  
14 one that I posed to the Petitioner. Can you provide a  
15 little--you provided a great deal of information in your  
16 initial testimony--can you clarify for me just a little bit  
17 more about the difference in how a supplier in the U.S.  
18 market goes to market with the major brewers and the  
19 smaller craft brewers? And the similarities and  
20 distinctions in those two approaches?

21 MR. GALVEZ: Basically with the large brewers,  
22 as we explained before, there is a process of being  
23 approved. We've been talking about all kegs being similar,  
24 but we as experts, we see a lot of difference in those kegs,  
25 from the welding techniques, to the different dimensions

1 that we see. So there's clearly difference.

2 Some brewers would not accept some designs. Some  
3 brewers will accept the other ones. Basically we are able  
4 to provide volumes that go up to 50, 100,000 in four or five  
5 weeks' delivery. That's one of the key advantages that we  
6 have, once we are an approved source.

7 On the craft brewers, basically it's very quick,  
8 small quantities. And although we do deliver to the craft,  
9 to some of the craft brewers, they're really not our main  
10 target segment. We're basically with the large brewers and  
11 rental companies.

12 MR. CORKRAN: Mr. Galvez, can I ask you to  
13 expand a little bit on the approval process? It may not be  
14 entirely possible to generalize across all your larger  
15 customers, but in general how long does it take to get  
16 approved for sale to a large brewery? And, generalizing,  
17 what might be involved in that approval process?

18 MR. GALVEZ: We are currently approved by all  
19 the big brewers. We have been going through processes that  
20 could last three, four, even six months, basically because  
21 we submit samples. They have to do all the internal testing  
22 with independent labs. They also audit their production  
23 site for various topics.

24 They also look for contingency plans. If we  
25 commit to deliver, they want to make sure that if something

1 happens that we have a Plan B to deliver, and that we have  
2 the financial strength in case there's a warranty issue,  
3 whatever, that we can back up our products and so on.

4 So they go through many battery of questions, not  
5 only the quality and how the kegs perform, but how we do  
6 business throughout the years.

7 MR. LEWIS: This is Craig Lewis. At risk of  
8 beating a dead horse on this, too, that I think there's  
9 actually unanimity on both sides of the table, if you will,  
10 on the fact that the large brewer customers and the large  
11 leasing and rental companies, will not look at a company  
12 that's not capable of providing the types of volumes that  
13 they require.

14 So you're not even getting out passing the  
15 starting line unless you've at least, at minimum, invested  
16 in the kind of capacity that's necessary.

17 MR. GALVEZ: Just for the record, we are right  
18 now getting ready to start quoting the 2019 deliveries for  
19 large brewers. And they're talking about 400,000 kegs,  
20 500,000 kegs, 300-so the large top groups, we're talking  
21 about those numbers.

22 MR. STOEL: Mr. Corkran, this is Jonathan Stoel.  
23 I also wanted to point out, as I think Mr. Rickard did, my  
24 friend Mr. Rickard did this morning, the letter that you  
25 received from Stout, Tanks & Kettles, that goes into some

1 detail about this and I think makes a very similar point to  
2 what you've heard from the industry witnesses here. This is  
3 an engineer who has been in the business I believe for a  
4 long time and who talks about how there's reasons why  
5 companies, like the companies here before you now, as  
6 opposed to American Keg, are able to supply those very large  
7 accounts.

8 MR. GALVEZ: If I may, I also would like to add  
9 that some of the large brewers are asking or requesting us  
10 to deliver not just one-six barrel and half barrels, but  
11 they also ask for 50 liters, quarter barrels slim, quarter  
12 barrel expander, and many other types. So they want to have  
13 a source that can supply like one-stop shop for all the keg  
14 needs.

15 MR. CORKRAN: What is the nature of competition,  
16 at least in terms of sales to the larger brewers, or the  
17 larger leasing companies? Do you see--your testimony today  
18 indicated that you do not see American Keg at this time. Do  
19 you see your counterparts from the other countries here  
20 today? That is, with respect to Mexican offerings, do you  
21 compete against German offerings? Do you compete against  
22 Chinese offerings that you can tell in the U.S. market?

23 MR. GALVEZ: Yes, unfortunately we do see them  
24 quite often.

25 (Laughter.)

1           MR. GALVEZ:    You know, the sales job is trying  
2           to gather as much intelligence as we can. Like we said, we  
3           do really not go based on price to get these orders. If we  
4           lose an order, then we realize and we know how much capacity  
5           our competitors normally have. So if I lose one order, the  
6           next one I'm sure that I don't have to really be pressed on  
7           pricing because I do have capacity that our competitors  
8           don't. So on making sales decisions, we need to compile all  
9           the information that we have from the market. But we do  
10          see our competitors in the large breweries, definitely.

11          MR. CORKRAN: And, Mr. Willenbrink, is that from  
12          the German perspective, is that similar?

13          MR. WILLENBRINK:    Yes, I would concur. Yeah,  
14          you know, we are going to bat against our counterparts here  
15          quite often. Like he said, if we lose on price, it has to  
16          come down to lead time, and it has to come down to available  
17          capacity, transit time, that sort of thing.

18          So we utilize that data, those losses, to  
19          determine how to best attempt a sale for them during the  
20          next round of purchasing.

21          MR. STOEL:    Mr. Corkran--Jonathan Stoel, for the  
22          record--I did want to go back to one point that Mr. Jacobson  
23          had pointed out, which is cumulation.

24          Obviously we all know, and Mr. Haldenstein could  
25          tell me a lot, I'm sure, about how difficult it is for the

1 Commission to decumulate on the material injury side, but I  
2 do think that when you look at threat, particularly with  
3 what the President has done in terms of the 10 percent  
4 tariff, which of course the news can vary day by day, but I  
5 think most people are expecting to go to 25 percent soon,  
6 that is a very important condition of competition that will  
7 distinguish among them. Moving forward we could have a  
8 discussion about whether within the Period there was overlap  
9 of competition. Because we're talking about kegs, that  
10 could be a good discussion over a beer. But I think for  
11 threat purposes, it's very important that you consider that.  
12 And we strongly believe that there should be, as Mr.  
13 Jacobson said, decumulation for threat purposes.

14 MR. CORKRAN: Very good. Thank you very much.  
15 This was very helpful.

16 I believe for me that is the end of my questions.  
17 Let me turn to my colleagues to see if there are additional  
18 questions. Additional questions? No.

19 Well with that, I would very much like to thank  
20 the panel for your presentation today here. It's been  
21 extremely helpful. We certainly appreciate that.

22 What we're going to do at this point, is we will  
23 take about eight minutes just to get to about 1:15 before we  
24 do closing statements. So we'll pull everything together  
25 and then we'll begin closing statements. So, at 1:15.

1                   (Whereupon, a brief recess is taken.)

2                   MR. BURCH: Would the room please come to order?

3                   Closing and rebuttal remarks on behalf of those in support  
4                   of imposition will be given by Nathan M. Rickard of Picard,  
5                   Kentz and Rowe. Mr. Rickard, you have ten minutes.

6                   CLOSING STATEMENT OF NATHAN RICKARD

7                   MR. RICKARD: Good afternoon. I am Nathan  
8                   Rickard of Picard, Kentz and Rowe. As we close today, I  
9                   want to again express our collective appreciation for the  
10                  tremendous amount of work that the staff, again both here  
11                  and not here, has done on this case over the last few weeks.  
12                  We have gone back through the last two decades of Commission  
13                  proceedings to see if there is any precedent for three  
14                  conferences in one week, and recognize how rare it is to  
15                  have so many petitions, particularly on new products, filed  
16                  at one time.

17                  I recognize that the great burden this places on  
18                  each of the offices' limited resources. Those without  
19                  access to the Business Proprietary Information that is  
20                  released under the administrative protective order cannot  
21                  see the full extent of the incredible effort from each of  
22                  you that has gone into gathering information thus far, and  
23                  we would just note on the public record that we are grateful  
24                  for it, particularly because this information operates as a  
25                  powerful counterweight to the testimony you've heard from



1 counsel this afternoon.

2           We've all talked a bit about the expedition  
3 American Keg has undertaken to get here today, beginning  
4 with a call to the Commission roughly a year ago. American  
5 Keg began this process with a firm faith that our unfair  
6 trade laws were available to all industries big and small.  
7 Although we have found it challenging to meet all of the  
8 legal obligations necessary to get an investigation  
9 initiated through petitions, American Keg kept with it.

10           With the assistance and encouragement of the  
11 petition counseling units at the Commission and Commerce.  
12 As trade law practitioners, I think we all have questions  
13 and concerns about whether our trade remedy laws can serve  
14 small businesses and small industries, and whether policy  
15 proposals like self-initiated are feasible.

16           So the second point I want to make here before  
17 we close is that we, the lawyers, have been before this  
18 agency on AD-CVD cases involving billion dollar industries,  
19 and what we can see from the record so far is the staff has  
20 brought the same commitment and incredible work ethic to  
21 this investigation as we've grown accustomed to. Big or  
22 small, the approach is the same.

23           You may all understand this intuitively, but it  
24 makes a big difference for folks that are out in the  
25 industries.

1           You've heard today from the German and Mexican  
2 producers of refillable stainless steel kegs. They've  
3 explained that they sell to customers that American Keg does  
4 not have as customers. If the analysis that the Commission  
5 is required to engage in was to look at the domestic  
6 industry's impact on imports, this would be relevant.

7           But what the witnesses have generally tried to  
8 avoid specifically acknowledging is that these suppliers,  
9 along with the Chinese suppliers, compete for sales to the  
10 same customers. They actively market in the same -- to the  
11 same customers in the same markets.

12           The statutory analysis is whether the domestic  
13 industry is materially injured by reason of subject imports.  
14 That has never meant and it will never mean that there are  
15 no other conditions in the market that have a negative  
16 impact on a domestic industry's operations.

17           The question is, is the domestic industry  
18 materially injured by reason of subject imports? A material  
19 injury is defined as a harm which is not inconsequential,  
20 immaterial or unimportant. There is no question on these  
21 facts that the domestic industry is materially injured by  
22 unfairly traded imports.

23           We look forward to the further developments of  
24 the arguments of the German and Mexican producers in the  
25 final phase of these investigations. But in the meantime,

1 what the questionnaire responses show is a remarkably  
2 consistent view of the marketplace from a wide diversity of  
3 participants. Although limited, particularly because of the  
4 lack of participation from large Chinese suppliers, the  
5 record demonstrates that what has happened -- the record  
6 demonstrates what has happened to subject imports, what has  
7 happened to non-subject imports, and how the domestic  
8 industry has been adversely impacted by unfairly traded  
9 imports over the Period of Investigation.

10 Now there are two futures for American Keg on  
11 the immediate horizon. In one, dumped and subsidized  
12 subject imports continue to define the U.S. marketplace for  
13 refillable stainless steel kegs. Prices remain low and the  
14 company, facing interminable losses, shuts its operations  
15 and disappears from the American manufacturing landscape.

16 In another, the company's delayed strategies to  
17 augment its operations and increase its production are  
18 revisited with a promise of a level playing field upon which  
19 to compete. The record of these preliminary investigations  
20 supports an affirmative finding of a reasonable indication  
21 of material injury by reason of subject imports. Thank you  
22 again for your time.

23 MR. BURCH: Closing and rebuttal remarks on  
24 behalf of those in opposition to imposition will be given by  
25 Craig A. Lewis of Hogan Lovells. Mr. Lewis, you have ten

1 minutes.

2 CLOSING STATEMENT OF CRAIG A. LEWIS

3 MR. LEWIS: Thank you very much, and I'd like to  
4 obviously share my thanks for the entire Commission staff.  
5 I didn't realize you had that many conferences this week,  
6 and that kind of further deepens my appreciation and  
7 admiration for the job that you do. It's particularly  
8 important in this case, because I think the record needs to  
9 sufficiently developed.

10 Let me start out with what this is not about.  
11 This is not about subject imports trying to drive American  
12 Keg out of the market. We sincerely wish this company well,  
13 and it seems they produce a good product. It's addressing a  
14 niche that is legitimate in this market, which is the  
15 certain craft brewers are looking for an American-made keg  
16 that compliments their American-made beer, and as a consumer  
17 I can appreciate that.

18 I went to school in Philadelphia. I know the  
19 area where this company is and I have a deep appreciation  
20 for what's happened to manufacturing in these towns, and I  
21 applaud Mr. Bentley for trying to revive manufacturing in  
22 that industry. I hope that he's successful with this and I  
23 think ultimately he will be.

24 But that's not what this case is about. This  
25 case is about whether subject imports have caused material

1 injury to American Keg. The niche market that American Keg  
2 is focused on is not the market that the Respondents are  
3 focused on. You've heard extensive testimony today, and I  
4 don't think it's controverted at all. I think we're in  
5 agreement on both sides on this that there is a large volume  
6 segment where you have large brewers and leasing and rental  
7 companies that require kegs in volumes that simply are out  
8 of the reach of American Keg as it's currently structured,  
9 and without getting into anything confidential will -- is  
10 very far outside of their reach.

11           They have conceded that they're exclusively  
12 focused in a different market segment from where the  
13 overwhelming majority, and we'll back this up with  
14 statistics, the overwhelming majority of our clients'  
15 business lies. So these are -- this is a big ship passing  
16 by a smaller ship, and if American Keg's position as it  
17 presented to you is that they feel that they're being  
18 thwarted from participation in that larger segment, the  
19 analogy I've been trying to play within my own mind is sort  
20 of like the auto industry.

21           If you set up a big garage to make custom cars,  
22 it's not a legitimate argument to say that somehow or other  
23 General Motors and Ford is thwarting your business plans  
24 because you can't really compete at the same level in terms  
25 of distribution and cost as General Motors and Ford.

1           You're in a different industry in effect. I  
2 realize that's not the legal definition you use, but I think  
3 in real practical terms, these two sets of producers are not  
4 competing in the same market space, and the overlap there is  
5 extremely small to the extent that it exists at all. Now  
6 all that said, this company has encountered problems. I  
7 think it's to say that publicly in the videos that we've  
8 looked at, and we do not dispute that.

9           But it is telling, and this is the reason why we  
10 played the videos and why we wanted to highlight some of the  
11 statements that were made in those videos, and there are  
12 certain statements that were made in direct testimony by  
13 Petitioners themselves, that tell a very different story  
14 from what is being presented to the Commission here.

15           That story is I would go back to, for example, a  
16 statement from Mr. Czachor that, and this is -- I hope this  
17 is a direct quote, but it's close enough from notes -- that  
18 their business plans looked positive and achievable in 2016.  
19 And from Mr. Bentley, it was only until the last few months  
20 or something along those lines, until the last few months we  
21 were on the plan.

22           Now again I don't dispute their plan, but what's  
23 important for the Commission to recognize that there is no  
24 tsunami or surge of imports, and there is no massive  
25 downturn in pricing. Your data refutes this completely,

1 that occurred between when those statements were -- the  
2 period that's being referenced there in 2016 and where we  
3 are today.

4 But there is something that did change in the  
5 market, and that thing that did change in the market and is  
6 acknowledged very candidly by Mr. Czachor in his PBS  
7 interview, is that the United States government's imposed  
8 draconian tariffs, 25 percent tariffs on stainless products.  
9 As you pointed out, Chinese stainless steel is a under  
10 dumping order as well.

11 This has had a very significant impact on the  
12 company's operations. They had said it openly and publicly  
13 and repeatedly that it has. Ultimately, in an injury case  
14 that the Commission's looking at, the issue is not whether  
15 the industry is suffering financially. The question is, is  
16 that suffering the result caused by subject imports.

17 That's their burden to demonstrate to you, that  
18 subject imports caused it, but they've identified a  
19 different cause, and there is simply nothing to support the  
20 counter-narrative, that somehow subject imports are the  
21 source of this injury, and that a remedy of subject imports,  
22 that imposing a tariff on subject imports will turn this  
23 around.

24 There are things that will turn it around.  
25 There are some positive indications here, and this is where

1 my optimism for this company stems from. There was lobbying  
2 for the imposition of 301 tariffs on kegs from China. If  
3 there's competition from China and I think really if you  
4 listen closely to what this company has been saying, they  
5 repeatedly say, refer to China.

6 Well, you know, the cavalry's here, and those  
7 duties are in place now and they're about to go up in a very  
8 short time to much higher levels. Similarly with respect to  
9 the real problem that's present in this case, the 232  
10 duties, there is a mechanism in place for companies to seek  
11 exclusions from the steel tariff where they're being injured  
12 by that.

13 I don't think that question was addressed to the  
14 other side, whether they have availed themselves to this  
15 legal mechanism that is open to them as it is open to  
16 others. I would, maybe I'll stop there, because I don't  
17 want to presume to offer advice to them on how to organize  
18 their business. But I would just simply point out that that  
19 is an opportunity. It's there for that purpose, to give  
20 relief to industries that are casualties of current trade  
21 policies, and I understand that.

22 Just to go back to the 301 tariffs themselves,  
23 you know, whether they're effective or not a 10 percent  
24 tariff or a 25 percent tariff. I would quote, I think this  
25 is Mr. Czachor's testimony before the USTR. We'll place



1 this on the record for the Commission's record, in response  
2 to -- actually, I think this is in direct testimony to the  
3 USTR, stated that "301 tariffs would be effective in  
4 eliminating China's bad practices, while having no economic  
5 harm to U.S. interests, and it would effectively allow the  
6 U.S. to bring back more jobs," etcetera.

7 That was the remedy that was pitched to the USTR  
8 as addressing the problem. I would concur with that.  
9 That's the problem. It's being -- that's the problem that's  
10 being addressed. The part that I concur with is that I  
11 think that this will have a drastic impact on imports from  
12 China, placing tariffs of that magnitude.

13 So I typically say I won't use up all the ten  
14 minutes and I typically do. But maybe this time I won't.  
15 Again, to summarize, this is a rare case where the  
16 Commission really should be terminating an investigation --  
17 my yellow light just went on -- at the preliminary phase.  
18 You do so in rare cases where it's really an inappropriate  
19 use of resources of all the parties involved.

20 The industry that I'm representing here is not  
21 the same industry and market that the Petitioners are in.  
22 Subject imports have not caused material injury. That's  
23 what your focus should be on, and you should render -- well  
24 not you, but the Commissioners should render a negative  
25 determination in this case. Thank you very much.

1                   MR. CORKRAN: Well again, thank you to everybody  
2 who's been here today. We greatly appreciate it. We  
3 greatly appreciate all of your testimony. I'll also make  
4 sure to convey comments to our Trade Remedy Assistance  
5 Office, and then with that I'd like to move on to the  
6 closing statement, which is on behalf of the Commission and  
7 the staff, I'd like to thank witnesses who came here today  
8 and counsel who came here today, for helping us to gain a  
9 better understanding of the product and the conditions of  
10 competition in the refillable stainless steel kegs industry.

11                   Before concluding, please let me mention a few  
12 dates to keep in mind. The deadline for submission of  
13 corrections to the transcript and for submission of  
14 post-conference briefs is Tuesday, October 16th. If briefs  
15 contain Business Proprietary Information, a public version  
16 is due on Wednesday, October 17th.

17                   The Commission has tentatively scheduled its  
18 vote on these investigations for Friday, November 2nd, and  
19 it will report its determinations to the Secretary of the  
20 Department of Commerce on Monday, November 5th.  
21 Commissioner's opinions will be issued on Tuesday, November  
22 13th. Thank you all for coming. This conference is  
23 adjourned.

24                   (Whereupon, at 1:30 p.m., the hearing was  
25 adjourned.)

## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Refillable Stainless Steel Kegs from China, Germany, and Mexico

INVESTIGATION NOS.: 701-TA-610 and 731-TA-1425-1427

HEARING DATE: 10-11-18

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: 10-11-18

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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.

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