

# UNITED STATES INTERNATIONAL TRADE COMMISSION

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In the Matter of:  
AMMONIUM SULFATE FROM CHINA

) Investigation Nos.:  
) 701-TA-562 AND 731-TA-1329  
) (PRELIMINARY)

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THE UNITED STATES  
INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF: ) Investigation Nos.:  
AMMONIUM SULFATE FROM CHINA ) 701-TA-562 AND 731-TA-1329  
) PRELIMINARY

Main Hearing Room (Room 101)  
U.S. International Trade  
Commission  
500 E Street, SW  
Washington, DC  
Wednesday, June 15, 2016

The meeting commenced pursuant to notice at 9:30  
a.m., before the Investigative Staff of the United States  
International Trade Commission, Michael Anderson, Director  
of Investigations, presiding.

1 APPEARANCES:

2 On behalf of the International Trade Commission:

3 Commissioners:

4 Staff:

5 Bill Bishop, Supervisory Hearings and Information  
6 Officer

7 Sharon Bellamy, Program Support Specialist

8 Sonia Parveen, Intern

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10 Michael Anderson, Director of Investigations

11 Fred Ruggles, Investigator

12 Emily Burke, Economist

13 David Goldfine, Attorney/Advisor

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1 APPEARANCES:

2 Opening Remarks:

3 Petitioner (Stephen J. Orava, King & Spalding LLP)

4

5 In Support of the Imposition of Antidumping and

6 Countervailing Duty Orders:

7 King & Spalding LLP

8 Washington, DC

9 on behalf of

10 PCI Nitrogen LLC

11 Elio Mazzella, Sr., President, PCI Nitrogen LLC

12 Elio Mazzella, Jr., Senior Vice President and

13 Secretary, PCI Nitrogen LLC

14

15 Mike Hamilton, Business Director of Ammonium Sulfate,

16 Honeywell Resins & Chemicals, LLC

17 Sedesh Doobay, General Counsel, Resins & Chemical and

18 ISC, Honeywell International Inc.

19 Roy Houseman, Legislative Representative, United

20 Steelworkers

21 Bonnie B. Byers, Senior International Trade Consultant,

22 King & Spalding LLP

23 Stephen J. Orava and Stephen P. Vaughn - Of Counsel

24

25

1 Closing Remarks:

2 Petitioner (Stephen P. Vaughn and Bonnie B. Byers, King &

3 Spalding LLP)

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## I N D E X

1		
2		Page
3	Opening Remarks:	
4	Petitioner (Stephen J. Orava, King & Spalding LLP)	7
5		
6	Stephen P. Vaughn - Of Counsel	11
7		
8	Elio Mazzella, Sr., President, PCI Nitrogen LLC	18
9		
10	Mike Hamilton, Business Director of Ammonium Sulfate,	
11	Honeywell Resins & Chemicals, LLC	24
12		
13	Elio Mazzella, Jr., Senior Vice President and Secretary,	
14	PCI Nitrogen LLC	32
15		
16	Roy Houseman, Legislative Representative, United	36
17	Steelworkers	
18		
19	Bonnie B. Byers, Senior International Trade Consultant,	
20	King & Spalding LLP	40
21		
22	Closing Remarks:	
23	Stephen P. Vaughn, King & Spalding LLP	83
24		
25	Bonnie B. Byers, King & Spalding LLP	88

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3  
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5  
6  
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8  
9  
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11  
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P R O C E E D I N G S

(9:30 a.m.)

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

MR. ANDERSON: Good morning and welcome to the U.S. International Trade Commission. Our preliminary conference in connection with preliminary phase Anti-Dumping and Countervailing Duty Investigations No. 701-TA-562, 731-TA-1329 concerning Ammonium Sulfate from China. My name is Michael Anderson. I'm the Director of the Office of Investigations, and I'll preside at this conference.

Among our staff here, and I apologize. A couple of our staff members were not feeling well today, but today we have our investigator, Fred Ruggles to my right and our Attorney Advisor Mr. David Goldfine to my left, and Emily Burke, our Economist. I know that our Financial Analyst and the others that couldn't make it today may be submitting questions for you directly afterwards.

I understand that the parties are aware of their time allocations, and I would remind speakers not to refer to -- in your remarks to refer to business proprietary information. We also ask each time that you speak that you state your name clearly and your affiliation for the benefit of the court reporter and for the record.

All witnesses must be sworn in before

1 presenting testimony, and any questions regarding time  
2 allocations should be addressed with the Secretary. Are  
3 there any questions?

4 (No response.)

5 MR. ANDERSON: Mr. Secretary, are there any  
6 preliminary matters?

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

10 MR. ANDERSON: Very well. Thank you, Mr.  
11 Secretary. Let's proceed with Mr. Orava.

12 MR. BISHOP: Opening remarks on behalf of  
13 Petitioner will be given by Stephen J. Orava, King and  
14 Spalding.

15 OPENING REMARKS OF STEPHEN J. ORAVA

16 MR. ORAVA: Thanks very much, and good  
17 morning. First, I'd just like to thank the staff for all  
18 your hard work. I know it's a busy time and I also I wish  
19 the folks that are not here, that they get well soon. So we  
20 do really appreciate all your hard work.

21 Steve Orava for the Petitioner. This case is  
22 about rapidly increasing imports of ammonium sulfate from  
23 China. As demonstrated in the petition, imports from China  
24 are being dumped at high margins and are benefitting from a  
25 substantial number of countervailable subsidies. The scope

1 of the petition includes ammonium sulfate in all grades and  
2 forms. Because an identical product is manufactured in the  
3 United States, and because clear dividing lines separate  
4 ammonium sulfate from other types of fertilizers, the  
5 domestic like product should be defined commensurate with  
6 the scope definition.

7 The conditions of competition make this  
8 domestic industry especially susceptible to injury from  
9 unfairly priced imports. First, ammonium sulfate is a  
10 price-sensitive commodity-like product. Moreover, subject  
11 imports and domestically produced ammonium sulfate are  
12 highly interchangeable. As a result, purchasing decisions  
13 are largely based on price.

14 Second, this industry is highly capital  
15 intensive. Fixed costs are high relative to variable costs.  
16 Moreover, the equipment used to produce ammonium sulfate is  
17 designed to operate continuously in order to maintain  
18 technical efficiencies and to minimize fixed per unit costs.  
19 U.S. producers therefore have a strong operational and  
20 economic incentive to meet lower import prices in order to  
21 avoid losing sales and under-utilizing capacity.

22 Third, U.S. demand for ammonium sulfate has  
23 been increasing over the Period of Investigation.  
24 Nonetheless, U.S. producers have been denied the benefit  
25 from increasing demand, as subject imports have undersold

1 U.S. producer prices and captured market share. Applying  
2 the statutory factors in the context of these conditions of  
3 competition, there is certainly a reasonable indication that  
4 the domestic industry is materially injured by reason of  
5 subject imports.

6 First, the volume of subject imports and the  
7 increase in the volume of imports are significant. During  
8 the first quarter of this year, imports from China equaled  
9 67 percent of imports from all countries, and almost 18  
10 percent of U.S. consumption. Subject imports increased 682  
11 percent from 2013 to 2015, and 60 percent from interim 2015  
12 to interim 2016. They increased their share of the U.S.  
13 market from two percent in 2013 to 12 percent in 2015, and  
14 then to 18 percent in the first quarter of 2016.

15 Second, imports from China had negative price  
16 effects. Based on published industry data and confidential  
17 information from several domestic producers, subject imports  
18 have consistently undersold the domestic like product by  
19 significant margins. The increase in volume and decreasing  
20 prices of subject imports have suppressed and depressed U.S.  
21 prices, even as demand for ammonium sulfate has increased.

22 Finally, the subject imports' negative volume  
23 and price effects have negatively impacted the domestic  
24 industry's market share, output and commercial shipments.  
25 The domestic industry lost over ten percentage points of

1 market share from 2013 to 2015, and an additional six  
2 percentage points in interim 2016. The domestic industry  
3 has suffered declines in production, profitability and cash  
4 flow.

5           The financial condition of the industry will  
6 deteriorate further in the absence of relief, making it very  
7 likely that one or more ammonium sulfate producers in the  
8 United States will be forced to shut down rather than run  
9 their operations at a loss. Although we believe the  
10 industry is suffering present material injury, there is also  
11 substantial evidence that the industry is threatened with  
12 additional injury.

13           The rapid increase in imports, the large  
14 margins of underselling, the excess in growing capacity in  
15 China and the significant level of government subsidies make  
16 clear that future injury is also imminent if duties are not  
17 imposed to offset the unfair pricing and illegal subsidies.

18           Finally, we note the failure of any Chinese  
19 respondents or importers to appear before you today. We  
20 believe that the Commission should have adverse inferences  
21 based on this lack of participation. In conclusion, this  
22 investigation is incredibly important to the U.S. ammonium  
23 sulfate industry and its workers. We urge the Commission to  
24 reach an affirmative, preliminary determination in this  
25 investigation. Thank you.

1                   MR. ANDERSON: Thank you very much for your  
2 opening statement and welcome to the panel and please  
3 proceed.

4                   STATEMENT OF STEPHEN VAUGHN

5                   MR. VAUGHN: Good morning. I'm Stephen Vaughn  
6 on behalf of Petitioner here to begin with an overview of  
7 the main issues before you today. Here are the key points  
8 in these investigations. First, from 2013 to 2015, the  
9 volume of imports of ammonium sulfate from China rose by an  
10 astounding 682.4 percent.

11                   Second, from '13 through the first quarter of  
12 '16, Chinese imports took roughly one-sixth of the U.S.  
13 market. Third, imports from China and the domestic like  
14 product are generally interchangeable and they compete on  
15 the basis of price. Fourth, during the Period of  
16 Investigation, Rentech Nitrogen, which had been one of the  
17 biggest players in the industry, suffered enormous losses on  
18 a scale of close to a quarter of a billion dollars and left  
19 the business entirely.

20                   Fifth, despite years of strong demand, there  
21 can be no question the domestic producers have suffered  
22 severe harm by reason of unfair trade.

23                   Let me give you some background on the subject  
24 product. Ammonium sulfate is a fertilizer that is 21  
25 percent nitrogen and 24 percent sulfur. In other words, it

1 provides two of the most vital soil nutrients. As you will  
2 hear in more detail from our company witnesses, in this  
3 country ammonium sulfate is used primarily to help farmers  
4 avoid the serious problem of sulfur depletion.

5 In short, it is a very important product and  
6 it should be a very valuable product. Ammonium sulfate may  
7 be produced in a plant devoted to that purpose, or it may be  
8 produced as a co-product along with other chemicals. You  
9 will hear this morning from producers in each of these  
10 categories. Whatever the production process, major domestic  
11 producers need a market-based rate of return.

12 A few more points to keep in mind. Ammonium  
13 sulfate may be sold in granular or standard form. Both have  
14 the same nutrient value and they are both part of the same  
15 like product. Domestic producers and importers for that  
16 matter may sell to distributors or directly to retailers.

17 Finally, in recent years demand for this  
18 product has grown, in large part due to the efforts of U.S.  
19 producers to promote ammonium sulfate and educate farmers  
20 about its benefits. Unfortunately, as you will see, unfair  
21 trade has deprived those producers of the full benefits of  
22 their efforts.

23 Now, let's turn to the statutory factors. We  
24 will begin with volume. As you can see here, U.S. imports  
25 of ammonium sulfate from China have soared in recent years,

1 rising from 47,000 tons in 2013 to almost 370,000 tons last  
2 year. This surge continued during the first quarter of this  
3 year. Through the first three months of '16, imports from  
4 China were up more 60 percent compared to the same period in  
5 '15.

6 While demand has been strong, subject imports  
7 have risen much faster than demand. Since '13, imports from  
8 China have increased their share of the U.S. market by  
9 almost 16 percentage points. In other words, they have  
10 taken almost one-sixth of the market. As Chinese producers  
11 gain market share, U.S. producers are losing. From '13  
12 through Q1 '16, the domestic industry lost 13.3 percentage  
13 points of market share. We estimate that in the first  
14 quarter of this year alone, this lost market share cost  
15 domestic producers over 110,000 tons of sales and over \$25  
16 million in revenues.

17 As you can see here, all of the market share  
18 lost by domestic producers went to Chinese imports. In  
19 other words, you have compelling evidence that Chinese  
20 imports came into this market in large volumes, took a  
21 significant amount of business from the domestic industry.  
22 That evidence alone justifies a finding that subject imports  
23 have caused material injury to the domestic industry.

24 Domestic producers cannot avoid the harmful  
25 effects of unfair trade by increasing their exports to other

1 markets. As you can see here, exports fell over the Period  
2 of Investigation, in part due to increased competition from  
3 China in third country markets.

4 Now, let's look at price effects. As we've  
5 already mentioned, subject imports are generally fungible  
6 with the domestic like product, meaning the competition  
7 occurs on the basis of price. As import volumes grew, they  
8 suppressed domestic efforts to obtain more favorable pricing  
9 and then exerted downward pressure on those same prices.

10 Unless domestic producers obtain trade relief,  
11 they will find it impossible to obtain true market pricing  
12 for ammonium sulfate. We've shown you the surge of the  
13 Chinese imports. Now here you can see what is happening to  
14 their prices. These are the average unit values reported by  
15 the ITC dataweb for U.S. imports of ammonium sulfate, and  
16 therefore they show you just how cheaply importers are able  
17 to obtain this product.

18 No wonder imports are growing, as more parties  
19 take advantage of these unfair prices to speculate in  
20 ammonium sulfate. The situation has gotten much worse in  
21 recent months. As you can see here, the price of ammonium  
22 sulfate normally rises between early September and late May.  
23 This pattern makes sense, given that demand for ammonium  
24 sulfate is strongest in the spring, when fertilizer is most  
25 likely to be applied.

1                   But look at what has happened this year.  
2           Prices for ammonium sulfate have actually declined since  
3           last fall. In other words, you could have bought ammonium  
4           sulfate more cheaply this spring, the time when it is  
5           normally most in demand, than you could during the off  
6           season periods of fall and winter. These facts strongly  
7           indicate that unfairly traded imports are distorting the  
8           U.S. market.

9                   Now let's talk about impact. From '13 through  
10          the first quarter of '16, subject imports deprived the  
11          domestic industry of more than \$160 million in revenues.  
12          There were virtually no imports from China before the Period  
13          of Investigation, and there was no need for such imports  
14          during the Period of Investigation. The imports simply  
15          represent sales that were lost by the domestic industry.

16                  If anything, these figures understate the  
17          revenues taken from U.S. producers, as they do not account  
18          for the more favorable pricing that would have been  
19          available to domestic producers in a fair market. Remember  
20          that throughout this period, demand was generally growing.  
21          In other words, conditions were actually quite favorable for  
22          U.S. producers. This fact is highly significant, because it  
23          makes the difficulties faced by the domestic industry  
24          impossible to explain absent the impact of unfair trade.

25                  For example, consider what happened to an

1 ammonium sulfate facility in Pasadena, Texas. You will hear  
2 more testimony about this facility from witnesses for PCI  
3 Nitrogen, the current owners. But take a look at this  
4 chart. In November '12, before Chinese imports played a  
5 significant role in the market, the plant was sold by  
6 Rentech Nitrogen for almost \$160 million. In other words,  
7 that was the market value of the plant according to a  
8 sophisticated investor.

9           After the sale, Rentech spent tens of millions  
10 of dollars more on improvements and demand increased. In  
11 other words, the Pasadena facility is now a better plant in  
12 a stronger market. Yet this spring when Rentech sold the  
13 plant after months of seeking new ownership, the market  
14 value of the plant was less than \$14 million.

15           It is difficult to imagine more vivid evidence  
16 of the harm done by unfair trade. I want to stop here and  
17 emphasize that the Commission does not always have this type  
18 of evidence. Many times in this type of situation, the  
19 domestic producer at issue simply shuts down, and the  
20 Commission may have incomplete data or no data for its  
21 operations.

22           We call this survivor bias. In other words,  
23 the record contains only evidence from those producers least  
24 affected by unfair trade. But this time PCI Nitrogen bought  
25 the plant and bought these petitions. So you have the

1 chance to see just how quickly unfair trade can destroy the  
2 value of a facility.

3           Given what has already happened here, the  
4 Commission must not allow unfair trade from China to  
5 continue. The potential risk to the industry is enormous.  
6 There is no question that subject imports have caused  
7 material injury, but they also threaten further injury  
8 unless relief is granted. Here you can see that back in  
9 2013, Chinese capacity to make ammonium sulfate was already  
10 more than twice total U.S. production and capacity was  
11 projected to grow by four million tons over the next four  
12 years.

13           In fact, there is no question that Chinese  
14 capacity and production are growing, and that imports from  
15 China will continue to grow in the absence of trade relief.  
16 Other evidence confirms the threat we face. Domestic  
17 producers are extremely vulnerable. Imports from China have  
18 already shown the ability to rapidly take market share, and  
19 Chinese producers have strong incentives to increase exports  
20 further.

21           In light of these facts, it is absolutely  
22 critical that the Commission make affirmative determinations  
23 here. Failure to do so would likely have disastrous  
24 consequences for the industry and its workers. Thank you  
25 for your time. We will now hear from Mr. Mazzella from PCI

1 Nitrogen.

2 STATEMENT OF ELIO MAZZELLA, SR.

3 MR. MAZZELLA SR.: I too want to thank the ITC  
4 staff for their hard work and due diligence during this  
5 investigation. I am the president of PCI Nitrogen, which  
6 produces ammonium sulfate at the facility in Pasadena,  
7 Texas. I am joined today by my son, Elio Mazzella, who's  
8 the Vice President, along with Jim Costello, our CEO, Scott  
9 Lange, our Senior Vice President of Operations and Shawn  
10 Hill, Senior Vice President of Accounting and Finance at PCI.

11 We are here today to tell you about our  
12 facility in Pasadena, Texas, and how the facility is being  
13 harmed by unfair trade from China, and why the situation is  
14 likely to get worse unless we're able to obtain some form of  
15 trade relief from the Commission. I've been in this  
16 fertilizer business for over 40 years, both as a producer  
17 and a marketer. In 1985 I helped found IOC, Interoceanic  
18 Corporation. Since that time IOC has become an  
19 international leader in bulk chemicals, fertilizer sales and  
20 distribution.

21 We have sold and sell fertilizer all over the  
22 world, and we've often imported fertilizer into the U.S.  
23 market. We believe that fair competition leads to a more  
24 efficient and competitive market, and without question  
25 markets work better when there is hard work and innovation

1 given to it. We've never brought a trade case of this kind  
2 before. However, I will explain the events of the last few  
3 years that have left us with no choice.

4 Over the years, we at IOC have sometimes  
5 served as the exclusive selling agent for companies that  
6 produce fertilizer. One such relationship involved Agrifos  
7 Fertilizer, which previously owned the Pasadena facility.  
8 The facility originally was a producer of phosphate  
9 fertilizer, but due to environmental restrictions and  
10 problems, Agrifos needed to find another way to utilize this  
11 plant and facility.

12 Sometime around 2010, the folks at Agrifos  
13 came to us with an idea. What if the plant were to convert  
14 from a phosphate operation and produce ammonium sulfate?  
15 Not as a co-product, but a product that would be purposely  
16 produced and was for the primary manufacturing process. The  
17 ammonium sulfate would be in granular form, which would make  
18 it easier to spread and blend for the large farms in the  
19 U.S. Corn Belt area.

20 We liked this idea and we told them, it sounds  
21 great. Farmers were becoming increasingly aware of the  
22 importance of replacing the sulfur that was being depleted  
23 in their soil, and ammonium sulfate is the most efficient  
24 way to replenish that. Accordingly, we were confident that  
25 we could market large amounts of ammonium sulfate from the

1 Pasadena facility with this new process.

2 Agrifos went ahead with its plan, and by 2011  
3 the Pasadena facility had begun producing the ammonium  
4 sulfate. From the very beginning it was successful and  
5 well-accepted. The plant was making hundreds of thousands  
6 of tons of granular ammonium sulfate, and we were having  
7 very little difficulty moving the material and selling the  
8 product at favorable prices into the U.S. marketplace.

9 Soon, other major corporations showed interest  
10 in the Pasadena facility. In November 2012, Agrifos  
11 received an offer for the plant and sold it Rentech Nitrogen  
12 for roughly \$160 million. Rentech is a significant player  
13 in the nitrogen business with other plants in the United  
14 States. Furthermore, Rentech was so very enthusiastic about  
15 the business that they immediately set out to expand the  
16 production capacity at the Pasadena facility.

17 IOC continued to act as the exclusive agent  
18 and marketer for the Pasadena facility under Rentech's  
19 ownership. So we saw what happened next at very close range  
20 since we were so closely involved. In 2013, Rentech spent  
21 over \$7.7 million on a project to increase capacity by over  
22 20 percent, bringing the capacity up to approximately  
23 700,000 tons. Rentech spent millions more on infrastructure  
24 improvements. They built a new cogeneration plant designed  
25 to reduce energy cost, and other projects designed to

1 support what was expected to be a growing business and a  
2 long term supplier to the marketplace.

3 Rentech was absolutely right that demand for  
4 ammonium sulfate was growing. Just as forecasted, more and  
5 more farmers were using this quality product. But something  
6 else none of us could have ever predicted was also affecting  
7 the market. Suddenly in 2013, we started hearing about  
8 offers from China into the marketplace, imports that were  
9 entering the market at extremely low prices.

10 That shouldn't be possible. I've been in this  
11 business, as I mentioned, for decades and it makes no sense  
12 how Chinese producers can make ammonium sulfate, process it  
13 into a granular form, ship it a large distance over oceans  
14 on vessels and undersell ammonium sulfate made here in  
15 Pasadena, Texas, which is right on the Gulf Coast and  
16 minutes away from the Port of Houston and very close to the  
17 Port of New Orleans, which serves much of the United States.

18 Rising Chinese imports were troubling for  
19 Rentech because it had significant fixed costs and needed to  
20 operate this facility at high levels of capacity  
21 utilization. In an effort to maintain sales volume and  
22 compete with the Chinese import pricing, Rentech prices fell  
23 significantly during 2014 to meet competition from this new  
24 Chinese product.

25 Sales volume grew some, but not enough.

1       Rentech had hoped to produce 700,000 tons of ammonium  
2       sulfate per year, but it soon became apparent that this  
3       would not be possible in this marketplace. By September of  
4       2014, Rentech was forced to change its plans to effectively  
5       reduce its production to about 500,000 tons, reducing 200,000  
6       tons of capacity, far below the maximum and well below its  
7       projected forecast.

8                        Meanwhile, imports from China continued  
9       pouring into the market in alarming volumes. The imports  
10      continued to undersell Rentech's product, making it  
11      impossible for Rentech to obtain a favorable rate of return  
12      on its investment. Remember that Rentech had already spent  
13      \$160 million to buy this facility, and had spent millions  
14      more upgrading and improving it.

15                      Now the people at Rentech were finding it  
16      impossible to justify those expenditures, and they had to  
17      work, write down the value of the assets on their books. It  
18      was terrible situation for everyone concerned, and it was a  
19      direct result of the presence of this unfairly traded  
20      product by the Chinese.

21                      By April 2015, Rentech had had enough. They  
22      began looking to sell the plant, but they found it extremely  
23      difficult to find any buyers whatsoever. Almost immediately  
24      it was clear that they would take a major loss on the sale,  
25      and as time went on it became obvious that few potential

1 buyers were willing to take a chance on a facility that had  
2 been in such great demand just a few years prior to this.

3 Finally, we at IOC bought the facility through  
4 PCI from Rentech. PCI is an affiliate of Interoceanic  
5 Corporation. Total compensation was about \$13.2 million,  
6 okay, and we closed it in March of this year. That was a  
7 reduction in price from what Rentech paid by about \$142  
8 million in a very short period of time.

9 So let me summarize the history of this  
10 facility. Less than four years ago, the Pasadena facility  
11 was purchased for \$160 million. The facility today is  
12 significantly better and more efficient than it was in the  
13 past, in large part due to the upgrades and improvements  
14 made and paid for by Rentech during their ownership.

15 Demand for ammonium sulfate has grown, and  
16 despite these facts over the same period of time the  
17 facility lost more than 90 percent of its value. Despite  
18 these facts, I'm sorry, and China's unfairly traded ammonium  
19 sulfate is the only way to explain this combination of  
20 events. If Chinese ammonium sulfate had entered the United  
21 States at a true, legitimate and fair market price, Rentech  
22 would have completed its expansion and the facility would be  
23 turning a healthy profit today.

24 Instead, Rentech lost a fortune and the future  
25 of this facility is definitely at risk. To be clear, we

1 believe in this plant, we believe in the people who work  
2 there and in this product. That's why we took over the  
3 facility ourselves. We believe that there is a healthy  
4 demand for ammonium sulfate and in a truly competitive  
5 market no one can provide better customer service, product  
6 at very competitive prices.

7 But we absolutely must have some form of trade  
8 relief and help to ensure that pricing in this market will  
9 reflect the market forces rather than the unfair trade that  
10 we're experiencing. We urge you to grant this relief and  
11 let us get back to work to do our job. Thank you very much  
12 for your time.

13 STATEMENT OF MIKE HAMILTON

14 MR. HAMILTON: Good morning. My name is Mike  
15 Hamilton and I am a business director for Honeywell with  
16 responsibility for the ammonium sulfate product line. I  
17 also want to thank you for your time this morning and we  
18 appreciate your hard work on this matter.

19 I've been with Honeywell for 26 years, have been  
20 in the ammonium sulfate business for ten years and have been  
21 in my current position for the last four. I'm responsible  
22 for all aspects of our ammonium sulfate business including  
23 both sales and operational matters. It's a large business.  
24 We're the nation's largest producer of ammonium sulfate and  
25 our sales of this product generate hundreds of millions of

1 dollars per year in revenue.

2           Unfortunately, right now this business is under  
3 attack from an ever-increasing surge of unfairly traded  
4 imports from China and that's why we support PCI nitrogen's  
5 petition seeking trade relief. To understand the impact of  
6 unfair trade, it will be helpful for you to understand how  
7 our ammonium sulfate business works. I work at our facility  
8 in Hopewell, Virginia. It's a large manufacturing plant  
9 with multiple integrated operating areas and over 600  
10 employees. It is also the world's largest ammonium sulfate  
11 production facility.

12           At Hopewell we produce ammonium sulfate, a  
13 critical fertilizer, and caprolactam, an intermediate product  
14 in the manufacture of nylon, simultaneously as co-products.

15           In our process we cannot make one product without  
16 making the other and we produce roughly four to 4.5 tons of  
17 ammonium sulfate for every one ton of caprolactam. It is  
18 critical for you to understand that we do not regard  
19 ammonium sulfate as a mere byproduct of our caprolactam  
20 production. From our perspective, both of these products  
21 are extremely important and we cannot obtain a fair market  
22 return on the assets at our Hopewell facility unless we  
23 obtain a profitable price on both of these products.

24           As business director, I work only on ammonium  
25 sulfate. We have a dedicated sales and marketing team that

1 works only on ammonium sulfate. We have had agronomies  
2 located in the United States and Latin America for at least  
3 a quarter of a century. In fact,  
4 we are a pioneer  
5 in the U.S. fertilizer industry, and have been active in this  
6 market for decades. We are always looking for ways to grow  
7 demand for this product because that demand has been and  
8 continues to be critical for the long-term health of our  
9 Hopewell operations.

10 We have spent millions of dollars to educate the  
11 agricultural industry about the benefits of using this  
12 product. Traditionally farmers had paid attention to three  
13 primary nutrients in fertilizer, nitrogen, phosphorous, and  
14 potassium. But sulfur has increasingly become a soil  
15 fertility concern due to a decrease in sulfur depositions  
16 and an increase in crop yields. As a matter of fact, sulfur  
17 is now often described as the fourth major nutrient.

18 Historically farmers did not have to worry so  
19 much about adding sulfur to their crops. One of the ironic  
20 benefits of so-called acid rain and other forms of pollution  
21 was that they provided sulfur for crops. In recent decades,  
22 however, the air has gotten cleaner and farmers no longer  
23 get sulfur from the sky.

24 At the same time yield levels have been  
25 increasing due to a variety of technologies from improved

1 genetics to better management and advanced equipment  
2 resulting in higher yields which also translates into higher  
3 needs for sulfur.

4 Taking corn as an example, yields in the United  
5 States more than doubled over the past 50 years. Ammonium  
6 sulfate is the best solution for farmers seeking to add  
7 sulfur to their fields. Ammonium sulfate is  
8 composed of 21 percent nitrogen and 24 percent sulfur, two  
9 vital amino acid components, protein building blocks.  
10 Nitrogen and sulfur are also essential for chlorophyll  
11 formation key to the photosynthetic process. These two  
12 nutrients work hand in hand and by applying them together  
13 nitrogen use efficiency is often optimized.

14 Thanks to the efforts of our sales, marketing,  
15 and agronomics team and numerous studies that we have  
16 supported in collaboration with universities like Virginia  
17 Tech, the University of Illinois and Penn State, American  
18 farmers have a much better sense of the benefits of ammonium  
19 sulfate and demand for this product has grown.

20 No company is better positioned to serve this  
21 demand than we are. Most of the ammonium sulfate we produce  
22 is what we call granular. It comes in small grains of  
23 roughly two and a half millimeters diameter that can be  
24 easily blended with other fertilizers and efficiently spread  
25 by machine over the types of large farms that you see in

1 states like Iowa.

2 We also market what is known in the industry as  
3 standard ammonium sulfate. Standard grade ammonium sulfate  
4 has an average particle size under two millimeters and looks  
5 more like sugar. It has the same nutrient qualities as the  
6 granular product, but tends to be more used in places like  
7 orchards where spreading over large distances is not  
8 required, or in some cases even possible.

9 In the United States most of the ammonium sulfate  
10 sold is in the granular form. Our product serves the needs  
11 of American farmers throughout the major crop-growing  
12 regions of this country. Indeed, as I mentioned before, no  
13 one makes as much ammonium sulfate in this country as we do  
14 and we would like to make even more.

15 In short, we worked hard to grow demand for  
16 ammonium sulfate and we were in a very strong position to  
17 benefit from increased demand. Since 2013, according to the  
18 Fertilizer Institute data, U.S. demand for ammonium sulfate  
19 has been growing about 9 percent a year. But in 2013 almost  
20 50,000 tons of Chinese imports entered this market at prices  
21 far below prevailing prices in the market triggering the  
22 first wave of pressure from our customers to lower prices.

23 We are especially vulnerable to such cheap  
24 imports because our facility at Hopewell is a large complex  
25 facility with high fixed costs. We cannot survive by

1 reducing our volume in the hopes of stabilizing market  
2 price.

3 First, we would struggle to  
4 cover our fixed costs, and second, we know that more  
5 imports from China will follow.

6 Accordingly, after the first wave of imports, we  
7 began doing everything we could strategically over the past  
8 two to three years to both maintain volume and profitability  
9 as imports continued to flood the market and adversely  
10 impact our sales.

11 We continued our successful work to grow the  
12 market by being a leader in agronomic education. We've even  
13 developed an App that growers can put on their iPhones to  
14 calculate the yield and economic benefit to them of using  
15 ammonium sulfate. We have also made significant commercial  
16 and go-to-market changes. These efforts through 2015 have  
17 helped Honeywell ammonium sulfate at least stay somewhat  
18 profitable, although clearly not where we would have been  
19 without the import pressure.

20 The ever-larger wave of imports that arrived over  
21 the winter, however, continues to create even more  
22 significant market pressure and we believe over the next few  
23 months we will be forced to lower prices as much as \$50 per  
24 ton in order to continue to maintain volumes. This is a  
25 tactic that we just cannot continue to implement every time

1 more imports from China arrive.

2 We cannot profitably continue to maintain volume  
3 by beating the Chinese on price and if we reduce our  
4 production we cannot afford to cover our fixed costs. We  
5 are a publicly traded company trying to make a healthy rate  
6 of return for our shareholders and we can never match the  
7 unfair prices charged by Chinese mills. And so year after  
8 year we have watched the volume of Chinese imports increase  
9 from 47,000 tons in 2013 to 229,000 tons in 2014, to almost  
10 370,000 tons last year, all at dumped and subsidized prices.

11 We've been badly hurt as a result. Our total  
12 profits for the last two years combined are lower than the  
13 profits we made in 2013 even though consumption has grown.

14 Through the first quarter of this year  
15 consumption is still strong, but our profits are on pace to  
16 be even lower than they were in 2014 and 2015. It seems  
17 like every day my sales people report new efforts of Chinese  
18 ammonium sulfate, new customers switching to the Chinese  
19 product and new sales being lost. And it's only going to  
20 get worse.

21 I've been to China, I've heard about more  
22 factories making more ammonium sulfate. I've heard the  
23 discussions about new facilities to put even more of their  
24 sulfate into granular form. And since most granular  
25 ammonium sulfate is used here, it's a sure sign that China

1 intends to increase exports to the United States.

2 I know that in the absence of trade relief the  
3 situation will only get worse for American producers and  
4 workers. It is critical that we get help very soon. The  
5 fall is the start of a new fertilizer season and the wave of  
6 imports that will surely start moving to the United States  
7 by late summer will wreck even more damage on the U.S.  
8 industry. Although China is focused primarily on exporting  
9 granular product to the United States, we've started to see  
10 imports of standard grade as well.

11 Just last month a huge shipment of Chinese  
12 standard grade product came into the port of Manatee in  
13 Florida. Immediately we got calls from our citrus-growing  
14 customers in Florida demanding lower prices which we have  
15 had to give them. At this point there's no part of the  
16 ammonium sulfate market that has been left undamaged by  
17 Chinese imports and their extremely low prices.

18 As business people we have done all we can to  
19 grow our ammonium sulfate business. We have developed a  
20 great product. We are the business that has invested  
21 through universities to understand how this product helps  
22 farmers improve their crops, and we are the business that  
23 has spent the money to promote the product and educate  
24 farmers about what it can do.

25 We have a talented sales team and a strong

1 support system. We've done everything possible to make  
2 ourselves competitive on price, but we  
3 simply cannot get a fair rate of return on this product  
4 without your help. All we ask is that you give us the  
5 chance to compete in a market that is not distorted by  
6 subsidies and other unfair tactics. You do that and we will  
7 do the rest.

8 Thank you very much.

9 STATEMENT OF ELIO MAZZELLA, JR.

10 MR. MAZZELLA, JR.: Good morning. My name is  
11 Elio Mazzella, Junior. I am Senior Vice President for PCI  
12 Nitrogen as well as Executive Director at Interoceanic  
13 Corporation.

14 As part of my responsibility at IOC, I work  
15 closely with the people at Rentech on the sales of ammonium  
16 sulfate made by their facility in Pasadena, Texas. I was  
17 actively involved in the decision to have PCI buy the  
18 Pasadena facility and I have detailed knowledge of the  
19 operations there. I agree with everything my father has  
20 told you about the impact of unfairly traded imports on that  
21 plant and on the entire domestic industry that makes  
22 ammonium sulfate.

23 I would like to supplement his testimony by  
24 emphasizing a few critical points that you need to  
25 understand about the industry. Fixed costs associated with

1 producing ammonium sulfate are very significant. Our plant  
2 is designed to operate 24 hours a day, seven days a week,  
3 with only limited down time for maintenance. The plant  
4 includes a cogeneration unit that is supposed to produce  
5 electricity for our factory with excess generation being  
6 sold into the local market. Again, that unit must operate  
7 at a high level of capacity utilization to justify the  
8 costs.

9 I know from my years of experience in the  
10 business that companies making ammonium sulfate by other  
11 methods face similar pressures to use all of their capacity.  
12 It is so important to maintain high levels of capacity  
13 utilization as domestic producers are highly vulnerable to  
14 unfairly traded imports from China.

15 When we were the exclusive sales agent for  
16 Rentech, our job was to sell as much of their product as  
17 possible. Now that we own the facility, we have the same  
18 goal. Low prices, especially when they are caused by unfair  
19 import competition can cause severe damage while cutting  
20 production can be disastrous given the fixed costs at issue  
21 here. Under these circumstances the fact that imports from  
22 China have already grown so rapidly and taken so many sales  
23 from U.S. producers with no regard to pricing is extremely  
24 troubling.

25 We deal with highly sophisticated and various

1 types of buyers. We sell ammonium sulfate to distributors  
2 and retailers who have been buying fertilizer for many years  
3 and who have a very strong desire to get the best possible  
4 price.

5 These customers are extremely familiar with  
6 market conditions and with prices available from other  
7 parties. When we negotiate with our customers, we know that  
8 they will seize upon any opportunity to pressure us to lower  
9 our own price to meet competition.

10 In recent years we have repeatedly been told the  
11 very low Chinese offers. Offers that we are generally  
12 required by our customers to meet or lose the business. We  
13 cannot avoid the harmful impact of imports from China by  
14 increasing our exports to other markets. We export some of  
15 our ammonium sulfate from the Pasadena facility. Our  
16 granular ammonium sulfate is only used in a limited number  
17 of markets outside the United States. We need  
18 sophisticated farmers with mechanized equipment for use of  
19 our granular ammonium sulfate.

20 A major export market such as Brazil have also  
21 been adversely affected by exports from China. In fact, the  
22 prices we obtained for our exports are usually even lower  
23 than the prices we can get here.

24 Pricing for the U.S. market can be affected by  
25 the location of your customer. Traditionally producers

1 think of the price of their ammonium sulfate in terms of the  
2 price that they obtain after freight costs have been taken  
3 into account. Thus, producers generally adjust prices to  
4 account for the cost of shipping the ammonium sulfate.

5 This practice meant that a facility like ours  
6 which is so close to the Port of Houston would have an  
7 advantage when it came to making sales in the Gulf region.  
8 Unfortunately for us, however, many of the imports from  
9 China come directly into the Gulf region which has made it  
10 extremely difficult for nearby producers including PCI.

11 Furthermore, as time has gone on, we know of  
12 imports from China now going all the way up the Mississippi  
13 River as far as Minnesota. PCI has over ten warehouse  
14 facilities throughout the Midwest in order to service the  
15 majority of U.S. customers when product is needed. We have  
16 been forced time and again to lower our prices to compete  
17 with the Chinese. Imports enter the USA at such low prices  
18 as to allow them to reach all parts of the Midwest and  
19 northern plains. We believe that in the absence of trade  
20 relief these imports will accelerate their spread throughout  
21 the country.

22 There is no question that the surge in imports  
23 from China is a result of their unfair trading practices.  
24 Because of those practices Chinese producers are offering  
25 ammonium sulfate to importers at extremely low prices.

1 Those prices allow the importer to bring the product to this  
2 market, undersell the domestic-like product and still come  
3 out ahead. Naturally, these facts encourages the importers  
4 to buy even more Chinese ammonium sulfate.

5 Domestic producers like PCI, PCI may lower their  
6 own price to maintain volume and in fact, we have repeatedly  
7 been forced to do so. But because the prices in China are  
8 so low the importers have plenty of room to cut their own  
9 prices and continue underselling us. We literally cannot  
10 afford to reduce our prices as much as they can.

11 Finally, we need relief now. We can't afford to  
12 wait any longer. Imports from China throughout the first  
13 few months of 2016 are running well ahead of last year's  
14 pace while prices are significantly lower now than they were  
15 last fall. If these trends continue pricing in the next  
16 growing season which starts in a few months will be at  
17 calamitous levels.

18 Speaking on behalf of PCI I can assure you that  
19 we need things to get better fast. Only trade relief can  
20 restore true market competition and we ask you to grant such  
21 relief.

22 Thank you very much.

23 STATEMENT OF ROY HOUSEMAN

24 MR. HOUSEMAN: Good morning. My name is Roy  
25 Houseman. I am a Legislative Representative for the United

1 Steel, Paper, and Forestry, Rubber Manufacturing, Energy,  
2 Allied Industrial Service Workers International Union,  
3 better known as the USW.

4 The USW is the single largest industrial Union in  
5 the United States, and we are a dominant union representing  
6 30,000 workers in the chemical industry.

7 The USW's chemical units include traditional  
8 chemical plants, petrochemical units, and chemical  
9 end-products' manufacturing.

10 The USW represents workers at PCI's ammonium  
11 sulfate facility at Pasadena, Texas, and at Honeywell Resin  
12 and Chemical Ammonia Sulfate facility in Hopewell, Virginia.

13  
14 In addition to the USW at these facilities, the  
15 International Brotherhood of Electrical Workers, otherwise  
16 known as the IBW, also represent members at both of these  
17 sites. The Hopewell facility also has workers that are  
18 represented by the International Chemical Workers Union  
19 Council, affiliated with the UFCW, the International  
20 Association of Machinists and Aerospace Workers, the IAM;  
21 the United Association of Journeymen and Apprentices of the  
22 Plumbing and Pipe Fitting Industry, UA; and the  
23 International Association of Heat and Frost Insulators and  
24 Asbestos Workers.

25 In all, there are about 520 union workers at both

1 sites alone. In addition to these two facilities, USW also  
2 represents workers who make ammonium sulfate at J.R. Simplot  
3 in Lathrop, California, and at Pocatello, Idaho. These two  
4 locations combined employ around 300 additional workers.

5 The USW strongly supports the petition covering  
6 ammonium sulfate from the People's Republic of China. As is  
7 the case in multiple industries where unions and companies  
8 have petitioned for relief before the ITC, workers have  
9 suffered from unfairly traded imports from China. PCI is no  
10 different.

11 In 2013, the owners of the PCI facility invested  
12 tens of millions of dollars to increase their capacity at  
13 the facility in Texas in response to steady increase in  
14 ammonium sulfate demand.

15 However, just as they made this investment  
16 imports from China began flooding into the U.S. market,  
17 undercutting prevailing market prices and causing a  
18 significant deterioration in profit.

19 By the fall of 2014, it was clear that imports  
20 from China were going to continue their surge into the U.S.  
21 market, and the owners made the painful decision to reduce  
22 capacity at the facility only one year after investments  
23 were made to expand capacity to meet growing demand.

24 In September 2014 capacity reductions were  
25 implemented which had a negative impact on the workforce.

1 Then, in 2015, Rentech, who owned the Pasadena facilities at  
2 the time, decided they wanted out of the business.

3 They searched for a new owner. The market had  
4 deteriorated so significantly as a result of imports from  
5 China that it took nearly a year to find a buyer, PCI  
6 Nitrogen. Even then, Rentech had to sell at a price well  
7 below the price it had paid only a few years earlier.

8 Workers at the facility felt like they had dodged  
9 a bullet. But imports from China have only continued to  
10 increase and uncertainty about the future remains.

11 The USW, and indeed all unions represented at the  
12 American sulfate facilities, are very concerned about the  
13 impact that the flood of low-priced imports from China will  
14 have on this industry.

15 If U.S. producers cannot run these facilities and  
16 make a profit, they will shut them down and our workers will  
17 be thrown out of their jobs. It is as simple as that.

18 Instead of working at a good job, our members  
19 will be forced to file for federal assistance, such as trade  
20 adjustment assistance benefits. And while I have personally  
21 assisted over 7,000 workers qualify for benefits, the one  
22 refrain I hear over and over again is that these workers  
23 would have preferred to keep their old jobs.

24 Keep in mind that the Pasadena facility was  
25 designed to produce only ammonium sulfate and is not capable

1 of producing other products. If PCI cannot run that  
2 facility profitably because of the imports from China, it  
3 will certainly have to close the plant.

4 Moreover, if these jobs are lost, they will not  
5 be easily replaced. Jobs in that part of Texas are hard to  
6 come by, given the downturn in the energy sector.

7 We applaud PCI Nitrogen for having filed these  
8 cases. We urge the Commission to make an affirmative  
9 determination so that the duties can be imposed to offset  
10 the injury the sector is experiencing, and save good-paying  
11 jobs in the ammonium sulfate industry.

12 Thank you for your attention, and I would be  
13 happy to answer any questions.

14 STATEMENT OF BONNIE B. BYERS

15 MS. BYERS: Good morning. My name is Bonnie  
16 Byers. I am a consultant with King & Spalding appearing  
17 here on behalf of the Petitioner.

18 As you have heard today from other witnesses,  
19 there is compelling evidence of present material injury. I  
20 want to discuss the evidence that exists with respect to  
21 threat of material injury.

22 Applying the statutory criteria, the threat of  
23 injury from imports from China is both real and imminent.

24 First, imports are increasing rapidly. In 2013  
25 to 2015, imports increased by 682 percent, from 47,000 tons

1 in 2013 to 370,000 tons in 2015, based on public data.  
2 Imports thus far in 2016 are on track to reach over 600,000  
3 tons. Thus, imports from China are not only increasing  
4 rapidly, that pace of that increase is accelerating.

5 U.S. market shares also demonstrate an  
6 accelerating market penetration, with Chinese imports  
7 increasing their market share, in the first quarter of 2016  
8 by nearly 6 percentage points to about 18 percent of the  
9 U.S. market.

10 These rates of increase in the volume and market  
11 penetration of imports indicate a strong likelihood of  
12 substantially increased subject imports in the near future.

13 Second, imports from China are entering the U.S.  
14 at increasingly lower prices that are likely to increase  
15 demand for further subject imports at the expense of U.S.  
16 producers. This will have a significant depressing effect  
17 on domestic prices.

18 The average unit value of subject imports  
19 declined by over 15 percent from 2013 to 2015. Average unit  
20 values also declined from the first quarter of 2015 to the  
21 first quarter of 2016.

22 The unfair and declining prices of subject  
23 imports for this very price-sensitive product will stimulate  
24 demand for additional Chinese imports in the very near  
25 future.

1                   Third, China's capacity to produce ammonium  
2 sulfate is significant and it is growing. China is now by  
3 far the largest producer of ammonium sulfate in the world,  
4 accounting for about 38 percent of total global production.  
5 Because ammonium sulfate production is so capital intensive,  
6 producers have a strong economic incentive to export their  
7 excess capacity to lower their fixed per-unit cost of  
8 production.

9                   Capacity in China has grown significantly in  
10 recent years, and it now substantially exceeds demand in  
11 China which has remained relatively flat in recent years.  
12 For example, in 2014--the last year for which complete data  
13 is available--China produced over 6 million metric tons of  
14 ammonium sulfate, but only consumed about 1.8 million metric  
15 tons. The rest, over 4 million metric tons, went into the  
16 export market.

17                   In 2015, China exports grew to 5.28 million  
18 metric tons. China now exports about 56 percent more of the  
19 ammonium sulfate it produces than it consumes in China.  
20 This is staggering when you consider that only 10 years ago  
21 China produced only about 2 million metric tons per year.

22                   Fourth, significant new capacity is slated to  
23 come online in China within the next year, most of which  
24 will be focused on the export market because China already  
25 produces far more ammonium sulfate than it actually

1 consumes.

2 Today, China's capacity to produce ammonium  
3 sulfate is about 12.5 million metric tons, according to  
4 their fertilizer association. We will provide additional  
5 information regarding specific capacity expansion products  
6 in our post-conference brief.

7 Fifth, many Chinese producers are highly export  
8 oriented and have invested in capacity designed specifically  
9 for the export market. Chinese ammonium sulfate compactor  
10 Wu Ju Feng, for example, exports nearly all of the ammonium  
11 sulfate it produces. Other ammonium sulfate producers and  
12 trading companies in China are installing compaction  
13 capacity specifically aimed at the U.S. market.

14 In addition, Chinese producers face significant  
15 anti-dumping duties in Mexico since last year. Absent  
16 relief in the U.S. market, those exports are very likely to  
17 be redirected here. Moreover, China is now facing  
18 saturation in most of its Southeast Asian markets, which  
19 means that its excess production will have to find other  
20 outlets--most likely the United States.

21 By the way, Wuzhoufeng is the largest exporter of  
22 ammonium sulfate from China to the United States, and they  
23 didn't even bother to file a questionnaire response. We  
24 think that this makes it very difficult for everyone,  
25 including the Commission, to develop all of the facts in

1 this case.

2 We believe the Commission should make an adverse  
3 inference, given the failure of the largest Chinese exporter  
4 to participate in the preliminary phase of this  
5 investigation.

6 Sixth, the United States is an extremely  
7 attractive market for Chinese exporters. There are no  
8 ordinary duties on ammonium sulfate. Demand for ammonium  
9 sulfate in the U.S. is significant and it's growing. And  
10 Chinese producers are now investing in new production and  
11 new compaction capacity to target the huge U.S. market for  
12 granular grade ammonium sulfate.

13 Seventh, the number of U.S. companies importing  
14 ammonium sulfate from China is growing rapidly. In 2013,  
15 the vast majority of import volume was brought into the  
16 United States by Gavilon, according to public ship manifest  
17 data.

18 Now there are over a dozen importers entering  
19 Chinese ammonium sulfate into the U.S. There are absolutely  
20 no barriers to entry for Chinese product. Gavilon paved the  
21 way, and now there many routes for Chinese ammonium sulfate  
22 to enter this country through a host of importers.

23 Eighth, we believe that the importer  
24 questionnaires contain some very important information  
25 regarding inventories that we will be addressing in our

1 post-conference brief.

2 Ninth, as noted in the Petition, ammonium sulfate  
3 producers in China benefit from significant and highly  
4 distorted countervailable subsidies that are likely to  
5 increase both production and export of ammonium sulfate.

6 Finally, the financial condition of the domestic  
7 industry materially worsened from 2013 to 2015, leaving  
8 domestic producers extremely vulnerable to further injury in  
9 the absence of trade relief.

10 Moreover, the domestic industry is already facing  
11 increases in their raw material prices since the first  
12 quarter of this year, and these prices are forecasted to  
13 increase further during the remainder of this year.

14 This increases the vulnerability of the U.S.  
15 producers.

16 Thank you. This concludes our presentation and  
17 we would be happy to answer your questions.

18 MR. ANDERSON: Thank you very much to the panel  
19 and the witnesses. We really appreciate you coming here to  
20 the ITC today, and for your helpful information in helping  
21 us understand the industry.

22 I would like to turn the time over to staff now  
23 to ask a few questions, and we will start with our  
24 investigator, Fred Ruggles.

25 MR. RUGGLES: Fred Ruggles, Office of

1 Investigations. Thanks again for your testimony.

2 I'll start with a few housekeeping things for me.  
3 I'm going to use official stats, saying that I want to make  
4 sure we get the production, the U.S. production, from the  
5 Fertilizer Institute, what they have and what you can get  
6 from China, and what you can get from worldwide. Okay, so  
7 the worldwide production of ammonium sulfate would be good,  
8 if we could.

9 And at this point, Mexico is the only place that  
10 has a tariff on Chinese ammonium sulfate. Are there any  
11 other countries that have, not necessarily on China but on  
12 anybody else?

13 MS. BYERS: We're not aware of any other cases out  
14 there, no. Sorry. That was Bonnie Byers from King &  
15 Spalding.

16 MR. RUGGLES: The Mexican tariff, is that a prelim  
17 or a final?

18 MS. BYERS; Bonnie Byers with King & Spalding.  
19 That's a final determination.

20 MR. RUGGLES: Alright--

21 MS. BYERS: It went final in September. I believe  
22 in the Petition we provided you with the notification to the  
23 WTO from Mexico with the final duty.

24 MR. RUGGLES; Okay, thank you. I'm sure you did.

25 MR. ORAVA: Steve Orava for Petitioner. Just a

1 note that that final determination is on appeal before a  
2 NAFTA panel.

3 MR. RUGGLES: You've seen what we've gotten in so  
4 far, not much from the Chinese, not much from the importers,  
5 either. Is there any hope that you guys can put some  
6 pressure on any of the importers to get them to contribute  
7 at all?

8 MS. BYERS: Bonnie Byers with King & Spalding. I  
9 think you've probably gotten what you're going to get at  
10 this point. You know, they don't--it's not in their  
11 interest, probably, to participate. So I'm not hopeful that  
12 anything we say would make any difference.

13 MR. RUGGLES: I can always try. I hate to say  
14 this, but I'm actually at a loss as to what to ask you at  
15 this point additional. I am still going through some of the  
16 questionnaires that came in. We've, as you've seen, been  
17 going back and forth on a lot of them.

18 I guess the biggest question I have is: PCI makes  
19 just the ammonium sulfate. Everybody else seems to do it as  
20 a co-product, correct?

21 MR. MAZZELLA, SR.: Yes.

22 MR. RUGGLES: So you're the only ones that do it  
23 strictly as ammonium sulfate?

24 MR. MAZZELLA, SR.: Yes, as long as it is  
25 purposely produced, as we call it.

1                   MR. RUGGLES: Okay, are there any other producers  
2 around the world that do it as strictly?

3                   MR. MAZZELLA, JR.: There's the ability up in  
4 Canada by a company--Oh, sorry, Elio Mazzella, Jr., PCI.  
5 There's one producer up in Canada I know of. There's one in  
6 Australia, and there's one other in China, as well.

7                   MR. RUGGLES: Okay.

8                   MR. HAMILTON: This is Mike Hamilton of Honeywell.  
9 I'm also aware of I think a producer in Egypt, and a  
10 producer in Brazil that produce. And I believe, yeah, I  
11 believe there is also a producer in Mexico. In Mexico  
12 there's co-producers and there is an on-purpose producer.  
13 I'm guessing there are others, as well, but those are the  
14 ones that I'm aware of.

15                   MR. RUGGLES: So would you say this is something  
16 that's been in the last decade up and coming, as just single  
17 ammonium sulfate producers? Or has it been going on for  
18 decades?

19                   MR. HAMILTON: Synthetic on-purpose producers?  
20 I'm not aware of the age. I'm not sure if any of the other  
21 Petitioners are aware of the age of these producers.

22                   MR. MAZZELLA, Jr.: I'd say as sulfur, requirement  
23 for sulfur from farmers has spiked up more. And the more  
24 advanced farming techniques in the West, that's what brought  
25 on the agrifos going to this, purposely made. Before that,

1 no, it wasn't--there might be a few spots that had done it,  
2 but it's not the normal.

3 MR. RUGGLES: I think at this time, sorry, but I  
4 think at this time I'm going to beg off for any other  
5 questions until I get a few more things behind me.  
6 Obviously I'll be knocking on your door, but thank you for  
7 your testimony.

8 MR. ANDERSON: Thank you, Mr. Ruggles. And now  
9 our attorney, David Goldfine.

10 MR. GOLDFINE: Good morning. Thank you all for  
11 appearing here today.

12 I just have a few questions. This is more for  
13 the attorneys. For the domestic like-product, I see in the  
14 Petition you are arguing for a single domestic like-product.  
15 In your post-conference submissions, to the extent you want  
16 to amplify or supplement any discussions of those factors,  
17 just to put that on the record, that may be helpful and I  
18 would appreciate that.

19 And I just have a question on two of the factors,  
20 the Customer and Producer Perceptions Factor. I was--just  
21 so I understand what's in the Petition, do customers and  
22 producers perceive all forms of ammonium sulfate as similar,  
23 or not?

24 MR. VAUGHN: David--this is Stephen Vaughn--let me  
25 start, and then other people can jump in if they want. We

1 will obviously address the factors more in the post-hearing.

2 I think in terms of customer and producer  
3 perception, basically as was described the two forms, the  
4 granular and the standard, are often made on the same  
5 facilities, and often made by the same equipment and the  
6 same people.

7 The main difference between them is how the  
8 product gets distributed and actually applied to the field  
9 itself. In other words, chemically they're the same. And  
10 in terms of nutrient value they're the same. What the  
11 granular product allows you to do is it works better in  
12 mechanized farming because it can be blended with other  
13 fertilizers and then distributed sort of through machines  
14 over a broader range of area.

15 But, you know, in terms of sort of all of the  
16 other different ways in which they work together, or in  
17 which the fertilizers are used for, there's a distinct  
18 overlap.

19 So we would suggest that, if anything, the  
20 Commission should think about these two products is very  
21 similar to the way you've looked at many, many other  
22 industries where you have one clear like-product, and within  
23 that product you may have different items that may serve  
24 different applications, and yet they're all part of the same  
25 like-product.

1                   MR. GOLDFINE: Okay. I appreciate that. Yeah,  
2                   again my focus there was really on the perceptions, the  
3                   customer/producer perceptions. And I know you've gone into  
4                   that in the Petition, and to the extent you want to  
5                   supplement that.

6                   And then on price, you state in the Petition that  
7                   prices for granular or grade typically command a price  
8                   premium, if the granular product is the preferred method of  
9                   application.

10                  Roughly, what is that price premium?

11                  MR. MAZZELLA, JR.: It fluctuates, but I would say  
12                  around \$30 or so.

13                  MR. GOLDFINE: What about a percentage basis  
14                  comparison?

15                  MR. MAZZELLA, JR.: I'll let Mike--

16                  MR. HAMILTON: Yeah, I would say that the price--  
17                  Mike Hamilton, Honeywell--I would say that the price delta  
18                  has been somewhere on the order of \$70 to \$100 a ton. So if  
19                  granular is selling at \$250 a ton, standard might sell at  
20                  \$150 a ton. That does vary by region, world region, and  
21                  other factors, but I think that's a reasonable range

22                  So on a percentage basis, granular would be 66  
23                  percent higher based on those numbers that I just--yeah, and  
24                  we have seen that difference narrowing some, particularly,  
25                  you know, in the U.S. with some of the imports.

1           MR. GOLDFINE: Okay. Thank you. And this may be  
2 for the post-conference, but to the extent you're going to--  
3 I don't see--if you're going to be arguing for--if there are  
4 any unrelated parties' issues in this investigation, please  
5 identify those.

6           MR. VAUGHN: Stephen Vaughn. We're not aware of  
7 any related parties at this time, but we will cover that in  
8 the post-conference brief.

9           MR. GOLDFINE: Okay. Thank you. That's all I  
10 have. Thanks.

11          MR. ANDERSON: Okay, thank you. And now we'll  
12 turn it over to Emily, our economist, for questions.

13          MS. BURKE: Good morning. Most of my questions  
14 have to do with the product differences between the  
15 different grades and the granular sizes.

16                 So my first question is: Are there any different  
17 grades beyond granular and standard?

18          MR. MAZZELLA, SR.: There is a little bit of a  
19 coarse grade, which is in between the standard and the  
20 granular, but that is so very minimal--I guess Mike could  
21 probably answer that better than I can, since they produce a  
22 little bit of the coarse. But the two grades most common in  
23 the industry is standard and granular grade.

24          MR. HAMILTON: And we also sell a very small  
25 amount of the solution grade, as well, but it's pretty small,

1 almost insignificant.

2 MS. BURKE: Okay, because--I'm asking because I've  
3 seen references to low grade, the compacted grade, genuine  
4 granular grade, and large crystal. And so I'm trying to  
5 understand how all those fall within the two grades that you  
6 are defining.

7 MR. HAMILTON: I would say a lot of that is just  
8 terminology. So granular can be made by several different  
9 techniques. We produce granular in crystallizers because of  
10 the nature of the product in the caprolactam ammonium  
11 sulfate processes that's in solution, and because you need  
12 to dry--you have to boil off water. So typically in a  
13 caprolactam sulfate plant it would be made as a crystal  
14 product. But the crystal can either be standard or  
15 granular. It just happens to be a crystal. But you'll see  
16 different--you'll see different terminology, you know, in  
17 the industry as to what's called "crystal" and what's called  
18 "granular." But all of our sulfate is a crystal regardless  
19 of whether it's standard or granular.

20 So granular can also be made by compaction as  
21 much of the material that's being made in China, which is  
22 like, basically sort of like making a snowball. You take  
23 small particles and, under heat and pressure, squeeze them  
24 together. Or it could be made by granulation, which is what  
25 the Pasadena plant does.

1                   But the main difference is going to be the  
2                   particle size, and the particle size distribution. For  
3                   granular grade, the particle size needs to be roughly 2-1/2  
4                   millimeters, and it needs to have relatively narrow particle  
5                   size distribution so it can blend well with other fertilizer  
6                   nutrients that have similar size.

7                   MS. BURKE: Okay. Do different end  
8                   users, so for example industrial users, or agricultural  
9                   users, require specific grades or sizes? I mean, we've gone  
10                  over the granular and the standard, but maybe if we could  
11                  get into industrial end users?

12                 MR. HAMILTON: Mike Hamilton, Honeywell. We, I  
13                 mean we sell a small amount of product to industrial users.  
14                 I think it depends upon what the end use is. But what we  
15                 find in general is a lot of the industrial end users  
16                 actually sometimes prefer smaller grade, just because  
17                 sometimes they're dissolving it, or doing something like  
18                 that. And so the product dissolves more easily. So they  
19                 don't necessarily, you know, require granular grade. I  
20                 think that's a little bit more specific to agriculture. But  
21                 that is by far and large the biggest end use.

22                 MS. BURKE: Okay. And do the three production  
23                 processes outlined in the Petition, do they produce every  
24                 type of grade that we've gone over in both of the granular  
25                 sizes that we've discussed?

1                   MR. MAZZELLA, SR.: We produce strictly granular  
2                   grade, 100 percent. If there are any standard, or refined  
3                   as we call it, we recirculate it through the system again to  
4                   produce the granular grade. But we don't market or sell any  
5                   standard grade whatsoever.

6                   MS.BURKE: Okay. And you mentioned in the  
7                   Petition an acceptable size during the sifting process. So  
8                   can you define what that means? And does acceptability vary  
9                   by application or end use?

10                  MR. MAZZELLA, SR.: Let's look at the granular  
11                  grade, which you're talking mostly about, and has been  
12                  mentioned a few times to the panel that, you know, the  
13                  United States--there's a limited amount of markets that use  
14                  granular grade. And those are the sophisticated markets.

15                  Many of your Third World markets don't have the  
16                  mechanisms to apply the material like we do here in the  
17                  U.S., especially for row crops, mostly corn and wheat and so  
18                  on and so forth.

19                  When we talk about sophistication, you know if  
20                  you look at a market today, prior to the--our materials are  
21                  both blended, but we take various fertilizers of a  
22                  homogeneous size and literally put it into a cement mixer  
23                  type situation and blend it. And you've got a fairly well  
24                  distributed product with your phosphates, nitrogen, and potash  
25                  and any other elements involved.

1                   So when it gets into the spreading machines and  
2 they're able to spread it, it's almost like you having the  
3 spreader to do your lawn. You know, the more sizing that's  
4 average is going to get a better spreading pattern.

5                   Also, the heavier your material, which is the  
6 granular, which is bigger and is going to spread further,  
7 which helps the farmer who is doing 1,000 acres, 1,500 tons.  
8 Also, the bulk blender, because of the other major nutrients  
9 being of a granular size, it blends better.

10                  Prior to the bulk blending and going back years  
11 ago, if you went into a Home Depot and bought a bag of  
12 fertilizer you would see one granular that contained all the  
13 nutrients in this one granular, and that was called an  
14 ammoniation granulation process.

15                  Today, because of the sophistication here in the  
16 United States and Brazil and some of the more advanced  
17 countries, you may have a farm of 1,000 acres but 500 acres  
18 may, after soil testing and so on and so forth, may require  
19 additional nutrients, or less nutrients, or more nutrients  
20 of some kind.

21                  So what you're looking at is at a farmer who  
22 turns around and has 1,000 acres, and he decides to plant  
23 corn, or soybean, or wheat, he often is going to the  
24 universities, he's going to his direct applicator, he's  
25 going to his retail and they're doing soil sampling to

1 specify the exact requirements for his property for the  
2 plant he's growing.

3 And that's how unique it has become. It's just  
4 no longer buying the fertilizer and taking it and throwing  
5 it out. It's a very, very specific. And the spreading of  
6 it means a lot so you don't get streaking. If the material  
7 is all of the same size, it will spread easier. And so it's  
8 going to get all the nutrients.

9 If it's of different sizing, it may not spread as  
10 evenly and you'll get streaking, you'll get more fertilizer  
11 in one area than the other, and so on.

12 MS. BURKE: Okay, so then I guess going off of  
13 that, do your purchasers pay more for less distribution in  
14 their particle size? Meaning, if they were to get a  
15 shipment that had 50 percent of a granule sizes of 2 to 3  
16 millimeters compared to a shipment that had 90 percent  
17 falling into that size range, would they pay more for the  
18 shipment that they knew had a higher distribution of the  
19 particle size?

20 MR. MAZZELLA, JR.: It's typical that they're  
21 buying on a one grade. So if they're buying, you know, when  
22 we sell our product we're saying 90 percent of it is going  
23 to be over 250 SGN, the 2-1/2 millimeters. So when you ship  
24 it from China, or you ship it in a barge, you're not mixing  
25 it together where you're going to say only 50 percent of it

1 is this. Normally when you buy something you have the same  
2 chemical analysis the whole time of a certain size, and  
3 that's for all fertilizers.

4 MR. HAMILTON: And typically there's--Mike  
5 Hamilton, Honeywell--typically, yeah, there's a  
6 specification range for fertilizers. And when we sell into  
7 the distribution chain, it's expected that we meet the  
8 specification.

9 If we don't meet the specification in a certain  
10 shipment and the distributor or the retailer feels like they  
11 have a product that doesn't meet the spec, then we'll get  
12 asked to pay some sort of quality credit for not meeting the  
13 specification, like any other product you sell.

14 And in fact, you talked about the farmers, we've  
15 had a couple of occasions in the past decade that I can  
16 remember where the retailer went and applied our product  
17 and, for whatever reason, there was a quality deficiency.  
18 The farmer actually got streaking of corn. They can  
19 demonstrate yield differences in different parts of their  
20 field, then we've actually paid a quality credit to the  
21 grower himself for the yield loss.

22 So I think that demonstrates how critical it is  
23 for the granular grade and the distribution to be even so  
24 they get the even fertility for their crops.

25 MR. VAUGHN: This is Stephen Vaughn. I just

1 wanted to go back and sort of complete the record with  
2 respect to I think one of your first questions, which was  
3 about whether or not people make both the granular and the  
4 standard. And I think the record is that many, if not most,  
5 of the domestic producers do make both granular and  
6 standard.

7 And so it tends to be kind of made in both  
8 facilities, or in the same facility by the same producers.

9 MS. BURKE: Okay. And do any farms, producers,  
10 retailers, farmers, have patents associated with the  
11 ammonium sulfate and the products that go into it?

12 MR. MAZZELLA, JR.: In our production system, we  
13 do, but not at the--I can't think of any at the end users or  
14 distributors.

15 MS. BURKE: And would any purchaser switch from  
16 granular to standard form if the price was low enough?

17 MR. MAZZELLA, SR.: Yes, if the price is low  
18 enough you'll see some switching back and forth.

19 MS. BURKE: Okay--

20 MR. HAMILTON: Mike Hamilton, Honeywell. I mean I  
21 believe typically in the U.S. where they use granular, I  
22 mean because the speed at which they need the application,  
23 the importance of getting the application, in general most  
24 of the growers need, they need their applicators to apply  
25 granular product. So I'm not sure there's really a price

1       incentive there, because what they're--what's important is  
2       to get the fertilizer down on time and spread evenly.

3               I think what you find is that there are regions  
4       and crops where, because of, for example, one of them is  
5       coffee in Brazil. Coffee trees are already planted.  
6       They're on hills, typically, in Brazil. So you can't get  
7       big-scale equipment through those applications. So they,  
8       even though they may use a blend, they're not spreading over  
9       large distances. So in general they're going to get the  
10      application they need. And so they don't need a granular  
11      product.

12              So in those cases, they can use a standard  
13      product, you know, because it's lower priced they'll use  
14      standard because they can, but because they don't need granular.  
15      But where they need it, I think in general they're not going  
16      to pay for standard. It's probably not 100 percent.  
17      There's always an exception, but I think that's generally  
18      the rule.

19              MS. BURKE: Okay. And could you just give me an  
20      estimate of how much U.S.-produced ammonium sulfate comes  
21      from the three processes that you outlined in your Petition--  
22      --so, synthetic, coke oven process, the caprolactam process?

23              MR. MAZZELLA, JR.: We're synthetic, and we would  
24      represent--you know, our capacity is 700,000 tons. We  
25      produce about 500- to 540 now.

1 MS. BYERS: I believe we had some figures on this  
2 in the Petition, but let us get the actual numbers for you  
3 and provide it in the post-hearing. And this was Bonnie  
4 Byers, again, from King & Spalding.

5 MR. BURKE: And do you also have just an estimated  
6 percentage of sales of the different grades in the United  
7 States?

8 MR. VAUGHN: Stephen Vaughn for King & Spalding.  
9 When you say "different grades," what do you mean? Do you  
10 mean what percentage of the market is standard, versus what  
11 percentage of the market is granular?

12 MS. BURKE: Sure. Yeah.

13 MR. VAUGHN: Okay.

14 MR. MAZZELLA, JR.: I would want to get back to  
15 you in the post-hearing.

16 MS. BURKE: Okay. I think--oh, does the nitrogen  
17 sulfur content in the product affect its price? So it has a  
18 higher content, would that be priced higher, or lower, or--  
19 because I know you mentioned I believe it was 21 percent and  
20 24 percent, but it sounded like that wasn't--

21 MR. HAMILTON: Mike Hamilton, Honeywell. I mean  
22 the ratio of nitrogen to sulfur, there's probably a slight  
23 variation depending upon, you know, some impurities and  
24 additives. For the most part, the nitrogen-sulfur content  
25 in sulfate is fixed. I mean, pure ammonium sulfate is 21

1 percent nitrogen, 24 percent sulfur, and that doesn't vary.

2 MS. BURKE: Okay.

3 MR. VAUGHN: Stephen Vaughn. And this goes back  
4 to both--some of the questions you've been asking, and also,  
5 David, to your question about the customer perception and  
6 the producer perception. I mean ammonium sulfate is  
7 regarded as a distinct fertilizer, a distinct chemical with  
8 its own market and its own distribution, and its own sales,  
9 whichever form that it's in. It's always thought of as  
10 ammonium sulfate and sold as ammonium sulfate and used as  
11 ammonium sulfate.

12 So--and part of that has to do with the fact  
13 that, you know, if you get ammonium sulfate you know you're  
14 going to get that nutritional value. And that's what the  
15 end users are ultimately looking for.

16 MS. BURKE: Okay, and I have one last question.

17 Do the different production processes cost more?  
18 So does the synthetic process cost more than maybe the coke  
19 oven process? And how does that affect the price of the  
20 product on the market?

21 MR. MAZZELLA, JR.: I think the market is the  
22 market. As Steve was saying, you know, ammonium sulfate is  
23 its own market. So the price will fluctuate up and down.  
24 How the other processes allocate their costs, I'm not sure  
25 on how they look at their numbers. I know how we look at

1       it. We're looking at it with our raw materials and then our  
2       fixed costs, which doesn't change regardless of what we  
3       produce.

4                   But each caprolactam producer and coke oven  
5       producer might look at their costs differently.

6                   MS. BURKE: But one isn't known to be--to cost  
7       more, based on, like you're saying, fixed costs and raw  
8       materials. Does one, in itself is it more expensive to  
9       produce?

10                  MR. MAZZELLA, JR.: I'm honestly not sure on what  
11       they would say it would cost to produce, as a caprolactam or  
12       coke oven process. I can't answer that.

13                  MR. VAUGHN: Stephen Vaughn. One thing I think,  
14       just to be clear for purposes of the record, I don't think  
15       there's really any sort of thought or evidence here that the  
16       Chinese are using some sort of a different process, or that  
17       that is sort of playing into anything that you're seeing  
18       here as far as we understand the processes that are being  
19       used over there are very comparable to the processes that  
20       are being used here.

21                  So I don't think there's any idea or suggestion  
22       that they have any sort of cost advantage based on their  
23       process. If anything, as I think you heard the testimony,  
24       it's surprising--or it is a sign of their unfairness,  
25       actually, that they are able to, you know, take all the

1 freight costs associated with shipping over and still be  
2 able to under-sell people sort of in their own market.

3 `MS. BURKE: Okay. Thank you.

4 MR. ANDERSON: Thank you, Ms. Burke. Just a  
5 couple of follow-up questions. My colleagues have answered  
6 many of the questions that I find very helpful.

7 During the Period of Investigation, there's been  
8 several declines or low stable prices for a lot of commodity  
9 products, including energy, natural gas, and so forth. Can  
10 you either now or in a post-hearing brief address what  
11 particular input, raw material inputs go into your  
12 production processes, and what those costs and prices have  
13 been like during the Period of Investigation?

14 (Pause.)

15 If you want to share anything now, that would be  
16 invited.

17 MR. VAUGHN: We'll provide some more information  
18 on that in the post-conference brief. I mean one thing--and  
19 I don't know if the company witnesses want to comment on  
20 this or not--I mean I think what the witnesses will tell you  
21 is that the raw material costs are not driving a lot of what  
22 you're seeing necessarily in terms of prices; that, you  
23 know, it's important for the Commission to understand that  
24 our theory of the case here is that the supply and demand  
25 for ammonium sulfate is the major driver in the

1 price of ammonium sulfate.

2 But we can talk about the raw material costs and  
3 get you more information on that in the post-conference.

4 MR. ANDERSON: Thank you. That would be very  
5 helpful. Also, there was a period where there were new and  
6 increasing regulations on ammonium sulfate, and I know what  
7 your like-product argument is, but during this POI are you  
8 seeing any impact on your ability to capture or find new  
9 customers that were using ammonium nitrate that may still be  
10 turning to ammonium sulfate because of the restrictions for  
11 security reasons on accessibility to ammonium nitrate?

12 MR. HAMILTON: Mike Hamilton, Honeywell. As I  
13 noted in my testimony, the TFI data shows that ammonium  
14 sulfate demand increased 9 percent over the past several  
15 years. I mean we believe there are a couple of factors for  
16 that.

17 I mean one of the factors is we believe that  
18 we've been successful in promoting, continuing to promote  
19 sulfur benefits to growers and, you know, their suppliers to  
20 the retail chain. We believe another one of the factors is  
21 ammonium nitrate.

22 You know, there was a terrible explosion at a  
23 facility in Texas in 2013, and after that explosion we do  
24 know that there have been parts of the value chain that have  
25 backed away from supplying the product because of liability

1 concerns and insurance issues. There have been a lot of  
2 reasons why, you know, people have decided maybe not to  
3 supply ammonium nitrate.

4           So as you noted, ammonium nitrate is just a  
5 nitrogen source. Ammonium sulfate is a nitrogen and sulfur  
6 source. One of the reasons why we believe farmers will  
7 choose ammonium nitrate is in situations where they're going  
8 to apply nitrogen and not necessarily going to incorporate  
9 it into the soil, they might be applying it on a crop that's  
10 already on the ground like pasture, and if they do that,  
11 particularly in more hot and humid conditions, urea, which  
12 is basically the other primary dry nitrogen source that's  
13 only nitrogen, is volatile.

14           So they will have yield issues with urea. So on  
15 a per-nitrogen cost basis urea is generally cheaper than  
16 ammonium nitrate. But the benefit they get may not be as  
17 good because of the volatility issue. So that's why they  
18 choose ammonium nitrate.

19           And so what we believe that's happened, as the  
20 nitrate has been harder to get because of some of these  
21 concerns, that some of this demand has switched over to  
22 ammonium sulfate. Ammonium sulfate, like ammonium nitrate,  
23 is not volatile, and in fact we've promoted that. I mean,  
24 we've done promotions saying if you can't use ammonium  
25 nitrate--not exactly, but if you can't use ammonium nitrate,

1 here's a good option, right? Ammonium sulfate.

2 So they're getting sulfur, but in addition  
3 they're getting nonvolatile nitrogen. And in some cases we  
4 believe there's some blending going on. They'll blend  
5 ammonium sulfate and urea. So they adjust the cost a little  
6 bit of the nitrogen, and plus we also believe that there are  
7 some chemical things that happen in the soil when you use  
8 sulfate and urea together that help with some of the urea  
9 volatility.

10 So in short, yeah, we believe there has been some  
11 benefit, and that's some of the demand increase, switching  
12 from ammonium nitrate.

13 MR. ANDERSON: Thank you. That's a very helpful  
14 and deep explanation.

15 Another question was, I was surprised to hear  
16 that the Chinese seem to be entering, or you witnessed some  
17 of the surge in the imports, or the increase in the imports,  
18 at the granular level.

19 Our experience, just limited here in some of our  
20 cases of investigations and testimony we receive from other  
21 industries with commodity like-products, is that the import  
22 competition starts at the lower product levels, the lower  
23 priced product levels, the less sophisticated, easier to  
24 produce product grades or levels.

25 So maybe it's because granular is the largest

1 part of the U.S. market, but could you comment on that,  
2 either now or in the post-hearing brief, where you saw the  
3 competition first? And then I think it was Ms. Byers, you  
4 mentioned that they are now starting to enter, or you've  
5 seen evidence of, you know, price competition and import  
6 competition in the standard. And that seems to be the  
7 reverse of what our patterns have been here with other  
8 cases.

9 MR. MAZZELLA, SR.: Well, again, the granular, as  
10 we had mentioned is the major part of consumption of  
11 fertilizer here in the U.S. Okay? The compaction is a  
12 relatively new process. It had been very, very difficult to  
13 do in the past, and it has been developed--being developed.

14 And it is demanding a premium price here in the  
15 United States, as I mentioned, because of the sophistication  
16 of the U.S. farmer in bulk blending. They had the standard  
17 grade, but standard grade was readily available anywhere  
18 around the world. Our supply demand here in the United  
19 States was fairly stable. And they had markets much more  
20 attuned to the standard grade, meaning the Chinese, for  
21 their lesser grade standard, rather than the granular.

22 As they--as I believe, this is my feeling--as  
23 they saw the prices here in the United States for the  
24 granular, as compared to the standard and the relative cost  
25 of what it cost them to compact the standard into granular,

1 they set their sights on the more sophisticated,  
2 quote/unquote, markets such as Brazil and the United States.

3 And this came on, as I think we've mentioned  
4 earlier, this is a new phenomenon. It really started within  
5 the last three to four years, and it seems like it's just  
6 growing. For example, you've got new production capacity  
7 coming on in China, which is on the drawing board right now  
8 for an additional 4 million tons. Okay? Which is going to  
9 bring them from 8 to 12 million tons. They're at about that  
10 8 million ton level now, and the new drawing board  
11 production is 4 million tons, which a lot of it is in  
12 construction at this point in time. And my feeling is that  
13 the great majority of that could be and will be granular  
14 grade.

15 MR. MAZZELLA, JR.: I think one thing, China's  
16 capacity came on so fast from '11, '12, '13, that they kind  
17 of had to find any market that they could find. So they  
18 looked at, wherever they had to go, they were going to try  
19 to find a way to get it there.

20 So for the U.S., granular grade was such a bigger  
21 portion that they tried to figure it out. I know from our  
22 side, the plant Agrifos started in 2011, in '11 and '12, you  
23 know, there was no talk of anything Chinese ammonium  
24 sulfate. And when Rentech had bought the plant in November of  
25 2012, again that was not on anybody's radar that there was

1 going to be this Chinese big imports.

2 Midway through 2013, when imports started coming  
3 in and started to kind of be a little bit of a dialogue in  
4 the customers' minds, I think they imported about 50,000  
5 tons that year that came in from China. It was there, and  
6 a lot of people were talking about all these compactors were  
7 going to go up, and it's going to be in a very big way, and  
8 they're really going to target the U.S. market.

9 But, you know, more or less a lot of people  
10 dismissed it saying, all right, you know, China says that  
11 they're not going to do it, but what we saw in 2014 all of a  
12 sudden they come in and they triple their imports,  
13 basically.

14 And at that point, the entire U.S. market  
15 changed. Where, number one, the Chinese saw via Gavilon  
16 that they were able to get into the U.S. market, move  
17 several hundred thousand tons, and with their capacity  
18 expansion they needed to get that market. And at the same  
19 time, they were doing the same thing in Brazil.

20 By 2015, now, the Chinese are so--you know, their  
21 imports have come in and they're such an influence on price  
22 that I would say the number one topic we have, we're coming  
23 into what's called the "summer fill program" so the growers  
24 plant, and then everyone restocks their fertilizers.

25 `And normally the talk would be about just

1 supply/demand, you know, what do you think the price is  
2 going to be, are inventories tight? The number one  
3 conversation now is: How much will China import next year?

4 Right? So they went from 50,000 to a couple  
5 hundred thousand, to 400,000, and are now on pace for  
6 600,000 tons. And I think as we see China, when they go  
7 from this 7- or 8 million up to 12 million tons, they are  
8 going to just keep trying to get additional market share.  
9 And to do that in the U.S., they would have to compact more.  
10 And so that's why there's a lot of projects on the drawing  
11 board in China via some of the other importers, one of  
12 them's rumored saying they're going to put up capacity that  
13 compacts 400,000 tons a year in China. And that would have  
14 a straight target right here and in Brazil. And those are  
15 the two markets they would go right after.

16 MR. VAUGHN: And just to add a little--Stephen  
17 Vaughn--just to add a little bit more flavor to that in  
18 terms of what we have seen in the record, we think more  
19 people are getting involved in this process.

20 In other words, there were sort of limited people  
21 bringing the product in at first. Now you hear in some of  
22 the testimony that more people are starting to get into it.

23 As the product becomes more acceptable and more  
24 customers are willing to use it, it becomes easier to bring  
25 in more and more of it. And we think, you know, those are

1 also factors that mean that the situation is likely to get  
2 much worse in the near future.

3 MR. HAMILTON: Mike Hamilton, Honeywell. I mean I  
4 think your interpretation of the evolution is actually  
5 correct. So if you look at the Chinese production export  
6 data, we believe that since 2009 all of the incremental  
7 ammonium sulfate production in China has essentially been  
8 exported.

9 So as the capacity has grown and the exports have  
10 increased, I mean we've seen standard exports into other  
11 regions of the world where we sell standard. So, for  
12 example, in Central America, Latin America, we started  
13 seeing increasing exports of standard grade in those  
14 markets. And we know they also increased standard grade  
15 exports into places like Southeast Asia.

16 And so in those regions, there's either crops there, or  
17 because of the lack of sophistication, where the standard  
18 grade was appropriate. So I think they actually started by  
19 exporting this incremental sulfate into those regions where  
20 it was a lower grade, but then eventually they evolved to  
21 where they saw the U.S. as a target, as you have the  
22 sophistication, the higher price for granular grade, and  
23 they started figuring out how to make a granular grade. And  
24 so I think we are actually in that later step of evolution.

25 But as we noted, I think we can put together

1 estimates in the post-conference regarding standard versus  
2 granular in the U.S. But off the top of my head, I'm  
3 guessing it's 5-to-1 or 10-to-1 granular to standard. So  
4 the U.S. is not a very big standard market because of the  
5 sophistication, which is why you didn't see it here  
6 initially.

7 MR. MAZZELLA, JR.: I would say, just one thing to  
8 add as well, they're going after any market they can find to  
9 move the tons. I think Mike mentioned in his testimony  
10 about tons going into Port Manatee in Florida of a different  
11 grade.

12 Also, last year right when the Mexican Government  
13 imposed their tariffs on the Chinese product, there was a  
14 vessel by a company, Nitron, going to Mexico that then they  
15 couldn't bring in there. So then they diverted it to, I  
16 think it was the State of Washington, they brought it in,  
17 but on the West Coast.

18 So immediately we saw now, that's a big topic  
19 this year. We sell tons into the Pacific Northwest, into  
20 Idaho primarily, and how a big topic is, well now much more  
21 tons are going to come in to the West Coast?

22 So the Chinese, as they add this capacity, they  
23 just have a very big bull's-eye on the U.S. Number one, the  
24 U.S. is probably the easiest place for them to export.  
25 They're selling to counterparties who can pay cash. They're

1 not worried about opening letters of credit to other  
2 countries like India or Indonesia. It's a very  
3 straightforward deal.

4 So the more tons the Chinese producer can sell to  
5 the U.S., with U.S. foreign currency, it's just a very--I  
6 mean, that's their number one goal. And right now, you  
7 know, from Florida, you know, they've got the Gulf Coast  
8 inundated, and now even the West Coast. Their target is on  
9 here and it's just going to continue to grow.

10 MR. MAZZELLA, SR.: And as Steve had mentioned  
11 earlier, you know, the importers continue to grow the  
12 amount, the volume of people, as they're finding out. And  
13 as traders we understand that they find the product that  
14 they can get their hands on, they're going to try to sell  
15 it.

16 There is not a week that goes by that we as  
17 producers get telexes and phone calls by these traders, and  
18 unknown traders, offering us cargoes of material at  
19 ridiculously low prices.

20 So it's just exponentially getting bigger and  
21 bigger and bigger, as more and more people find out about it  
22 and are looking for commodity. And basically it is a  
23 commodity. It's a fungible good that they can get their  
24 hands on and sell, with no regard to market or anything.

25 And as Elio just mentioned, you know, when you

1       come into the United States, you have no import licensing,  
2       you have no duties, you know, you have a system that works  
3       12 months out of the year, meaning the river system, or the  
4       East and West Coast, it's just a very, very easy market to  
5       get into and with no regard to anything except there may be  
6       scalping, for lack of a better word, a little bit of a  
7       commission or a trade.

8                   MR. MAZZELLA, JR.: Just to add one thing. With  
9       the Brazil downturn in their general economy right now, I  
10      would expect to see--part of the pace I think we're seeing  
11      in Q-1 in 2016 on the imports is, number one, Mexico with  
12      their antidumping duties, and also the Brazil economy is so  
13      bad that I think a lot of those traders who import into  
14      Brazil also are people who would import to the U.S.

15                   So I think those tons immediately are getting  
16      forced to this market.

17                   MR. ANDERSON: Okay. Thank you. I think you  
18      offered a very detailed explanation. And to the extent  
19      that, obviously we will be giving great attention to the  
20      lost revenue, so lost-revenue information you're going to  
21      provide, or have provided, but to the extent you can  
22      document what you were just referencing, some of this  
23      diversion and so forth, you can document that in  
24      post-hearing, that would be very helpful.

25                   Just two more questions. Ms. Byers, you

1 mentioned inventories, and we look forward to seeing that  
2 analysis. But our understanding is there is some  
3 cyclical to the industry. And you're talking about the  
4 Fall being a peak demand season, if you could put your  
5 analysis of the inventories in the context of that  
6 cyclical, if that's the case, so that the Commission has  
7 the appropriate framework to look at when we look at the  
8 inventories.

9 MS. BYERS: This is Bonnie Byers with King &  
10 Spalding. Yes, we will definitely do that.

11 I would just mention, if you do a quick  
12 comparison of the first quarter of '15 and the first quarter  
13 of '16, you will see a big difference there.

14 MR. ANDERSON: Great. And then last, I would  
15 invite you to comment on the pricing. You mentioned in a  
16 couple of places in your brief, and also in the slides, this  
17 trend in AUVs for Chinese imports. In particular, the sharp  
18 decline over the three-year period, but in the interim in  
19 2014 the AUVs increased from 2013 to 2014.

20 And either or in your post-hearing brief, could  
21 you just comment? Was that typical in the industry for all  
22 prices, that they went up some in 2014, maybe to demand,  
23 increasing demand? Or was that an anomaly that we--or a  
24 composition, product composition mix in subject imports? Or  
25 what could explain that trend?

1                   MR. MAZZELLA, JR.: A lot of it was the psychology  
2 of the Chinese imports coming in. So in '13 we saw them  
3 first come in, and it puts a lot of buyers--when you get to  
4 that summer fill, so the summer of 2013, you have buyers  
5 kind of looking and saying, you know, what are we going to  
6 do here? You know, there's this looming threat in Gavilon  
7 and all the other importers saying they're going to import a  
8 significant amount of tons.

9                   What happens when people see that, growers in the  
10 U.S.--you know, there are two application periods for  
11 sulfate. One is in the spring, and there's also a minor one  
12 in the fall. So when they're buying in the summer fill,  
13 there's a chance that these tons are held all the way until  
14 the spring.

15                   And if they see that there's a looming threat  
16 coming that imports are going to come in, they won't  
17 participate in the summer fill. And in that year when those  
18 tons started coming in and the market got very disjointed,  
19 buyers really delayed their purchases as long as possible,  
20 which drove prices down and it really depleted inventories  
21 because they didn't want to buy until they saw what was  
22 going to happen.

23                   And then they had kind of an accelerated buying  
24 period later in that Spring, which drove the prices up. But  
25 I think, you know, the trend, I think that was just an

1 anomaly because we had a year where you're looking at kind  
2 of this looming, you know, maybe "cliff" is not the right  
3 word, but looming imports that are coming. And in every  
4 buyer's mind they're saying, we're not going to buy  
5 anything. We're not going to commit until then.

6 As you drive inventories down and delay buying,  
7 in this market it will really just drag prices.

8 MR. ANDERSON: So that's very helpful. And then  
9 just a follow-on, so in 2015 to 2016 in that period, we  
10 won't expect to see prices go back up for the same reason?  
11 Or what's the difference?

12 MR. MAZZELLA, JR.: I think what we're seeing  
13 right now, now that the Chinese are kind of ingrained here  
14 with these imports, now we're seeing a market where we'll  
15 come into this fill. We're in a springtime right now where  
16 the market is going down in spring. That's not the norm.

17 And now we're going into the summer fill where we  
18 will probably see prices come down again because we're going  
19 to be competing head to head on these imports.

20 So, you know, I think now it's just become part  
21 of, like I said, it's the number one topic on the customer's  
22 mind now. Before it was: Is it going to happen? Now it's  
23 happening. So I think we will start to get into a little  
24 bit more normal trends again, which is at drastically lower  
25 prices.

1                   MR. ANDERSON: Okay. Thank you for that response.

2                   Any--

3                   MR. HAMILTON: Yes. Mike Hamilton, Honeywell,  
4                   Yes, I will add to that. I mean I think, as he stated, I  
5                   think one of the things to understand is these application  
6                   seasons, as I think it was described yesterday, is like  
7                   about one-and-a-half applications. So it's a short time in  
8                   the fall and a short time in the spring where a significant  
9                   portion of fertilizer application is completed.

10                  So if we go back a couple of years, the way we  
11                  would operate is basically you would see, because of the  
12                  peak demand tends to be around that April-May time period,  
13                  and production supply is generally flat. I mean, you would  
14                  generally see prices rise just because supply/demand,  
15                  typically supply/demand. And then generally most products,  
16                  most producers, will have to adjust their pricing going into  
17                  the summer because that's a period we call the "Fall fill"  
18                  or some sort of fill period where a lot of the distribution  
19                  chain starts to rebuild their inventories in preparation for  
20                  sort of the upcoming fertilizer cycle.

21                  And so what we've typically seen is that cycle  
22                  take place. And I think as he noted, I think there was  
23                  probably a little bit of confidence that was regained  
24                  initially after the first surge of imports that the world  
25                  wasn't over yet, and so we were able--and, you know, as

1 business people our job is to try and go out there and sell  
2 the fertilizer, raise prices, and make money. And so that's  
3 what we did.

4 And I think some of the demand increasing, some  
5 of this probably because of the ammonium nitrate switch over  
6 probably helped as well. But what we've seen transpire over  
7 the last 6 to 12 months is, in this cycle that confidence of  
8 the value chain on investing at the beginning of the cycle  
9 in inventories on ammonium sulfate has been completely  
10 devastated.

11 So whereas we go back even two or three years ago  
12 where we had customers who would likely want to place as  
13 many orders as they could at the beginning of the season  
14 because they were ready to go on the next cycle, and they  
15 were confident that this was a great product, now because of  
16 the impact of the imports, and I think the note that we have  
17 in the testimony where prices have actually fallen over this  
18 season, which is the first time we've seen that at least in  
19 years, and years, and years, that confidence is gone.. I  
20 mean, they're not sure what to do. Our customers really  
21 don't know what to do right now.

22 MR. MAZZELLA, SR.: Elio Mazzella, Senior. The  
23 thing is also, the importers know when our season is. So  
24 they try to purchase from China and other locations to get  
25 here for the season.

1           And the customer farmer here gets a totally  
2 comfortable feeling that he's going to be able to get his  
3 material in the spring at very, very low prices because of  
4 the Chinese material which is coming in in the short,  
5 condensed period of time, which is the springtime.

6           They are not going to be bringing it in in, you  
7 know, June, July, August, September because it's expensive  
8 to put this material on barges and store it. Usually that's  
9 \$250 to \$300 a day per barge, which is a 1,500 ton barge.  
10 So if they have to hold on to that for two or three months,  
11 they are incurring additional cost. So they're trying to  
12 shoot for the season here in the United States.

13           And they know they can't hold on to it too long.  
14 I mean, our season is four months, basically. And so they  
15 have to move it. And so as you get deeper into the spring  
16 season, which we're seeing this year also, they'll start to  
17 reduce the prices even more to make sure that the material  
18 is moved and they don't have to store it.

19           MR. MAZZELLA, JR.: I think seeing the falling  
20 market as both alluded to--Elio, Jr., sorry, PCI--but we saw  
21 the record imports from China in Q-1. So now these guys  
22 brought these tons in and they want to move them this  
23 spring, no matter what. And they brought them in at a lower  
24 price, and they are going to make sure that they move those  
25 tons, regardless. So they kind of just hit the market and,

1 you know, they basically have a 90-day window from when they  
2 got here to make sure that they sell every ton. Because,  
3 if not, they will have to hold it all the way until the  
4 fall, which gets very expensive.

5 So you kind of have almost like a fire sale.  
6 And they look at, you know, here's the price that the U.S.  
7 producers are. Here's what we imported it. So we've got 90  
8 days to sell this stuff and maybe we'll try to start up  
9 here, but, you know, as each day goes by they just keep  
10 cutting, cutting, cutting, to make sure they have it sold.

11 MR. MAZZELLA, SR.: And they have that much room  
12 in their import pricing to continue to take it down.  
13 They'll just keep leapfrogging it down.

14 MR. ANDERSON: Okay. Thank you very much for that  
15 detailed explanation. And just to clarify, the shelf life  
16 on ammonium sulfate, you mentioned that there's obviously an  
17 economic incentive to clear out your inventories, but as a  
18 practical matter what's the shelf life?

19 MR. MAZZELLA, JR.: For our product, our product  
20 can go for a very long time. A year, no problem.

21 MR. ANDERSON: Yeah. Okay.

22 MR. MAZZELLA, JR.: For other products, I'm not a  
23 hundred percent certain on, but ours can last a long time.

24 MR. MAZZELLA, SR.: And if they have to store it  
25 on barges in very humid conditions on the Mississippi River,

1       it cakes. And then you start to create a problem of quality,  
2       caking, breaking down, and not being able to break it up for  
3       blending purposes. So their period of time is shorter,  
4       whereas our material is in warehouses and very well  
5       protected and off the river system. And most of their  
6       material is sold directly off the river system for use that  
7       season.

8                   MR. ANDERSON: Thank you, very much. That was  
9       very helpful. You have answered all my questions and I  
10      really appreciate the detailed explanations.

11                   I am going to visually scan my colleagues to see  
12      if there are any follow-up questions?

13                   (No response.)

14                   MR. ANDERSON: With that, on behalf of the staff I  
15      want to thank you very much for coming today and providing  
16      the testimony and the information.

17                   I think now we will turn to the closing  
18      arguments.

19                   CLOSING REMARKS OF STEPHEN VAUGHN

20                   MR. VAUGHN: Thank you very much. Stephen Vaughn.  
21      We would like to begin by thanking the staff for your  
22      efforts on these investigations, including all of your  
23      thoughtful questions this morning.

24                   Bonnie Byers and myself will present the closing  
25      arguments for Petitioner.

1           As we have already shown, all of the statutory  
2 factors with respect to material injury are satisfied in  
3 this case. Rather than recapitulate the evidence now, I  
4 want to draw your attention to a few key points that should  
5 play a major role in the Commission's determinations.

6           You have had virtually no co-operation from  
7 Chinese respondents. Indeed, not one witness came here  
8 today to answer your questions, or to oppose the petitions  
9 at issue.

10           By failing to cooperate, the respondents have  
11 deprived you and us of critical information regarding their  
12 capacity, their production, their exports, their plans for  
13 new capacity, and all of the other evidence that is within  
14 their control.

15           Let me be clear. It would be outrageous for  
16 Chinese producers to benefit from their own lack of  
17 cooperation in these investigations. We have no doubt that  
18 a complete record with regard to Chinese producers would  
19 show that they have massive volumes of capacity; that they  
20 are heavily export-oriented; that they intend to increase  
21 shipments further to this market; and that they have  
22 deliberately lowered their own dumped and subsidized prices  
23 in order to increase shipments.

24           Given their deliberate failure to participate in  
25 these investigations, the Commission should infer each and

1 every one of these points. To do otherwise would put our  
2 client and the other domestic producers at an unfair  
3 disadvantage.

4 The Commission is supposed to analyze the  
5 performance of the domestic industry in the context of the  
6 business cycle and conditions of competition distinctive to  
7 that industry. In these investigations, conditions were  
8 extremely favorable to domestic producers.

9 From '13 to '15, U.S. apparent consumption of  
10 ammonium sulfate rose by almost half a million tons. Toward  
11 the end of the Period of Investigation, key raw material  
12 costs for certain U.S. plants such as nature gas declined  
13 significantly. Under these circumstances, the last few  
14 years should have been very good ones for domestic  
15 producers.

16 The fact that they were not is compelling  
17 evidence that dumped and subsidized Chinese imports were  
18 distorting the market.

19 Any time the Commission looks at a case brought  
20 during a time of favorable market conditions such as strong  
21 demand, those factors will necessarily mask to some extent  
22 the harm done unfair trade. But in these investigations,  
23 you have dramatic and unmistakable evidence showing a direct  
24 causal link between unfair trade and material injury.

25 First, you have a massive increase in volumes of

1 unfair trade. Over the Period of Investigation, Chinese  
2 mills producers shipped hundreds of thousands of tons to  
3 this market. Those tons represent sales that could have  
4 been made by the domestic plants, and that would have been  
5 made by those plants, in the absence of unfair trade.

6 Those lost sales and the accompanying lost  
7 revenues that resulted from them are more than enough to  
8 show material injury by reason of unfair trade.

9 Second, you have specific evidence that Chinese  
10 imports are interchangeable with domestic like-product, and  
11 that U.S. plants have no choice to either reduce their own  
12 prices or lose even more business to unfair trade. You  
13 heard that point made in sworn testimony today, and the  
14 record contains additional evidence on this point as we will  
15 highlight in our post-conference brief. In other words, you  
16 do not have to infer that Chinese imports were driving down  
17 domestic prices, you have direct evidence on this critical  
18 point.

19 Finally, you have the evidence of what happened  
20 to Rentech; that how a plant that was valued at almost \$160  
21 million before Chinese imports entered this market lost over  
22 90 percent of that value within a few years.

23 Let me be clear. The evidence before you,  
24 including the testimony from Mike Hamilton, shows that all  
25 domestic producers were hurt by imports from China. But for

1 those of us who care about strong and effective enforcement  
2 of the trade laws, there is no more dreadful result of  
3 unfair trade than the loss of domestic capacity due to  
4 dumped and subsidized imports. When a plant closes, it is  
5 often gone forever. The jobs it could have supported, the  
6 new products it may have developed, these are lost to all of  
7 us.

8           Ironically, however, evidence of this type of  
9 harm is often almost impossible to present to the  
10 Commission. When a plant loses almost all of its value, it  
11 usually just disappears from the record. Once a plant is  
12 gone, there is no one left to bring trade cases on its  
13 behalf. There's no one left to fill out the Commission's  
14 questionnaires. There's no one left to speak for workers  
15 who have been forced to look elsewhere for employment.

16           And so, unfortunately, some of the worst and most  
17 painful examples of injury are very difficult to prove. But  
18 this time you have that evidence. Evidence showing that a  
19 plant that makes ammonium sulfate, a plant that was  
20 successful before the coming of Chinese imports, a plant  
21 that competes directly with those imports in the Gulf  
22 region, lost almost all of its value in a period of strong  
23 demand.

24           Unfair trade is the only plausible explanation  
25 for these developments. This time, the Commission can act

1 before this plant and others like it have to shut down for  
2 good. This time, the workers have another chance. This  
3 time, there is still a possibility of restoring true market  
4 competition to this industry.

5 We urge the Commission to exercise its critical  
6 responsibility to enforce our trade laws and give this  
7 industry and its workers the chance at true market  
8 competition that they deserve.

9 CLOSING REMARKS OF BONNIE BYERS

10 MS. BYERS: You've got me convinced. This is  
11 Bonnie Byers for Petitioner.

12 As Stephen has just pointed out, there is ample  
13 evidence of present material injury. If, for whatever  
14 reason, you don't go there, there is also ample evidence of  
15 threat of material injury.

16 I think I went through those, but let me just  
17 tick them off for you because nearly every single threat  
18 factor is met in this investigation.

19 You've got rapidly increasing imports.

20 You've got Chinese product entering the United  
21 States, a product that will undoubtedly, as we've heard from  
22 our witnesses, attract more buyers to the Chinese product.

23 You've got capacity in China that's skyrocketed  
24 over the past couple of years. You've got vast amounts of  
25 excess capacity in China. And you've got highly

1 export-oriented producers in China.

2 They are bringing on new capacity. You've got  
3 under-utilized capacity. And the U.S. is an extremely  
4 attractive market, as our witnesses have pointed out today.

5 You've got an increasing number of importers,  
6 making it even easier to find conduits for this product to  
7 come into the United States.

8 And finally, you've got huge countervailable  
9 subsidies that are specifically aimed to increase the  
10 production and export of this product.

11 And finally, you have a U.S. industry that is  
12 extremely vulnerable, as you've heard from the witnesses  
13 here today. Although raw material costs have been blessedly  
14 low for these producers over the past several years, those  
15 raw material costs are likely to go up. In fact, they've  
16 already gone up since the first quarter of this year, which  
17 increases their level of vulnerability.

18 So we hope that you will make a present material  
19 injury finding. If not, there's ample evidence of threat of  
20 material injury.

21 Thank you, very much.

22 MR. ANDERSON: Alright, thank you. And on  
23 behalf of the Commission and our staff, I would like to  
24 thank all the witnesses today and counsel for appearing  
25 before us and helping us gather a better understanding of

1 the ammonium sulfate industry and the trends and practices  
2 in the industry in helping us develop the record in this  
3 preliminary investigation.

4 A few key dates I want to mention before  
5 concluding. The deadline for submission of corrections to  
6 the transcript and conference briefs is Monday, June 20th.  
7 And if briefs contain business proprietary information, a  
8 public version is due the next day, Tuesday, June 21st.

9 The Commission has tentatively scheduled its vote  
10 on these investigations for Friday, July 8th. And we will  
11 issue our determinations through the Secretary of Commerce  
12 on Monday, July 11th. And the opinions of the Commission  
13 will be issued on Monday, July 18th.

14 And with that, I thank you all again for coming,  
15 and this conference is adjourned.

16 (Whereupon, at 11:25 o'clock a.m., Wednesday,  
17 June 15, 2016, the conference was adjourned.)

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## CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Ammonium Sulfate from China

INVESTIGATION NOS.: 701-TA-562 and 731-TA-1329

HEARING DATE: 6-15-16

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: 6-15-16

SIGNED: Mark A. Jagan

Signature of the Contractor or the  
Authorized Contractor's Representative

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

SIGNED: Gregory Johnson

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

SIGNED: Gaynell Catherine