UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:
SODIUM GLUCONATE, GLUCONIC ACID, AND DERIVATIVE PRODUCTS FROM CHINA

) Investigation Nos.:
701-TA-590 AND 731-TA-1397
) (FINAL)

Pages:  1 - 189
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BEFORE THE

INTERNATIONAL TRADE COMMISSION

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

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Tuesday, September 18, 2018

The meeting commenced pursuant to notice at 9:40
a.m., before the Commissioners of the United States
International Trade Commission, the Honorable David S.
Johanson, Chairman, presiding.
APPEARANCES:

On behalf of the International Trade Commission:

Commissioners:

Chairman David S. Johanson (presiding)
Commissioner Rhonda K. Schmidtlein
Commissioner Irving A. Williamson
Commissioner Meredith M. Broadbent
Commissioner Jason E. Kearns

Staff:

Tyrell Burch, Program Support Specialist
Sharon Bellamy, Records Management Specialist
Robert Casanova, Investigator
Samantha DeCarlo, International Trade Analyst
Fernando Gracia, International Economist
Samuel Varela-Molina, Accountant/Auditor
Cortney McNamara, Attorney/Advisor
Craig Thomsen, Supervisory Investigator
APPEARANCES:

Opening Remarks:

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

Respondent (Andrew T. Schutz, Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP)

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

Barnes & Thornburg LLP
Washington, DC
on behalf of

PMP Fermentation Products, Inc. ("PMP")

    Jim Zinkhon, President & Chief Executive Officer, PMP
    Tonya Lodge, Manager of Corporate Planning & Sales, PMP
    Dan Rudy, Director of Administration, PMP
    Gary D. Russell, Vice President RussTech, Inc.
    Bruce Malashevich, President & Chief Executive Officer, Economic Consulting Services
    Jerrie Mirga, Vice President, Economic Consulting Services
    David M. Spooner, Christine J. Sohar Henter and Nicholas A. Galbraith - Of Counsel
In Opposition to the Imposition of Antidumping and
Countervailing Duty Orders:

Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP
Washington, DC

on behalf of

Caludor Products, Inc. ("Valudor")

Semyon Melamed, President, Valudor
Michelle Tung, Operations Manager, Valudor
Ned H. Marshak, Andrew T. Schutz and Dharmendra N. Choudhary - Of Counsel

Rebuttal/Closing Remarks:

Petitioner (David M. Spooner, Barnes & Thornburg LLP)
Respondent (Andrew T. Schutz, Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt LLP)
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PROCEEDINGS

(9:40 a.m.)

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

CHAIRMAN JOHANSON: Good morning. On behalf of the United States International Trade Commission, I welcome you to this hearing on the final phase of investigation No. 701-TA-590 and 731-TA-1397 involving Sodium Gluconate, Gluconic Acid and Derivative Products from China.

The purpose of these final investigations is to determine whether an industry in the United States is materially injured or threatened with material injury or the establishment of an industry in the United States is materially retarded by reason of imports of sodium gluconate, gluconic acid and derivative products from China.

Schedule setting forth the presentation of this hearing, notices of investigation and transcript order forms are available at the public distribution table. All prepared testimony should be given to the secretary. Please do no place testimony directly on the public distribution table. All witnesses must be sworn in by the Secretary before presenting testimony.

I understand parties are aware of the time allocations. Any questions regarding the time allocations should be given to the Secretary. Speakers are reminded not to refer in their remarks or answers to questions to
business proprietary information. Please speak clearly into the microphones and state your name for the record and for the benefit of the court reporter.

If you will be submitting documents that contain information you wish classified as business confidential your request must comply with Commission Rule 201.6. Mr. Secretary, are there any preliminary matters?

MR. BURCH: Mr. Chairman, I would like to note that all witnesses have been sworn in. There are no other preliminary matters.

CHARIMAN JOHANSON: Very well. Let us begin with opening remarks.

MR. BURCH: Opening remarks on behalf of Petitioners will be given by David M. Spooner of Barnes and Thornburg. Mr. Spooner, you have 5 minutes.

OPENING STATEMENT OF DAVID M. SPOONER

MR. SPOONER: Chairman Johanson, Commissioners.

Thank you for having us here today. I am David Spooner, Counsel for Petitioner in this case, PMP Fermentation Products, or PMP.

PMP is the sole remaining manufacturer of sodium gluconate or GNA and closely related production in the United States. PMP has been a part of Peoria, Illinois since the mid-1800s. First as a brewery and in recent decades as a producer of GNA products. It is an anchor of
the community providing good manufacturing jobs to a city
that very much needs them.

    PMP CEO himself is an example. Jim Zinkhon is
here today as a homeboy. Jim grew up in Peoria and decided
to work with the hometown company after college. We have
other PMP officials today with similar stories.

    PMP though may cease to exist in the face of an
onslaught of cheap Chinese Imports of GNA products. Imports
that are priced so low that they're cheaper than PMP's cost
of production. The evidence of PMP's material injury cannot
be more clear and frankly I think it is more clear now than
it was during the preliminary stage.

    Throughout the POI pricing products 1 and 2
massively undersold U.S. Product. In fact, the public staff
report on page 5-11 states that prices for product imported
from
China were below those of U.S. produced product in all 28
instances and margins of underselling ranged from 4.9
percent to 38.7 percent. This margin of underselling
steadily increased.

    This underselling occurred at the same time that
PMP faced a sizeable increase in the cost of raw materials.
PMP's production process does not permit PMP to cease or to
slow down production in the face of injurious imports, a
fact that makes PMP more vulnerable. During the POI PMP had
no choice but to reduce prices in the face of what should have been favorable market conditions in a desperate attempt to maintain market share.

Faced with this cost-price freeze PMP, despite healthy and growing demand for GNA products and despite an absence of domestic competition, was forced to cut prices. These price cuts had a significant impact on PMP's financial performance. Gross profits declined from 2015-2017 as did other indicia of PMP's financial performance.

I point you to attachment A of our prehearing brief which tracks the relationship of pricing and import volume for pricing products 1 and 2 to PMP's operating income. This chart is also explained on pages 2 and 3 and 49 and 50 of our brief. The impact of unfairly traded Chinese Imports is also demonstrated by PMP's long list of lost sales.

A list that includes end-users from throughout the United States and that spans a variety of end uses. We will discuss this in more detail during posthearing brief but these lost sales are well-documented or well-corroborated by the record.

AS for threat, just before the Petition was filed one of PMP's key customers emailed, threatening to move business to a Chinese supplier if PMP did not provide a significant retroactive price reduction. This was not an
isolated incident. Chinese Producers continue to aggressively solicit PMP's customers.

In fact, PMP itself regularly receives such solicitations. Jim Zinkhon received on this morning just as we were leaving for the hearing. Indeed, in its preliminary determination the Commission found that Chinese Producers have both the ability and incentive to significantly increase the volume and market penetration of Subject Imports in the immediate future.

The Commission found that the Chinese industry is large, growing, has a capacity utilization rate of only 50 percent and is export-oriented. Indeed, excess capacity in China dwarfs U.S. apparent discussion. This is all no less true today. The Chinese government provides massive subsidies to GNA products producers.

Commerce after all countervailed 55 different subsidy programs, yielding a margin of CVD margin of 194 percent. Prices for Chinese GNA in the U.S. are higher than in any third country market. The EU continues to impose remedial measures on Chinese GNA which of course tends to divert product to the U.S. and the Chinese continue to solicit U.S. end users aggressively. PMP has only been able to enjoy a measure of relief this year after the filing of the Petition and the imposition of provisional measures. This recent uptick in PMP's performance as a
consequence of remedial tariffs only demonstrates the threat
to PM of massively dumped and subsidized Chinese Imports.

Finally, I should close by making an editorial
comment about the questionnaire responses of the Chinese
Producers. These questionnaire responses were provided to
the Commission so late that they weren't included in the
Staff Report and some have been subsequently revised. The
information has not of course been verified.

Please just keep in mind and we will elaborate on
this in our brief, that on the Commerce side Commerce
repeatedly busted for lack of a better word the sole
participating Respondent, one of the largest Chinese
Producers for repeatedly providing --

CHAIRMAN JOHANSON: Mr. Spooner, your time has
expired, if you could try to wrap up, please. Thank you.

MR. SPOONER: Thank you for having us today and
we're happy to answer any questions at the appropriate time.
Thank you.

MR. BURCH: Opening remarks on behalf of
Respondents will be given by Andrew T. Shutz of Grunfeld,
Desidario, Lebowitz, Silverman and Klestadt. Mr. Shutz you
have five minutes.

OPENING STATEMENT OF ANDREW T. SCHUTZ

MR. SHUTZ: Good morning, I'm Andy Schutz of
Grunfeld Desidario and I appear here today with my colleague
Dharmendra Choudhary on behalf of our client Valudor Products in opposition to PMP's claim that it is materially injured or threatened with material injury by reason of sodium gluconate imported from China.

We first apologize for any inconvenience resulting from Valudor's decision to participate in this investigation at a very late date and we trust the Commission will follow its longstanding practice of reaching the correct decision based on analysis of all record evidence rather than penalizing the party for not meeting the Commission's original deadline to respond to the staff's questionnaires.

In this final phase, the Commission is faced with a rather unique case. First, in the preliminary determination the Commission reached a negative determination of current material injury with respect to cumulated imports from France and China for a POI ending September 30, 2017. The Commission should reaffirm this decision.

The difficult standard for a negative preliminary bears repeating. It required that 1) the record as a whole contains clear and convincing evidence that there is no material injury and 2) no likelihood exists that contrary evidence will arise in the final investigation. Thus the Commission has already determined that it is unlikely that
any evidence would arise to establish material injury in the final. The Commission's preliminary determination was prophetic in this regard.

We believe that the record in this case indeed confirms that the requisite change did not take place. The record lacks substantial evidence that circumstances of the finals extended periods of investigation from October 2017 through June 2018 require a change of the preliminary no material injury finding in this final phase.

Further, in the preliminary decision the Commission also carefully considered and expressly rejected two important arguments advanced by the Petitioner. First, the Commission rejected PMP's argument that the Commission's analysis should focus primarily on the performance of PMP's sodium gluconate operations rather than the entire range of the domestic like product.

The Commission reasoned that the Petitioner could have requested that the scope of the investigations under the domestic like product be limited to sodium gluconate but did not do so. Next, the Commission rejected PMP's argument that because of the nature of the industry any increase in sales by cumulated Subject Imports necessarily translates to a decline in the Domestic Industry's production, capacity utilization, sales and profitability. The Commission should reaffirm these subsidiary conclusions at this time.
The second unique feature of this case is that it essentially focuses on the actions of two companies. First, there is PMP the sole member of the Domestic Industry which claims, and I quote that "it will disappear altogether if it fails to soon find relief, that without an affirmative determination it will simply be driven out of business and that the volume of sales lost to PMP is well nigh catastrophic. These claims are incredible. They are belied by the Commission's prior determination and the entirety of the confidential record.

The second player is our client Valudor which is by far the largest importer of sodium gluconate from China and you will hear from then lateral this afternoon. Valudor will show that its entry to the U.S. Market was not based on price. The vast majority of its sales are to one customer for one end use, agriculture on the West Coast, that the Chinese Product it sells are of a quality that makes them unfit for many GNA uses in the U.S. which is distinct from PMP's products and that it actually tried and failed to sell Chinese GNA for other uses in other markets in other regions in the U.S.

If the Commission agrees with Valudor that its increased quantity of admittedly lower-priced imports was not injurious then PMP's theory of the case falls apart.

Finally, there is no threat of material injury in
the case. The Chinese did not participate in the Commission's preliminary investigation or commerce's investigation because their sales to the U.S. are insignificant to sales in the home market and third countries. The Chinese Producers filed their foreign producer questionnaire responses as an accommodation of Valudor and Valudor's request.

These responses when read in conjunction with information regarding sodium hydroxide shortages in China and an inferior quality of Chinese sodium gluconate should be sufficient for the Commission to conclude that substantial evidence supports an affirmative finding of no threat. We look forward to discussing these issues in greater detail this afternoon. Thank you.

MR. BURCH: Would the Panel in support of the Imposition of Antidumping and Countervailing Duty Orders come to the front and be seated? Mr. Chairman, I would note this Panel has 60 minutes.

MR. SPOONER: Thank you, Mr. Chairman. We will begin with Jim Kinkhon the CEO of PMP although if I may I would like to begin with one aside editorial comment. In my opening remarks I referred to an impressive long list of lost sales I felt was corroborated by the record evidence. I was careful not to highlight one specific lost sale but our fellow counsel today referenced it in quite a
bit of detail in his opening statement. He referred to Valudor serving a large fertilizer producer on the West Coast, that that fertilizer producer was Valudor's primary customer.

I would strongly urge the Commission to look at PMP's list of lost sales and look at the questionnaire of a large fertilizer producer in this case and we will have to elaborate in our posthearing brief but I think the record debunks the claim quite clearly that sales to a fertilizer producer on the West Coast don't affect PMP. With that, I should begin with Jim Zinkhon.

STATEMENT OF JIM ZINKHON

MR. ZINKHON: Good Morning, Chairman Johanson and Commissioners. I'm Jim Zinkhon President of PMP Fermentation Products. When I was here at the ITC previously, I was the Director of Corporate Planning and Sales for PMP. The prior CEO retired in April 2018 and that's when I took over the position. I've been with the company for nearly 24 years, starting in the production side in 1995, moving into the planning and sales area in 2001. As David mentioned, I grew up in Peoria. PMP is my hometown. I've seen what unfairly traded imports are doing to my company and I couldn't sleep at night if I wasn't doing everything I could to save the company and to save the jobs of the hardworking men and women that I see every day.
I'd like to begin my testimony by talking about the importance of this case to us at PMP, the only remaining GNA products producer in the U.S. Frankly, if we lose and we do not see relief from unfairly traded Chinese Imports PMP will simply be forced out of business.

As CEO and as someone who has been at the company for almost 24 years, I'm extremely familiar with this company, its business and its employees. I see the impact of ridiculously low-priced imports from China on our bottom line. It simply cannot continue. In fact, one of the reasons I worry so much is because we have had firsthand experience with what can happen with this type of pricing.

We used to have another plant across the street that made a different chemical. This plant operated on a different chemical. This plant operated from 1997 until it was shuttered in 2007 after being driven into the ground by lower and lower priced Chinese Imports. Prices that were far lower than our cost of manufacturing. In the last few years we've watched with trepidation as we saw the same thing happening with the products we sell today, the GNA products but this time we decided to fight back.

This case is not just important to me or my colleagues here with me today but to everyone at PMP, their families, and the community. The employees of PMP are very
aware of what happened to our other plant. In fact we just
had a retirement party last week for one of our production
operators. He had been with us for over thirty years.

While the focus of the party was of course his
retirement, virtually the only thing anyone wanted to talk
to me about was this case. It means so much to them and
their families and they know the security of their jobs and
the viability of the company depend on the outcome of this
case.

Now I'd like to give you a little background on
PMP. We date back to the mid 1800's. The building was
built in 1849. The facility became known as the Leisy
Brewery and was in business until Prohibition. The facility
was then purchased by Pabst Brewery after Prohibition. In
1985 the facility was sold to Fujisawa Pharmaceutical and
became known as PMP Fermentation Products. In 2003,
Fujisawa sold us to Kuso Chemical Company.

We've had a couple of owners but we've always
been in Peoria and we are an important part of the
community. PMP makes sodium gluconate, what we refer to as
GNA and closely related products. We pride ourselves in
manufacturing high quality products and we provide excellent
service. We believe that we can and do compete with anyone
in the world but we need a level playing field in order to
do so.
Next, I want to discuss the products at issue, sodium gluconate and the derivative products. I'll do my best to explain the close relationship among the four primary GNA products as well as the products' end uses, the industry and our pricing experience. The four products subject to these investigations are sodium gluconate or GNA (it's right here, it's a powder), gluconic acid or GA, liquid gluconate or LG and gluconadeldelactone or GDL.

All four of these are chemically similar and are considered to be a family of derivative products as shown on our slide #4. In brief these products differ only in water or sodium content. Importantly this means you can start with any one of these four products and get to the other simply by adjusting the water or the sodium content.

We got some samples here today that are just going around to share with you so you can see, touch, smell and even taste the GNA products, if you like. I wouldn't recommend the taste part. Now I wanted to give you an idea of the many different types of end-uses for GNA products.

We brought some consumer applications with us today and I believe we have a slide that outlines what GNA product is in which sample end-product and they're up here in front. GNA products are mainly used in the following sectors: Industrial cleaners and metal cleaning. We brought two samples of these end-use products -- the CLR you see.
sitting there and a Diversey Cleaning product you see right next to it in the white bottle.

Concrete Admixture, this is one of our largest segments but I didn’t want to bring a piece of concrete in here today. Another sector is for fertilizer. We have a fertilizer sample here with our GNA from a producer in Virginia; it’s on the far end on the left as you are looking out. We supply several other fertilizer end-users as well.

Healthcare, we have Sage’s medical clothes which include our GDL. Also, Creste Prohealth toothpaste is up there and that includes our dry sodium gluconate or GNA. As you can see on the ingredients list. Our dry sodium gluconate is also used in IV solutions.

Food, our food samples include various salad dressing and dips that include either GA or GDL. Other food products include GNA or sodium gluconate as well.

Soaps and detergents. Many people know the popular cleaning spray Method, which includes sodium gluconate. We also have an environmentally friendly detergent from 7th Generation over there that includes our sodium gluconate. In addition GNA products are found in many of the soaps and cleaners made by Ecolab, general chelation. This includes the cleaning of stainless steel tanks and lines in breweries and elsewhere where you use stainless steel as well as bottle washing.
Road deicing. GNA products are used in road de-icing, I'll explain that a little bit later. This is just a small sample of what our products are used for. Importantly, because the GNA products are interchangeable we sell each type of GNA product into each industry through the same channels of distribution.

Our production process for the three products we make in Peoria at PMP is GNA, LG and GA, we use the same machinery, the same equipment and the same people. These products are all made like I said at the plant there in Peoria.

While we would have liked to have welcomed you at our plant for a tour instead we will do a virtual tour today and show you a few pictures of our facility to help you better understand the production process of GNA products but first I want to show you a picture of the hardworking folks at PMP. This is our team and the people I am here representing today. Now we've broken down the PMP production process into different stages for ease of reference. We have pictures of these stages in our presentation. Here's the PMP facility, at least the outside of the plant. To start the production process you begin with the raw materials. Liquid glucose and caustic soda are in the storage tanks that you see on your screen.

Raw materials' cost account for a significant
portion of PMP's cost over the POI, given the intense
competition from low-priced Chinese imports, they did not
impact our GNA prices. In other words, even though our
costs went up we could not raise our prices.

Next, we show the fermentation vessel. This is
where all the magic happens. PMP employs a state of the art
continuous fermentation process that assures a very high
degree of product quality and purity. Our proprietary
fungus or bug is introduced to a medium consisting of liquid
corn syrup as the main raw material. This starts the
fermentation process, which is continuous and must not be
interrupted. This production process requires us to
maximize our capacity utilization to aggressively compete.

We have numerous high-tech computers in the
control room and a quality control app to test the
production process and closely monitor every step. For
instance, air-flow, air-pressure, agitation, pH and
temperature are controlled in the main fermentor to assure
optimum growing conditions for the fungus. The pH is
controlled by the addition of sodium hydroxide and this is
also the source of the sodium in the sodium gluconate or the
GNA or the liquid gluconate LG products. The fungus
converts the corn syrup into gluconic acid. For the
filtration stage, once fermentation is complete the
resulting liquid is filtered and can be used to manufacture
gluconic acid or the liquid gluconate but the vast majority of this filtered liquid is used to make sodium gluconate crystals.

After the liquid is filtered most of it passes through an evaporator and into a crystallizer. With the introduction of heat, vacuum and agitation a super-saturated solution or slurry is achieved. The resulting slurry is discharged to a centrifuge. The centrifuge removes the majority of excess water from the crystals. The crystals are then sent to a dryer.

Once the resulting GNA is dry, the product is sifted and then it is packaged. For dry products, GNA and GDL a variety of packages are available including paper bags, fiber drums and super sacks. For the liquid products GA and LG packaging styles include plastic drums or totes and it may also be shipped in bulk via truck or rail.

Our warehouse on site looks like most warehouses. It holds our finished product prior to shipment to the distributors and end users. This is PMP in our production process in a nutshell. As you can see, sodium gluconate is the star of the show and the product which we make the most of by far. However, with simple tweaks to the sodium content and skipping the drying process we can produce either GA or LG but those are convenience products. We don't currently manufacture GDL at this facility. We could
easily do so.

Now I want to shift my hat to the sales side. Tanya will speak more about this later but as CEO and as part of PMP's sales team for almost 20 years, I'd like to speak about PMP's customers. I've visited customers over the last few years, especially the last three years and more and more often I hear that Chinese suppliers are offering these customers the exact same products we make at our facility at far lower prices than ours.

Whenever a customer makes these claims we do our best to keep the business by lowering our price as far as we can while managing to be slightly above our costs. I know this industry and I've been shocked by Chinese prices that are far below the cost of our production. Of course as we do this our margins have decreased dramatically.

In fact, one of our largest customers in the soap and detergent industry currently purchasing about six million pounds of GNA annually was offered a price from China equivalent to 30 cents a pound FOB Peoria just a few weeks before we filed this petition.

This product, especially sodium gluconate, is what would generally be considered as a strong growth mark. Historical data shows that we've seen an annual average growth rate of six and a half percent in the U.S. Market alone over the last ten years.
An excellent example is the road de-icing business we've developed over the last few years. While the sodium content of GNA does help melt snow the side benefit is that it inhibits rust on the de-icing trucks, the cars, the bridges and railroad tracks. The demand in this sector alone has been growing and is inspected to increase dramatically. Unfortunately, the price we are forced to charge is very low as the Chinese have offered unfairly low pricing to the de-icing companies.

In the fertilizer industry we continue to see exponential growth in the use of GNA products as well. I'll try to explain why GNA products are used for fertilizers. A plant naturally secretes glucose, any plant secretes glucose and it goes down into the soil in search of whatever micronutrients that particular plant needs. The glucose is then converted into a crude form of gluconic acid which in turn feeds the plant.

By using the GNA products every one of which contain gluconic acid in some form or another, there is less stress on the plant and better yields when you use it in the fertilizer.

Now I'd like to talk about how Chinese Imports have impacted our bottom line and severely affected our business over the past few years. Most importantly, prior to filing this petition we were not able to rise prices for
almost four years, in fact we had to cut prices in order to
maintain our market share.

For the same reason, we've had to lower pricing
with certain key customers. However, even with these steps
we've seen a loss of business with some of our customers.
Since we filed the Petition and more recently since the
preliminary CVD and AV tariffs were imposed on the Chinese
Products we've seen a return of customers and an increase in
business. We can finally start to breathe just a little and
we even raised our prices at the beginning of the year to
begin to partially compensate for our rising costs.

We have experienced a slight uptick in demand as
several customers have returned to place new orders, however
if we continue to see Chinese pricing for GNA products at 30
cents a pound we will not be able to participate in this
market. The reality of it is we won't be able to compete
and we will be driven out of business completely.

As CEO as you can imagine, I'm very familiar with
PMP's financials. Profitability is paramount to our
business strategy. We simply cannot exist if we are not
profitable. We have seen profits erode over the Period of
Investigation and the erosion has accelerated rapidly in the
few months prior to filing this Petition.

My concern for PMP's future is that if these
unfair pricing trade practices are allowed to continue by
the Chinese Producers and suppliers we will continue to hemorrhage cash. This threatens our very existence and will result in the closing of our facility.

Next, I carefully read Valudor's public prehearing brief. I just want to say something about market realities. I don't dispute that the sodium hydroxide market can be volatile but it is always a bit volatile and not just for Chinese Producers. This is a global commodity chemical and everyone faces the same pressures. This affects anybody that makes GNA products and frankly if Chinese suppliers were not intent on selling into the U.S. Market and if they didn't think they would have the supply to sell into the U.S. Market I don't understand why an importer of Chinese Products would be here today opposing us.

In conclusion, we know these Chinese Imports are dumped and are subsidized in a major way. Commerce confirmed it, especially for one of the largest Chinese Producers of GNA products in the U.S. Market for the past few years. We know the Chinese are selling their GNA products at lower and lower prices in the U.S. Market because we receive the solicitations too. As a matter of fact I just got one this morning as David mentioned and we hear it from our customers.

Chinese Imports of our core product GNA are consistently below our cost of production and we know we are
being injured by these unfairly traded imports. We simply ask to compete on a level playing field and we need your assistance to do this.

We respectfully request the Commission to recognize that massively dumped and subsidized Chinese Imports inure our company. Thank you and I would be happy to answer any questions.

STATEMENT OF TONYA LODGE

MS. LODGE: Good morning Commissioners. My name is Tonya Lodge and I'm the manager of Corporate Planning. I've been employed by PMP for the last 13 years. Prior to joining PMP, I was in the business of airlines and then a shipping company. So, in other words, I went from moving people to moving packages to moving chemicals.

I was in Customer Service the first five years and then I've been in Sales for the last eight. This company has always been a great place to work. PMP is the type of place that treats employees fairly and promotes from within. In fact, a few years ago I half jokingly told Jim I wanted his job. When Jim was promoted in April, I got his job.

I'm certainly not unique. If you walk around our facility and ask employees how long they've been at PMP you'll hear 15, 20, 25 years for many of them. Our congressional representatives certainly heard this when they
toured our plant earlier this month.

To be honest, I am a little nervous, but I am here testifying today with my colleagues in mind. I am here because my experience in sales for PMP has allowed me to see firsthand the way the Chinese imports have injured our company and I worry about our future.

I've been with PMP long enough to remember years ago when the Chinese imports were really not our competition. While China, of course, was trying to sell in the U.S. market, we heard from our customers that the quality was just not there. In fact, when I first started on the Sales side, a customer gave me a sample of the Chinese sodium gloconate. I remember it very clear because it smelled like fish. It was no surprise that nobody wanted to buy it.

However, over time, the quality of the Chinese sodium gloconate products has improved. We now see Chinese directly competing for our business. This has been happening more and more frequently; especially, within the last three years. While we can compete with anyone when we're on a level playing field, we began hearing Chinese suppliers were offering lower and lower prices, prices well below our cost of production, and those numbers we simply cannot match.

I want to talk about my experience with two of
my largest customers. Both of these companies have come to me seeking lower prices when the Chinese suppliers offer them such low prices. I am responsible for one of our largest customers. While I won't mention their name here, they are identified in the U.S. producers' questionnaire. I helped grow that account. I took it personally when they came to me and demanded lower prices. This is one of many examples of how our customers respond to numerous offers for the low-priced sodium gloconate products.

We've had a long relationship with another customer. I'll call this Customer 2 and would be happy to identify them in our post-hearing brief. A few years ago, Customer 2 was bought by a venture capitalist and since they've become more focused on price. We used to talk about each other's kids. We had a great business relationship with their purchasing team. They previously have purchased as much as five full truckloads every week early in the POI. In recent years, however, we have seen this customer decrease to sporadic spot purchases. We lost the sales to Chinese product. I know this is true because they told me. They were buying lower prices of the Chinese product.

I want to point out one important aspect of PMP sales operations. We do not work on commission. This means when I am quoting a price to our customer or a potential customer I already know how low I can go. I'm not affected
by -- it's not affecting my own pocketbook to offer them a price competitive price. But often, it's simply not possible to compete with the Chinese prices when the prices are below the cost of our production.

Luckily, the demand for GNA products is increasing. Jim just talked about our four interchangeable types of GNA products and showed a variety of their applications. This is something our team works hard to promote and grow other businesses. Unfortunately, we are not getting the proper share of the growing market. Once a customer buys our product, they check to make sure we are price competitive. Our customer service can only take us so far. With these products price is queen.

Thanks to Commerce's investigation we know the Chinese imports are dumping and subsidized. We know we are being injured by these unfairly traded imports. I've been growing more and more concerned by these Chinese imports as I have lost sales, sales I am responsible for, due to these low-priced imports. I just don't see how we can compete if this is allowed to continue. I simply ask you to level the playing field. Thank you and I'm happy to answer any questions.

STATEMENT OF GARY RUSSELL

MR. RUSSELL: Hello, Mr. Chairman and Commissioners. My name is Gary Russell and I'm Vice
President of RussTech. RussTech, Inc. is a Kentucky corporation supplying add mixtures, surface products, and raw materials to the construction industry. Founded in 1967, RussTech has grown into a worldwide company and the industry leader in the manufacture of high quality add mixture and construction products. We primarily service the concrete construction and agricultural industries as well as the residential, commercial, and industrial construction sectors.

We have two manufacturing facilities located in Louisville, Kentucky and over 20 employees. Our products include surface retarders, curing and sealing compounds, evaporation retardants, water repellants, and other products. In addition to finished products, RussTech is also a key raw materials supplier, including sodium glucoheptonate, calcium nitrate, calcium chloride, and sodium thiocyanate. We are an end user of GNA products. We purchase GNA products from PMP to produce our finished products. We purchase both dry and liquid GNA products; particularly, for the sodium gloconate, the dry product.

Chinese producers have been trying to get our business for some time and they have become more and more aggressive. I'd like to stick by PMP, but with these prices at some point it's going to be harder not to leave. For many years quality was an issue with Chinese suppliers.
While there's no such thing as commonly accepted grades of GNA, Chinese GNA products used to be subpar. Now, however, Chinese GNA products are equivalent to U.S. GNA products and compete head-to-head with the United States. The only difference is price.

The quality between U.S. and Chinese products is interchangeable now. We perceive them to be substitutes. It used to be different, but not any more. Now the GNA market competition is focused on price. Over the past three years or so, the Chinese products have been routinely priced much lower than PMP GNA. We are constantly approached by the Chinese producers and suppliers with low, low prices. In fact, based on my conversations with others in my industry, I would say that everyone in the business is approached by Chinese suppliers regularly.

Indeed, just last week, I received this email, a low priced offer from Chinese GNA producer. I'll give this email to Jim and his team to provide to you all, but as you all will see they were offering an outlandishly low price. It's hard to keep up with all the Chinese offers. These come about once or twice monthly.

When I heard that Jim and his company, PMP, had brought this case, I offered to help this good American company. It would be in my interest to buy cheaper Chinese products. Chinese products are just as good as U.S.
products, so it's getting harder and harder to say no. But
I'm here today because it's the right thing to do. I've
done business with Jim and PMP for years and I don't want to
see a good American company go under because of what are
clearly unfairly priced imports.

I appreciate your consideration. I'm happy to
answer any questions.

MR. SPOONER: Thank you, Honorable
Commissioners. That concludes our affirmative presentation
and we're happy to take any questions.

CHAIRMAN JOHANSON: Alright, thank you for your
testimony this morning. We will begin questions with
Commissioner Kearns.

COMMISSIONER KEARNS: Thank you all for
appearing before us today. I appreciate you guys making the
trip and good to see you, Mr. Spooner and the rest of the
panel.

Mr. Spooner mentioned that PMP is the sole
remaining producer in the United States. I guess my
question would be for Mr. Zinkhon. In the past were there
more producers? Can you tell us more about when they
stopped producing in the United States and why?

MR. ZINKHON: The last producer stopped in 2007.
And frankly, I'm not exactly sure why. I'm not privy to
what went on with them at all, but I think they may have
already been feeling a little crunch. Thank you. And of course, we'll address in more detail on our post-hearing brief.

COMMISSIONER KEARNS: Okay, good. Thank you.

So, as you all have mentioned, there seems to be clear underselling by the Chinese product in this market and a strong, but significantly deteriorating financial performance of the U.S. industry over the POI. It seems to me this case turns on whether those two things are linked. In other words, on whether you can demonstrate that the Chinese underselling resulted in price depression or suppression. What's the best evidence of that causal link?

MR. SPOONER: And of course, beginning with the caveat that we'll address that at length in our brief, I think there are two things, although I'm sorry if you asked for only one.

COMMISSIONER KEARNS: I'll take two.

MR. SPOONER: The first is recounted in Attachment A in our pre-hearing brief, which without going into BPI, compares the trend in the underselling, increasing margins of underselling with PMP's operating income. It's clear that -- in fact, it's remarkable that as underselling has increased PMP's operating income, and other factors, such as gross profits, net income, et cetera, have declined in tandem with the margins of underselling.
Secondly, perhaps to refer to some antidotal evidence, I again point the Commission to the long list of lost sales, sales which I think are largely if not completely corroborated by the questionnaires of purchasers and importers who've admitted that they've substituted Chinese product for PMP's product and that price is an extremely important if not the most important factor in their purchasing decisions.

COMMISSIONER KEARNS: Okay, thank you. And I guess that gets me to my next question. One, with respect to the chart you prepared -- and I know there's this question of how much we should be focused on GNA as opposed to the market more generally, but if you were to substitute your operating income margin that you have in that chart, which is only for GNA, with all of the products that are covered by the scope would it tell the same story or a different story?

MR. SPOONER: Frankly, I want to be careful what I say because I don't know the math off the top of my head, but it should tell the same story. In fact, I should stress, although ^^^^ as Jim has conveyed, although GNA, sodium gloconate, is the core of PMP's business, frankly, we're not so much in the final asking the Commission to solely focus on the powder product, on GNA. In our view, the Commission can reach easily the same result by looking
at all four products and not isolating just GNA.

COMMISSIONER KEARNS: And that's primarily not because you're seeing a lot of competition from Chinese imports with these other products, but simply because so much of the overall product is GNA and so the size of the impacts to the GNA market means a huge impact to the industry as a whole, right?

MR. SPOONER: Exactly, although I should probably let Jim respond.

MR. ZINKHON: I definitely reaffirm David's answer and just add that the liquid products are a little difficult for them to bring over due to the water content, but our sales of liquid products have also suffered a little bit because folks can just take the sodium gloconate, put some water in it, and boom you've got it.

COMMISSIONER KEARNS: Okay. And then, finally, especially more focused on the lost sales point how would you respond if someone were to say, well, we're only talking about a few purchasers really where there was a major change. Can you put in some context what lost sales mean with respect to those handful of customers? I think that's a fair characterization.

MR. ZINKHON: Lost sales, in essence, equate to lost days of production and I think we demonstrated that in our U.S. producers' questionnaire. The six million pounds
that Tonya referred to and I referred to as well earlier
that we ran a significant addition to those lost days and
would've lead to a situation where the profitability of the
plant, as a whole, would most likely be negative and you
can't run an operation like ours at negative profit.

COMMISSIONER KEARNS: And that's just because of
the size of those purchasers. Can you put that more
perspective?

MR. ZINKHON: It's more of a cumulative size,
sir. I'm sorry.

COMMISSIONER KEARNS: Okay.

MR. ZINKHON: That was one of the larger ones,
but there were several others that made up -- it wasn't just
one or two. It's across the board, industry-to-industry,
coast-to-coast, border-to-border, everywhere.

MR. SPOONER: Commissioner Kearns, as you
probably have seen, it's a long list of lost sales, but
there are two in particular. There's one actual lost sale
that we believe has been cooperative that was a massive
amount of GNA and then there was the -- I'll call it
threatened lost sale -- the major customer, extremely
important customer that just before the filing of the
petition said give us a retroactive pricing decrease because
of Chinese goods or we're going to pull our business. And
Jim, of course, is right. Those are not, by far, the only
ones. There's a long list, but just those in and of themselves are extremely important.

COMMISSIONER KEARNS: Okay. And on that second one, that threaten to purchase subject imports, is that reflected in our data for I guess -- is that lost revenues? Is that where we'd find that or is that not there?

MR. ZINKHON: No, because we actually still kept the business. I believe it was around November 1, 2017 they approached us and we already knew we were ready to file and we didn't offer them price support and then with our lawsuits they figured out they'd stay with us.

COMMISSIONER KEARNS: But you did lower your price to keep the business or not?

MR. ZINKHON: We had already lowered it basically to our cost. I won't sell below cost.

COMMISSIONER KEARNS: Okay, so you had already lowered it before they sort of threatened to leave.

MR. ZINKHON: Correct.

COMMISSIONER KEARNS: Then with the filing of the case they decided to stay with you?

MR. ZINKHON: Correct. That's correct.

COMMISSIONER KEARNS: Okay.

MR. ZINKHON: But they had wanted a price of 30 cents a pound and this was November 1 retroactive to January 1, 2017.
COMMISSIONER KEARNS: Okay, thank you, because I think in the prelim that was reflected as a possible lost sale or lost revenue and now it's changing, right? Okay, understood.

MR. ZINKHON: Correct.

COMMISSIONER KEARNS: Thank you. I want to talk about average unit values as compared to the pricing products. If you look at the U.S. and Chinese AUV, you get a very different picture to the picture you get when you compare U.S. and Chinese prices and the product pricing comparisons. Can you explain to us why that is?

MR. SPOONER: Yes. And if we may, we will address that further in our post-hearing brief. But if I understand the question correctly, Commissioner Kearns -- and Jim may want to elaborate a little on this. When we pulled the data mine data, the unofficial import data, we have noticed some huge anomalies, some prices that almost certainly cannot be GNA frankly. Just some extremely high AUVs in the data mine data and Jim knows this well, but we've looked at it and thought that can't be GNA. That must be a bad data point.

MR. ZINKHON: That's absolutely correct. We get our data from the Census Bureau and you'll see an anomaly, as David mentioned, from time-to-time for maybe 10,000 or 20,000 KGs for an AUV of eight dollars or something and
that's simply -- it has to be a misrepresentation or
somebody typed the wrong number in or something like that
when they were receiving. If anybody was selling sodium
gloconate for eight dollars a pound, I'd be the first in
line to sell to them.

COMMISSIONER KEARNS: Okay, thank you. My time
is just about up. Thank you.

CHAIRMAN JOHANSON: I would like to thank you
again for appearing here today. My first question is
somewhat similar to one asked by Commissioner Kearns, but a
little bit different, so I'll go ahead and ask it. I was
wondering why did you all chose to include the three other
products -- glycolic acid, liquid gloconate and gloco delta
lactone within the scope along with sodium gloconate;
especially, given your focus in the preliminary phase on
sodium gloconate. I assume this had to do something with
the potential circumvention, but could you all please
elaborate on this point.

MR. ZINKHON: Thank you, Commissioner Johanson.
You're exactly right. Part of it is potential
circumvention, and that's because of the product
interchangeability, as we demonstrated earlier.

All we've got to do to this liquid -- well, the
liquid gluconate's a bad example. But nobody would bring
that in. But gluconic acid, all you've got to do is add
sodium hydroxide to this and you've got the liquid form of
the sodium gluconate, which is what the LG is.

It's just a blend of the gluconic acid and the
GNA. Conversely, and this would be a little more difficult
but it could still easily be done, take the sodium out of
here and you've got to go back to gluconic acid. The GDL,
this is only the dry form of gluconic acid. That's purely
the relationship there.

So in other words what I'm trying to convey, and
I hope I'm doing a good job of it, is that you can take the
dry sodium gluconate and reasonably easily get to any one of
these other products. On the other hand, you could take,
and especially the gluconic acid and the GDL, the LG is
already liquid sodium gluconate. If you wanted dry sodium
gluconate, just dry it and you've got it.

All you've got to do to either this dry product
or this liquid product, gluconic acid or GDL, add sodium to
it and you've got sodium gluconate.

MR. SPOONER: And I should add, although maybe
Tanya is better for this than I am, but they also have --
they also go into the same end uses.

So liquid product can be used in concrete as
well as powdered product, and so in the face of tariffs say
only powdered, only GNA, a powdered product, concrete
producers would just switch to the liquid product to use in
concrete if it wasn't covered.

MS. LODGE: The customers buy based on what their process is. So if they needed -- if they added gluconate early in the stage and it's still a dry form, they buy the dry. If they need it more after they've dissolved their dry products, they buy the liquid. So we sell to both markets, both products to the same customers.

CHAIRMAN JOHANSON: Okay, thank you Ms. Lodge. And just out of curiosity, why did the Petitioners focus on sodium gluconate in the preliminary phase?

MR. SPOONER: Well to be frank, because PMP, as you know Commissioner Johanson, primarily produces GNA, the powdered product. We thought the case was most clear if you focused solely on the powdered product showing the damage that was done to their core business. But again, the Commission by no means needs to do that, and regardless we think the record is much more clear and strong in the final phase.

MR. ZINKHON: I would also add, Commissioner Johanson, that I can't stress enough China has brought over very low-priced gluconic acid from time to time. Not often I'll admit, but from time to time, very low priced. And again, all you have to do is take sodium hydroxide, add it to that, and you've got sodium gluconate.

CHAIRMAN JOHANSON: Okay, thank you Mr. ZINKHON
and Mr. Spooner. On page 61 to 62 of your prehearing brief, you mention that the European Union as an existing order on sodium gluconate.

On page VII-7 of the staff report, I read that the scope of that order is dry sodium gluconate. Am I correct to conclude that the EU order is somewhat narrower than the scope proposed in the present investigation, and if so, does this fact have any practical effect on our investigation?

MR. SPOONER: We'll confirm. Frankly, without the scope in front of me, I'm a little hesitant, Commissioner Johanson, to confirm that the EU scope is narrower. But we'll confirm in our post-hearing brief.

CHAIRMAN JOHANSON: Okay. I look forward to seeing that.

MR. ZINKHON: I would like to add that PMP did participate as the third party analog country for that initial anti-dumping suit in 2010, and I believe they reaffirmed us in 2016, they visited us again. I'd like to add that in 2016, they were shocked we had not already done so, filed a similar suit. The European Commission represented as they came over to PMP for a couple of days to do the investigation.

They were stunned that we had not already filed a lawsuit, based on the data that we were showing them. I'd
also like to remind the Commission that one of the European producers fully supported this action by PMP in the United States, as it stood with the four scope products.

CHAIRMAN JOHANSON: Okay, thank you Mr. ZINKHON.

On page four of your prehearing brief, you describe this investigation as "A textbook example of material injury caused by subject imports." In my mind, textbook example would mean every indicator of injury is worsening, and I'm not sure that that is the case here.

There's not much I can say publicly about the trends in the various measures, but I ask that you support your statement in your post-hearing brief, or address it further.

MR. SPOONER: We will, thank you.

CHAIRMAN JOHANSON: Okay. Thank you, Mr. Spooner. On page 18 to 20 of your brief, you make arguments about post-petition effects. Your argument offers an explanation regarding subject import volume trends, trends in U.S. shipments and even trends in U.S. AUVs. What you don't seem to offer is an explanation for trends in financial performance.

I point this out because the trends in financial performance are not exactly what one would expect given the other trends that you describe in the section on post-petition effects. Either here or in your post-hearing
brief, could you please elaborate on any perceived discrepancy in financial trends?

MR. SPOONER: Thank you. Obviously it's a very important point, Commissioner Johanson, and we will in our post-hearing brief. If I understand correctly, and please of course don't hesitate to tell me if I don't, but if I understand correctly of course, we strongly contend that the trends in financial performance are clearly and directly linked with import volume and margin of underselling, etcetera. But we'll elaborate.

CHAIRMAN JOHANSON: Okay, thank you Mr. Spooner. Table 9 of the staff report shows that the vast majority of responding purchasers reported that U.S. and Chinese GNA products are comparable in terms of meeting minimum industry standards. Could you estimate the percentage of domestic or subject products that may have imperfections, such as being off color or caking, preventing it from being accepted by food or personal care industries?

MR. ZINKHON: I really don't want to throw out any numbers but ^^^^ well, I can tell you one thing. The answer to your question is zero, none. The sodium gluconate is dry sodium gluconate and Europe, and it's the same as what we make here in Peoria. End users don't really differentiate between grades, regardless of what label one of the manufacturers might put on it.
Just as kind of a pretty good example of this, you have the same dry sodium gluconate that goes into Crest Pro Health toothpaste goes into that fertilizer over there.

MR. SPOONER: I should say -- I'm sorry. I'm at the other end of the table, but Gary's a purchaser, so maybe he's even in a better position to answer with respect to purchaser perception. I mean I have never seen any difference in any grades offered to us. The dry sodium gluconate is the dry sodium gluconate. They're interchangeable 100 percent. There is no difference.

CHAIRMAN JOHANSON: Ms. Lodge, I believe you mentioned in your testimony that when Chinese product first began entering the U.S. market in any significant amounts, that there were quality differences. Can you describe those and how that stands right now?

MS. LODGE: When I first came to Sales, the product quality --

CHAIRMAN JOHANSON: And how long ago was this?

MS. LODGE: I've been in Sales eight years.

CHAIRMAN JOHANSON: Okay.

MS. LODGE: The quality was very different. It did have a fishy smell and it did have an off color compared to the PMP product. But over the last few years, you could have both of them sitting there, PMP and Chinese product, and you can't tell the difference. The smell is gone. The
quality is up to par.

CHAIRMAN JOHANSON: Were there any differences besides smell?

MS. LODGE: Just the color was off before as well. I don't look at it as technical as some of our customers do or under the microscope you may be able to see it, the color's off a little more. But to the common eye, besides the smell was the big thing in the beginning.

CHAIRMAN JOHANSON: Okay. Could that have perhaps contributed to perceptions of purchasers, which still impacts their buying?

MS. LODGE: Yes. I'm sure nobody wanted this bag of fishy smelling product in their production area.

CHAIRMAN JOHANSON: Okay. Well, my time is expired, unless you all have anything else to add.

MR. SPOONER: Jim just leaned over and told me, just that despite a fishy smell or off color, it performed in the same way. It was just a matter of aesthetics a few years ago.

CHAIRMAN JOHANSON: How about like toothpaste though? Would the mint overpower any problems?

MR. ZINKHON: It probably wouldn't work so good then no, and of course, you know, they didn't do it. But it would now.

CHAIRMAN JOHANSON: Okay, all right. Thanks for
your responses. My time has expired. Commissioner

Williamson.

COMMISSIONER WILLIAMSON: Okay. Thank you Mr. Chairman, and I also want to thank the witnesses for coming today. I also want to thank you for everybody having their statements and materials here. It's very helpful. I was going to ask that question about the Chairman asked about smell and color, did that affect performance, and I take it in general it didn't?

MR. ZINKHON: Does not affect performance, unless as Chairman Johanson pointed out, if you wanted your toothpaste, you probably don't want the fishy smell there. It would perform the same exact chemical application, whatever you would want to do with it.

COMMISSIONER WILLIAMSON: All right. So Mr. Russell, you said the -- that there are no commonly accepted grades for GNA. I was just so there's no food grade, technical grade? Y'all don't know what that -- who uses those terms then in this industry?

MR. RUSSELL: No. There's just one grade, and there's only one grade that's offered for the dry sodium gluconate.

MR. ZINKHON: I can say this, Commissioner Williamson. Oftentimes, it's not uncommon for chemical producers to call something higher grade, you know, like
super good or food grade or whatever. Now not pharma; that's a different story. Simply to get the price higher into those market segments, while the true price you need to remain profitable, they might call that technical grade or industry grade.

The fact of the matter is, it doesn't matter what the label is, in this case it's all dry sodium gluconate. It's all exactly the stuff. It's all made to the same specifications.

COMMISSIONER WILLIAMSON: Okay. I see, okay.

Now Valudor essentially argues that attenuated competition, and I take it do you agree or disagree with that, and in what specific sectors or in what regions might there not be competition?

MR. SPOONER: I should PMP elaborate, of course, Commissioner Williamson. But I -- I would simply beseech the Commission to look, as I'm sure you will, at the questionnaire responses. It's clear from the questionnaire responses from importers and purchasers that Chinese GNA is present in every region of the United States. It's not just in one region.

I would also steer the Commission to looking at -- I have to be a little careful here, but at PMP's list of lost sales. The single biggest lost sale of PMP's is relevant to this question.
COMMISSIONER WILLIAMSON: Okay.

MR. SPOONER: And we'll of course elaborate.

COMMISSIONER WILLIAMSON: Yeah.

MR. ZINKHON: I would add, without getting into BPI territory, that I think the data proves that the Chinese product is in every sector, and it's coast to coast and border to border here in the U.S.

COMMISSIONER WILLIAMSON: But are there certain sectors where the competition is more intense? Are there certain regions where it's more intense?

MR. ZINKHON: No sir. That did used to be the case four or five years ago, they kind of stayed on the west coast. But they are now, during this POI, they were coast to coast, border to border. Sector didn't matter. They were selling to everybody.

COMMISSIONER WILLIAMSON: Okay. So why doesn't the domestic industry produce GDL? Why doesn't the domestic -- I'm sorry, excuse me. Why doesn't the domestic industry produce GDL?

MR. ZINKHON: The GDL market in the U.S. is very small. So we buy it from an Italian manufacturer. If the market ever grew, we'd be interested of course. But there's no point in making the capital expenditure to put in what we showed earlier. You know, you'd need the centrifuge and the crystallizer and all that sort of thing, the evaporator, the
dryer, the packager. It's a pretty good-sized capital expense, and the market just doesn't bear that out right now.

COMMISSIONER WILLIAMSON: Okay. I think you said earlier, what is GDL primarily used for?

MR. ZINKHON: I'm sorry?

COMMISSIONER WILLIAMSON: What is the primary use for GDL?

MR. ZINKHON: I wouldn't say there is a primary use. It's like the other three products. You could use GDL in anything up there, anything you might use any of these other products for you use GDL. Now I would point out that GDL and gluconic acid do control the pH a little better than the sodium gluconate and the liquid gluconate. These might not affect your pH. These would.

But maybe that's what you want or don't want, and that's simply because there's sodium hydroxide in these two, and it's not in here.

COMMISSIONER WILLIAMSON: Okay. Ms. Lodge.

MS. LODGE: I can tell you the adult bath wipes, the GDL is in that product because that's one of my customers.

COMMISSIONER WILLIAMSON: Okay, okay, I see. Is it more expensive given the extra what you have to do to produce it generally?
MR. ZINKHON: Without data right in front of me, I wouldn't say so, no.

COMMISSIONER WILLIAMSON: Uh-huh.

MR. ZINKHON: Considering that's the dry form of this, I think you'd find the price to be roughly comparable on an as-dry basis.

COMMISSIONER WILLIAMSON: Okay. Is there any segmentation in the U.S. market either based on geography, you know, based on geography?

MR. ZINKHON: No. We sell to fertilizer companies from coast to coast, concrete admixture companies from coast to coast, soap and detergent makers all over the place, food and beverage all over. Pretty much wherever they're making whatever they might use sodium gluconate in, that's where we're selling to.

And except for the road deicing, obviously they're probably not using it in Florida or Mississippi, or maybe even southern Texas, you know. That's a little more regional. That's about the only application I can think of where geography plays any role.

MR. SPOONER: Commissioner Williamson, you're honing in on a very important point, if I may, particularly with respect to threat of course, and again I would urge the Commission, as I'm sure you have, to just look at the fact that Chinese GNA is present in every end use. It is present
in every geographic market, and that PMP has lost sales even
in the fertilizer industry to the west of their plant, to
Chinese GNA.

COMMISSIONER WILLIAMSON: Good. I glad you
mentioned that question for that, because I was wondering,
you know. We didn't find material present injury in the
prelim. How does the record now indicate material injury,
as opposed to the preliminary record? What's different?

MR. SPOONER: The -- probably convey the primary
point. That's not the only point. The record now in the
final is far more clear than in the prelim, that there's a
direct correlation between under-selling and volume of the
pricing products with PMP's financial performance such as
operating income, gross profits and net income.

And to sort of put it in a rhetorical way, PMP
is the sole remaining U.S. manufacturer. They're not facing
domestic competition, and demand is rising by 6.5 percent.
Why else would PMP have to cut prices fairly significantly
from 2015 through 2017, other than the fact that Chinese GNA
is coming in at less than their cost of production.

I frankly have noodled over it as much as I can,
and I think it's the only reasonable explanation for PMP's
need to cut prices.

COMMISSIONER WILLIAMSON: Okay. What has
happened to -- is there a substitute for sodium hydroxide in
MR. ZINKHON: Not that I'm aware of, sir.

COMMISSIONER WILLIAMSON: Okay, and what's happening with other raw materials -- excuse me. What's happening with other raw material prices? Has the price of liquid glucose risen, and is there a substitute for that?

MR. ZINKHON: There can be a substitute for glucose. However, we found liquid corn syrup to be the very best way to make it. But when ethanol was a big buzz word, you know, ten, starting about 10-12 years ago, whatever it was, our raw material cost for corn sugar rose dramatically, and then it has come back down prior to the POI. You could take any starch, but cost effectively, the liquid corn syrup is the best way to go.

COMMISSIONER WILLIAMSON: Okay, but it is relatively easy to switch to a different starch, quite simple?

MR. ZINKHON: Simple, yeah, and believe me we have looked at that many, many times with the corn situation a few years--ten years or so ago. Tapioca would be a wonderful substitute, if anybody would grow it here in the quantity that we can use it.

COMMISSIONER WILLIAMSON: Okay, thank you for those answers.

CHAIRMAN JOHANSON: Commissioner Broadbent?
COMMISSIONER BROADBENT: Thank you. I want to welcome the witnesses and thank Mr. Spooner for leading a very economical presentation that was succinct and got to the point. We really appreciate that.

You had a good charge here I thought--it's confidential, but it shows the underselling margins over the period, and it's a pretty striking demonstration of the pricing data in our figures. And I think it's Figure 5-1 and 5-2. But the question I guess I had was:

Given how substitutable this product is, how can the level of underselling just sort of continue to persist at about the same rate? Doesn't it suggest attenuated competition, particularly because the industry didn't lose, and it even gained market share?

And I'm looking at the two underselling charts in our staff report, and you've got kind of a pretty constant level of underselling and no change in market share--maybe the domestic industry gained some market share. So why is that not attenuated competition?

MR. ZINKHON: First I would like to point out that--and I'm not sure exactly which chart you're talking about--but I don't think that we increased our market share by anywhere near 6-1/2 percent a year, which is the annual growth rate for this product in the U.S.

MR. SPOONER: And we'll have to--I do have the
chart in front of me, but it's difficult to quickly absorb. We'll have to address it more fully in our posthearing brief, Commissioner Broadbent, but assuming I understand correctly, again I would highlight that PMP's production process doesn't permit PMP to cease production, or to slow down production. They have to maintain a relatively constant level of production at the plant.

So again, they--we don't, frankly, see declining volumes--I'm sorry, declining U.S. shipments, et cetera, declining employment. But PMP did have to make substantial price cuts throughout the POI in response to increasing margins of underselling. And so in our view that demonstrates that there's not attenuated competition.

COMMISSIONER BROADBENT: Okay--

MR. ZINKHON: If I might--oh, I'm sorry--if I might just add, I think you have other data supporting lost days of production, and the reason we had to take as much of the market as we could is because we were getting dangerously close to a level where cost efficiency was--would have been damaged significantly if we continued to lose the volume. We basically were buying volume at the expense of profit.

MR. SPOONER: And I should say, I--and I don't want to take up too much of your question time, Commissioner Broadbent, but something Gary may be able to speak to, now
that I've been steeped in the industry, I keep on hearing
anecdotally that customers are hammered regularly with
offers to sell from Chinese producers. It's clearly not the
case that Chinese producers are soliciting different
customers, different end users in perhaps certain regions
of the country.

I think Gary could probably attest to the fact
that he and his colleagues in the industry are regularly
solicited by the Chinese.

COMMISSIONER BROADBENT: Okay. Now you did
mention that it's critical for your facility to operate at
full capacity utilization. And you don't have the luxury of
really foregoing a sale, and you must react on price in
order to maintain full production. Given this imperative,
has PMP operated at full capacity over this period?

MR. ZINKHON: No, ma'am. And that's a little--
it's a little difficult to see that, okay, why aren't they
running at full capacity? A plant like ours can only run
320 days of full production. You've got to have 45 days in
there for maintenance. We have to reseed the fermenter
every now and then, put the bug in, put the glucose in, that
kind of thing. And that's the maximum.

The safest level to run would be at 300 days.
And even that's pushing you basically to your limits. So
although the data would show that our capacity is X, and our
usage is Y, our usage is quite a bit below where we'd like it. But it's barely enough to be cost effective. I hope that answered the question. I can address it more in the--

COMMISSIONER BROADBENT: Okay. Ms. Lodge, on page 2-1 of the staff report it states that PMP manufactures all GNA products to Food Chemical Codex Standards, while Chinese manufacturer technical grade product which is using a different production process is of lower quality and not exported to the U.S. market.

Would this technical grade product be in scope in the merchandise? Would this technical trade product be in scope merchandise? To what extent are there Chinese imports of food chemical grade GNA products?

MS. LODGE: We can address that in the posthearing brief. But for PMP, our products, whether they go in concrete or toothpaste, it's the same product.

COMMISSIONER BROADBENT: So it's manufactured to the FCC standard?

MR. ZINKHON: Let me jump in here and add, the only way that they could call anything a true technical grade is to make it by a process of catalytic conversion, which is a very--not terribly environmentally friendly process. It does produce a very bad smell and a very oily, filmy, on-top-of-the-crystals kind of a film.

You can use it, but nobody in the United States
buys the product that's manufactured by catalytic
conversion.

MR. SPOONER: And, Jim, sorry, you had told me
that no one in China manufactures using that method anymore.
And I can't stress enough, Commissioner
Broadbent, that—and customers such as Gary, they strongly
contest the notion that there would be a technical grade and
a food grade. As Jim conveyed, they make everything to the
same standard. They sell the same stuff to concrete
producers as they sell to--

COMMISSIONER BROADBENT: But is that made to the
FCC standard, the Food Chemical--

MR. ZINKHON: Actually, I believe it would be,
because for dry sodium gluconate there's really one
specification that you're going to make it to as a
fermenter. And I believe that all of the Chinese imports
using the fermentation process that come into the United
States would meet the exact same specifications that our
products do.

COMMISSIONER BROADBENT: It looks like Ms. Lodge
is answering something? No? Okay.

This would be for Ms. Lodge. Given how
substitutable this product is, why do you think that all of
the responding purchasers who submitted questionnaires, that
none of them stated that they always purchased the lowest
priced product in the market? And that's on page 2-12 of the prehearing brief.

Do you want me to say that again?

MS. LODGE: Yes, sorry.

COMMISSIONER BROADBENT: Given how substitutable this product is—you're arguing that—why do you think that all of the purchasers that responded to our questionnaires, none of them said that they always purchased the lowest priced product in the market?

MS. LODGE: I think some of it does depend on dependability. We're local. So they may say price doesn't matter, but price matters. And when that price can't deliver, then they call PMP and pick up that emergency load, or that one-time shipment to get them through till the next material delivers.

MR. SPOONER: And I should stress—I'm sorry, I'm sure you know this, Commissioner Broadbent, but although of course that's true, if I recall the staff report correctly, price nevertheless was the most commonly cited factor for purchasing decisions.

COMMISSIONER BROADBENT: Mr. Zinkhon, one more kind of back on the question we were just talking about. What extra requirements and costs are necessary to produce food-grade GNA products, rather than the technical grade GNA product?
I know you say you use it in both cement and food, but if you can use it in food I'm guessing there is a higher standard.

MR. ZINKHON: The way that this product is manufactured using the fermentation process, you're going to meet the specs for the food grade material no matter what label you want to put on it. And as I mentioned earlier, that's a fairly common tactic in the chemical industry, to call something technical grade, and that's maybe the price you want to set your lowest price you want to sell anything at, but you're still very profitable. And then they simply slap a food grade label on it and get more money for it.

COMMISSIONER BROADBENT: But what about—I don't know what food products this is used in. I guess you mentioned toothpaste, but aren't these consumers asking for particular specifications?

MR. ZINKHON: It just meets the industry spec, food grade spec, which all of it does. And everything coming into the U.S. meets that specification.

COMMISSIONER BROADBENT: Okay. And then do you have particular customers that don't care whether it's food grade?

MR. ZINKHON: The concrete industry, you know, doesn't care of course, but they still demand a certain quality, as do all the customers. But only those using it
in food would care about food grade. That's why we don't really--food is not a heavy use for this product.

COMMISSIONER BROADBENT: Okay, and then do you have a non-GMO version of this product?

MR. ZINKHON: We state that we have a--we have a non-GMO statement, and it's below detectable levels, so basically we consider it to be non-GMO.

COMMISSIONER BROADBENT: Right. Okay, thank you.

My time has expired.

CHAIRMAN JOHANSON: Commissioner Schmidtlein?

COMMISSIONER SCHMIDTLEIN: Okay, thank you very much. I'd like to thank all the witnesses for being here, as well.

It always makes me a little uneasy when you have a product that's used in salad dressing and to de-ice the roads. Can you talk a little bit about what's driving demand for this product, since we've seen a strong market over the last few years? Is it just the robust economy? Or is it because this is an environmentally friendly type product, since it's biodegradable and so forth?

MR. ZINKHON: That's exactly it, Ms. Schmidtlein, at least I feel it is. That's what we hear from the customers. More and more of our end-user customers, especially, tell us that their customers are demanding greener products from them. So they're looking for greener
solutions like ours to use in their end products.

These products are 100 percent biodegradable, 100 percent bio-renewable. Eat 'em, drink 'em, throw 'em down the drain, and no harm to anything.

COMMISSIONER SCHMIDTLEIN: Interesting. So what was being used for these purposes before this product caught on?

MR. ZINKHON: This product has been around for quite some time. So I mean the common use is like concrete and fertilizer, frankly two of our biggest uses, they've been doing it for quite a while.

COMMISSIONER SCHMIDTLEIN: Um-hmm.

MR. ZINKHON: But it's also a chelating agent. And there's a lot of things that chelate different things, different chemicals, different particles, whatever, but one of the best chelaters is something called EDTA, and that's an extremely environmentally unfriendly. And so folks are looking for more what they call "organic" chelation solutions, and we fall right into that. Now not "organic" in the sense that you're calling it organic like you see in the supermarket, but just not a chemical that's made like EDTA is made.

COMMISSIONER SCHMIDTLEIN: What is EDTA made from?

MR. ZINKHON: I'm not exactly sure of the
chemical name for that, but it's in a lot of things, or it used to be in a lot more things, actually.

COMMISSIONER SCHMIDTLEIN: Hopefully not salad dressing, huh?

(Laughter.)

MR. ZINKHON: It probably has gluconic acid or GDL in it now. That's really actually been a growth market for us. These folks, they don't really use that much, so they're not nearly enough to sustain the business, but that is one area where they've replaced it.

COMMISSIONER SCHMIDTLEIN: Okay. Okay, can one of you, either you or Ms. Lodge, can you talk a little bit about pricing in this market, and price transparency? So I'm interested to know whether customers are aware of what raw material costs are for an industry like yours. Is there transparency around that? So for instance when raw material costs are going up, they're not surprised to see you coming back and wanting to renegotiate the contracts?

MR. ZINKHON: A lot of our customers also use corn syrup--not all of them, by any means. A lot of them, especially anybody that's buying a decent amount, is going to know, okay, what's the key raw material for this product I'm buying? Oh, corn sugar? Well maybe I'll learn a little bit about the market.

It's not public information, but it's not
terribly difficult to find out, either. They do publish price lists and such. And liquid corn syrup does vary. And when the price goes up, the cost to us goes up. You know, we try to raise our prices, our customers know. So basically the answer to your question I guess shortly is, yes, they're pretty aware of the raw material costs, and they know why we're there.

COMMISSIONER SCHMIDTLEIN: Okay--

MR. ZINKHON: To raise the price. And on the same side, and historically we've done this prior to the POI, when we received a bit of a reduction in our raw material prices, we would pass that along as well.

COMMISSIONER SCHMIDTLEIN: Okay.

Ms. Lodge, you testified that your customers are, how did you put it, they check around to make sure that the price is competitive. And so can you elaborate on that? Do you mean they're literally calling other suppliers and, you know, seeing what kinds of offers they can get? Or how exactly are they checking around to see if the price is competitive?

MS. LODGE: We sell sodium gluconate. Some of our competition have a full page of different chemicals they sell. So when they submit their pricing letters to our customers, they can see on the pricing letter what that customer would sell sodium gluconate for.
COMMISSIONER SCHMIDTLEIN: So it's a set price list?

MS. LODGE: Um-hmm.

COMMISSIONER SCHMIDTLEIN: I see. Okay. And are those price lists discounted then? Or is that the final?

MS. LODGE: I think that's their list price, and then they negotiate off of that. Because we look at the import status and see that the list price isn't always what the price is being imported--the product is being imported for.

COMMISSIONER SCHMIDTLEIN: Um-hmm, okay. And you both I think talked about in your testimony that buyers have been telling you that the Chinese are offering lower prices. Do you have--and I know, Mr. Russell, that you held up an email that you just received, I think, from an offer from another Chinese supplier.

MR. RUSSELL: Yes.

COMMISSIONER SCHMIDTLEIN: Do you all--I'm not sure how you conduct your business, if it's all over the phone, or if it's via email, or via text, but do you have any contemporaneous documentation where you have buyers telling you that they've got an offer from a Chinese supplier or an importer that would give it to them at a much lower price? Can you put any of that on the record?

MR. ZINKHON: I believe obviously we can address
that in the post-hearing brief, but I think we already
provided some of that in the prelim. And we'll certainly
provide more.

COMMISSIONER SCHMIDTLEIN: Like the actual
communications that you have, not just the
lost-sales/lost-revenue allegations.

MR. ZINKHON: I believe we submitted that, and
we'll make sure we get it into the post-hearing. Because,
yes, we do have that, especially for that large customer
Tonya and I both talked about earlier that just about left.

COMMISSIONER SCHMIDTLEIN: Okay.

MS. LODGE: Commissioner Schmidtlein, if I may
interrupt, I'm sorry, but we have been collecting that type
of data since the prelim. We do anticipate also submitting
several additional emails that we've been able to collect,
as well, from our customers. So we'll have that in the
post-hearing.

COMMISSIONER SCHMIDTLEIN: Okay, that would be
helpful. You also talked about not being able to raise
prices over the POI. And that is a question I have for the
Respondents in terms of your point, Mr. Spooner, of in a
strong market with no domestic competition and raw material
costs going up, why would an industry not be able to raise
their price, what's the answer for that.

But my question for you, Mr. Zinkhon and Ms.
Lodge is, again, did you try to raise prices? Do you have any contemporaneous documents showing that you announced a price increase, or you, you know, provided that price increase to a customer and they rejected it because they had an alternative offer from a Chinese supplier?

MR. ZINKHON: As counsel stated, we are collecting that, if we haven't provided it.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. ZINKHON: But I can't remember in the last few years of even attempting to raise anybody's price. And, frankly, they were telling us before we came in for negotiation, or over the phone, or email, or what have you, that they fully expected a lower price based on the numbers they were seeing from China.

COMMISSIONER SCHMIDTLEIN: Okay. Well anything you can put on the record will be helpful in that regard.

Mr. Russell, with regard to the email that you just held up, and you said at the end of your testimony you say it's hard to keep up with all the Chinese offers. These come in about once or twice monthly. How long has that been going on?

MR. RUSSELL: For at least the last few years.

COMMISSIONER SCHMIDTLEIN: At least the last few years?

MR. RUSSELL: And we're a large bearer of raw
materials and so sodium gluconate is one of the materials I'm contacted on. A lot of the Chinese vendors, they'll send you a list that has thirty things on it, but very commonly sodium gluconate is one of them.

COMMISSIONER SCHMIDTLEIN: Okay. Again, anything you could put on the record that is contemporaneous with those would be helpful.

MR. RUSSELL: Sure.

COMMISSIONER SCHMIDTLEIN: Okay. And then my last questions go to -- in your testimony, you said that you have begun to see some relief and some prices, you were able to raise in the beginning of this year, so 2018. So that was a result of the case being filed?

MR. ZINKHON: That's correct, ma'am.

COMMISSIONER SCHMIDTLEIN: Okay. And maybe you can address this in your post-hearing. I guess you've done that to a certain extent, but if you could talk about how that has shown up or not shown up in your financial results, that would be helpful.

MR. ZINKHON: We will have to definitely address that in post-hearing brief.

COMMISSIONER SCHMIDTLEIN: Yes. Okay, great.

All right. Thank you very much.

CHAIRMAN JOHANSON: Commissioner Kearns.

COMMISSIONER KEARNS: Thank you. I wanted to
turn back to an issue that Commissioner Broadbent raised, relating to the product pricing data. And I know that there are some proprietary information here, but I think we can address some of this, given that we're only talking about trends. So, I think as Commissioner Broadbent suggested, it seems like at least a good working hypothesis that if you consistently see a margin of underselling over a long period of time, and no change in that margin.

I know change in market share, it seems to suggest that there are some attenuated competition. So I wanted to look more at this to make sure we understand what's going on. It does look to me, though, like, if you look at the pricing data, and again, just talking about trends, we seem to see that China may be gaining market share with respect to these particular products.

Is that consistent with what you all are — I mean I know Mr. Zinkhon, you can't see these data, but obviously, in terms of your sales and everything, you would expect to see that you're losing sales and you're losing market share for those products?

MR. ZINKHON: We're definitely losing sales for those products. I think the overall U.S. market which probably held our own roughly, but only by buying volume and sacrificing profit to do so.

COMMISSIONER KEARNS: Okay.
MR. SPOONER: And I think, Commissioner Kearns, you raise an important point, and again, we have to just talk about trends. We'll address it more in the post-hearing. But you're right. If you look, for instance, at Attachment A, which we provided, generally import volume and frankly, import share of what's basically apparent consumption, goes up as underselling goes up.

COMMISSIONER KEARNS: Okay. Thanks. And that's very different, I think, than some of the things we're seeing the aggregate data. And I don't know if that's because we have a problem with our aggregate data or if you all are actually doing well outside of these core products of yours. Can you speak to that at all?

MR. ZINKHON: This is the only thing we sell basically. So this is our business right here. So if I understand the question correctly, there's nothing else that really affects our business except these products.

COMMISSIONER KEARNS: Okay. It also looks to me, looking at the pricing data, like the margins of underselling seem to be growing, and that wouldn't be hard to explain that in terms of competition, attenuated competition. It looks like the U.S. prices seem to be falling as well. And I guess, Mr. Zinkhon, this might go to my question, which is, you know, we don't see in these data, of course, cost of goods sold for these particular
products. But what can you tell me -- what would I expect
to see if I could see it on the costs associated with the
production of these products?

MR. ZINKHON: You'd see the price trend coming
down, if I'm understanding correctly, you would see the cost
of goods sold trend kind of going up.

COMMISSIONER KEARNS: Okay. Consistent with,
well, you don't have the --

MR. ZINKHON: And I didn't see -- not kind of
going up, going up.

COMMISSIONER KEARNS: Okay. Thank you. End
uses. I know you all have already discussed this quite a
bit, so I don't want to belabor the point, but in your
post-hearing brief, could you please respond to the
respondents' arguments on Pages 35 through 36, 55 through
57, 65 and 69, in which it alleges that competition between
the domestic like product and subject imports is attenuated
based on end uses.

MR. ZINKHON: We'd certainly be glad to address
that in the post-hearing brief, Commissioner Kearns, and I
just want to remind you, I can't drive this point home
enough here today, that the same exact product that goes in
that toothpaste is going into that fertilizer right there
and is also going into fertilizer across the country,
including on the West Coast.
COMMISSIONER KEARNS: Right, right. Okay. And speaking of the West Coast, as I understood Valudor's argument, they seem to be suggesting that their customers in the West are simply needing more product than they did in the past, and in the East that's not the case. Is there anything that you know about the market to make you think that, you know, the demand for GNA or GNA products generally, is increasing much higher in the West Coast versus the East Coast?

MR. ZINKHON: No, and I would have to provide some data in the post-hearing brief perhaps to support this. But that doesn't sound correct to me. We certainly don't see it. You know, obviously the green aspect of this really drives the demand for the product, as does the growth of business folks using the product.

The facility on the West Coast actually also has one in Arkansas and I believe both facilities, up until very recently, were using roughly equivalent amounts of sodium gluconate for the fertilizer process. We know facilities all over the place are using our products interchangeably with Chinese.

COMMISSIONER KEARNS: Okay.

MR. SPOONER: And I probably should be a little careful what I say. I don't want to slough into questionnaire BPI material, but in our post-hearing brief,
we'll discuss some questionnaire information that is quite helpful, in our view, with respect to the degree to which customers on the West Coast, how they make their purchasing decisions.

COMMISSIONER KEARNS: Okay, thank you. I want to turn to something you mentioned earlier about lost production days, and whether or not you can attribute those to -- I think you attributed, in your brief, you attributed lost production days to subject imports. Do those figures, in terms of lost production days, I think you mentioned sixty-five days were lost, or no, maybe that's not quite right. Never mind. I take that back.

MR. ZINKHON: You're in the ballpark.

COMMISSIONER KEARNS: Okay. How do we look at that in terms of declines in capacity utilization? In other words, you know, can we readily equate lost production days to a drop in capacity utilization? And if not, why not?

MR. ZINKHON: I believe you could. Except that, over the POI, if I'm not mistaken, again, I need to consult this and address it further in the post-hearing brief, we're roughly flat, maybe a little it of an uptick which one would expect with a strong demand for this product. We just simply didn't get a lot of the share.

You're in the ballpark with your sixty-plus figure of lost production days. Those are tough to have and
throw forty more on top of there potentially and another
fifty would've resulted from the loss of that forty. You're
running at half the year, which is well under half capacity
and you're done.

COMMISSIONER KEARNS: Okay. I wanted to turn to
the stability of the Chinese exports. In our staff report,
Table 7-1, we see that China is a very large exporter to the
world of GNA products. That's putting it mildly of course.
We also see that the average unit values of Chinese exports
to the U.S. is much higher than the Chinese exports to other
countries.

Nonetheless, Chinese exports to the U.S. were
relatively stable over 2015 to 2017. Why haven't Chinese
exports to the U.S. increased when the U.S. average unit
value is so much higher than the rest of the world's? Y'all
have any thoughts on that?

MR. ZINKHON: I can't speak to how they price
their products. They're so far below our cost, it's
unbelievable and they are leaving a lot of money on the
table. We cannot sell below cost. You can't run a business
that way. I can't even touch these prices they're coming in
at. And as far as the other countries, a lot of that goes
into concrete and a lot of it would be made by catalytic
conversions, so the AUV would be definitely less.
Everything coming into the U.S., to our knowledge, is made
through fermentation.

COMMISSIONER KEARNS: Okay.

MR. SPOONER: So it's worth pointing out, and we do address this in a footnote, if I recall correctly, in our prehearing brief, there's actually even a little dip—I mean we have to admit it—in 2016, in the volume of Chinese imports. And we're confident that that's because a major consumer of Chinese imports in the Midwest was -- and I need to be careful -- was either hit by a tornado or hit by a strong storm that caused them to shut down for a time. And now they're back up.

COMMISSIONER KEARNS: So that accounts for the decline in 2016, you'd say?

MR. SPOONER: To -- I wanna be careful and not say it accounts completely for the decline, but at least a substantial portion of the decline.

COMMISSIONER KEARNS: Okay. I'm out of time.

Thank you.

CHAIRMAN JOHANSON: I'm gonna ask a question about food chemical Codex standards. Can GNA products that meet food chemical Codex standards be used as substitutes for a technical-grade product? Or vice versa?

MR. ZINKHON: Absolutely. And again, the only way you get technical sodium gluconate is to make it by catalytic conversion. Otherwise, it's gonna meet the food
chemical Codex standards.

CHAIRMAN JOHANSON: Okay. Thanks for your response. And along the same lines, and I think I know what the answer will be, but I'm gonna ask it anyway. Is there a premium paid by the food industry for subject product that meets food chemical Codex standards? In other words, are products that do not meet the standards because of imperfections, are they generally sold at a lower price?

MR. ZINKHON: Well, I would certainly like to say yes, we charge more to the food industry. That's not correct. The pressure we've seen from the Chinese that's forced us to lower prices in every sector across the board. I hope that answers --

CHAIRMAN JOHANSON: Yes, it does. At the bottom of Page 21 of the staff report, there is a short discussion of food chemical Codex and technical grades. I would like the witnesses to clarify for me what grade they believe the Chinese industry exports to the United States. And if you believe there's more than one grade exported, please give us your best guess about the relevant shares of these respective grades.

MR. ZINKHON: The only evidence I can offer is anecdotal at the moment, just from what customers tell us, but we know that the sodium gluconate being exported into the U.S. by China, does meet all of the standards that our
material does, and therefore, is considered to be food-grade material.

CHAIRMAN JOHANSON: All right, thanks, Mr. Zinkhon. Mr. Russell, you're in importer. Do you have anything to add to that issue?

MR. RUSSELL: I mean I'm a purchaser.

CHAIRMAN JOHANSON: Okay, right.

MR. RUSSELL: And what happens is, is that when we look at the sodium gluconate anymore, you actually physically get the sample out and you compare it to what you're using and again, there is no difference in the Chinese material coming into the United States.

CHAIRMAN JOHANSON: Okay, thanks, Mr. Russell.

MR. ZINKHON: If I could add as a last point, sir, there's no industry standard for grades technical food, whatever. We don't even call ours food-grade. We call it dry sodium gluconate, period.

CHAIRMAN JOHANSON: Okay. But that does raise a question why the food chemical Codex has standards.

MR. ZINKHON: That's simply the standard that it meets.

CHAIRMAN JOHANSON: Okay.

MR. ZINKHON: When you make this stuff via fermentation, it's gonna come out a certain way, and just basically, it's happenstance that it all meets the FCC.
CHAIRMAN JOHANSON: I assume if it's made out of corn syrup, it would --

MR. ZINKHON: Exactly.

CHAIRMAN JOHANSON: -- be an edible product.

MR. ZINKHON: Or another starch. Or might be tapioca, could be any wheat starch. Could be wheat itself. They can all be used.

CHAIRMAN JOHANSON: Okay, thanks. How transparent are prices in this market? Given that there is only one U.S. producer and a limited number of importers and purchasers, do purchasers have a good sense of the market price? And is there a published index for prices?

MR. ZINKHON: There is no published index for price. However purchasers, especially the larger purchasers that, you know, obviously are driving the bulk of your sales, they're very familiar with the prices that are out there from the various producers of this product.

There's two -- and it's fairly easy for them to do. There's two manufacturers in Europe. There's us and then there's China. So they don't have to look very far to get price data. It's not like there's 30 or 40 companies they have to find the price from. There's basically four sources.

CHAIRMAN JOHANSON: Thank you, Mr. Zinkhon. Is a continuous production process that the global -- okay. Is
there a continuous production process used throughout the
globe? Is there a standard?

MR. ZINKHON: I've not been in everybody's
plant, but we do know from again anecdotal evidence and some
other things we can address in the post-hearing brief, that
the folks bringing it over here that make it in China are
using a process that's basically the same as ours, virtually
the same as what we showed you in the slide show you'd see
over there, and you'll see it in France and you'll see it in
Italy as well.

CHAIRMAN JOHANSON: So apparently the continuous
process you think is mostly likely used everywhere?

MR. ZINKHON: I believe so, yes. I'm not
definite about that, but I don't see how you can make it any
other way.

CHAIRMAN JOHANSON: If an order were imposed, do
you expect that any new U.S. producers might enter the
market, and are there any U.S. producers that make similar
products that could easily convert to production of sodium
gluconate?

MR. ZINKHON: To the last point, I'm not sure.

Somebody already using corn syrup might be able to
manufacture it, sure. To your first question, would anybody
else possibly manufacture this? That's always a good
possibility, and I can't see into the future and determine
if that's going to happen or not. But as this market increases, it's certainly a possibility.

CHAIRMAN JOHANSON: Related to that question, are there any products that serve as substitutes for sodium gluconate? It seems that given the wide variety of uses of this product, there might be many different substitutes, depending upon the end user.

MR. ZINKHON: Actually not really. That's one of the kind of nice things about sodium gluconate is sure, it's a kelint and you can substitute a lot of kelints but -- for each other. But the cost effectiveness of use the gluconate when you want to whatever it is that you want to do as an end user, it's going to deliver the best bang for the buck in doing certain things.

So it's the most cost effective way. So other plant we closed, one of the other reasons we didn't fight it because there's like five other products that are interchangeable, that you could sell. So it was, you know, okay we can knock one product off and they've got five others to sell. If you need sodium gluconate in your application, if that's what you want to use and it works best for you, there's no substitute.

MR. RUSSELL: And I can confirm, because looking at different admixture formulations, when you are able to use sodium gluconate it's the best for its performance for
the cost.

CHAIRMAN JOHANSON: Okay, thanks. But actually I was thinking about deicing. Traditionally in the United States, I believe salt has been used or salt-type products.

MR. ZINKHON: Calcium chloride brine solution I believe.

MR. RUSSELL: Yeah. We distribute calcium chloride, and both sodium chloride and calcium chloride are used as deicing salts. The reason they've started to implement sodium gluconate is both of them have -- chloride ions are corrosive.

So when you add the sodium gluconate, which is environmentally friendly to the salt, it keeps it from attacking steel, both in the trucks that put the salt on the road, and both on bridges, on vehicles. Anywhere you get corrosion of metal, the gluconate helps inhibit that.

CHAIRMAN JOHANSON: Okay, that makes sense. Are there also environmental reasons for preferring this over the salt?

MR. ZINKHON: Well absolutely.

CHAIRMAN JOHANSON: I think of when I see after it snows and I see all those salts out there, I wonder well, that's probably going to the local creek and in the Potomac River.

MR. ZINKHON: Yeah absolutely, there's an
environmental aspect, and that's how this all started was in
the Pacific Northwest 15 or 20 years ago, when they wanted
to replace some of the less environmentally friendly
products with something that was. So they found sodium
gluconate and started using it. Then they realized the rust
inhibition and frankly the first few years, we didn't sell
much.

But when they realized the rust inhibition
properties and especially to the trucks that were spreading
the brine solution, you know, all these little cities,
counties, townships, states, whatever, everybody wants to
stretch their dollar as far as they can. So if they can
inhibit the rust on that truck and get it to last a few more
years, they're going to use this stuff.

CHAIRMAN JOHANSON: Okay, thank you Mr. Zinkhon
and Mr. Russell. My time is expired. Commissioner
Williamson.

COMMISSIONER WILLIAMSON: Thank you. Just
quickly, is the deicing solution used on airplanes, is that
different, just out of curiosity?

MR. RUSSELL: Yes, yes. That's much different,
because you can't have chlorides. They would eat the
aluminum on the plane, which would be bad.

MR. ZINKHON: You can't have a gluconate either,
because it also eats the aluminum on the plane.
COMMISSIONER WILLIAMSON: Okay, thanks.

MR. ZINKHON: A guy actually tested it. He was all excited and then oops, can't do it.

MR. RUSSELL: In those cases, it's more like glycols is what they use for airplanes.

COMMISSIONER WILLIAMSON: Okay, good, thank you. I was just wondering. You were talking about the catalytic conversion process being different, and I guess when we were talking about the technical grade and that page II-1, are the companies in China that make the -- use the different catalytic conversion process, use that process, are they different from the companies that are exporting to the U.S.?

MR. ZINKHON: Yeah, and let me be clear. I'm not certain which ones are and which ones aren't, but we know everybody bringing it into the U.S. is doing it through fermentation. I suspect you see the low AUV in some areas around the world because it's going into concrete, and I suspect it's being made by catalytic conversion. I don't have solid proof of that.

COMMISSIONER WILLIAMSON: Okay.

MR. ZINKHON: But that would account for the low price.

COMMISSIONER WILLIAMSON: Do you think that's a significant part of the Chinese production or the capacity in China?
MR. ZINKHON: It would have to be. I'm sorry.

Maybe I didn't understand the question.

COMMISSIONER WILLIAMSON: Yeah. No, that's -- yeah, that was the question. If you look at the Chinese capacity for this product, is the product made by the catalytic conversion process a significant part of that capacity? You may not know, but I was just wondering.

MR. ZINKHON: If there even is. I doubt it's significant, because it's just -- they can only sell it to one industry.

COMMISSIONER WILLIAMSON: Okay.

MR. ZINKHON: And I don't even know. I'm just guessing as to provide an answer earlier about an AUV being so low.

COMMISSIONER WILLIAMSON: Okay. I was just -- good, okay. Thank you. You've already sort of partially answered it, but I was wondering anything other than that tornado you mentioned explains the changes we see in subject import volume and market share of the POI?

MR. SPOONER: I'm sorry, Commissioner Williamson. Could you repeat it one more time?

COMMISSIONER WILLIAMSON: You've already just sort of discussed one reason why there was market share change, and I think it had to do with a tornado. But I was wondering if there are any other factors that explain the
changes in subject import volume and market share over the
POI?

MR. SPOONER: One thing, and I'm sorry I don't
mean to cut Jim off, but again I'd stress that PMP cut
prices throughout 2015 through 2017, in an attempt to
maintain market share. So that would also be part of an
explanation.

COMMISSIONER WILLIAMSON: That effort was
successful in some instances?

MR. SPOONER: Yes. As you know well, those
price cuts affected gross profits, etcetera. But it was
successful to stave off the loss of certain customers, yes.

COMMISSIONER WILLIAMSON: Okay. Post-hearing,
maybe you could elaborate on that a little bit, showing the
linkages and all. Thank you. Also post-hearing, and I
don't think you've been asked this already, at pages 39 and
40 of its prehearing brief, Valudor discusses specific lost
sales. I know you've already talked somewhat about that,
but I just want to make sure you're going to address those
arguments post-hearing.

MR. SPOONER: Yes, Mr. Commissioner.

COMMISSIONER WILLIAMSON: And also post-hearing,
I guess on pages 47 and 49, they make specific suggestions
about the way the Commission should view the domestic
industry's financial data, and I ask you to address those
post-hearing too.

MR. SPOONER: Without a doubt, yes sir.

COMMISSIONER WILLIAMSON: Okay. I know you've taken care of most of the brief that we've asked you to address post-hearing. Let's see. I think -- I think that's all the questions I have, so thank you very much for your answers.

CHAIRMAN JOHANSON: Commissioner Broadbent.

COMMISSIONER BROADBENT: Thanks. Yeah, I just have one random, remaining question here. Just to confirm that this technical grade made by the catalytic conversion process is in scope, it just isn't sold here very often?

MR. ZINKHON: That's correct, not to our knowledge.

COMMISSIONER BROADBENT: Okay, great. That's all the questions I had, and I appreciate all the testimony today. Thank you.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: I just had one or two additional questions, maybe for the post-hearing. Well, one question maybe you can answer now. So in the Respondents' brief, they include a table that was in the preliminary staff report. It was Table IV-4 and it had to do with the breakdown of the end uses, and the percentage or the amount that was going into each end use from PMP and China and
You see there that, you know, they're concentrated in different end uses. So this table doesn't appear in the final staff report, in the prehearing staff report, but I wonder if you have any idea, again for the post-hearing, whether or not this is roughly what was happening in 2017 as well? If you could talk to PMP and --

MR. SPOONER: Madam Commissioner, I want to be a little careful, because I don't have the -- I'm flipping to the table, and I don't want to reveal BPI. But we will, of course, address it in our post-hearing brief and as you know, we point out that PMP sells into the same end use. Even if there is a primary end use in which Chinese imports to into, PMP sells into that end use as well, and Chinese imports are in all the other end uses too.

MR. ZINKHON: I would like to add to that if I may, that a lot of the folks that are handling the Chinese material might only have one or two customer's specific industry, but that we know for a fact it's being sold into each and every industry using this material, all around the country, east coast, west coast, Minnesota, Florida, it doesn't matter.

COMMISSIONER SCHMIDTLEIN: Do you find that the price in one end use category affects prices in other end use categories? So you know, your customers in the
construction end use category, if they're being offered?

MR. ZINKHON: We don't price by sector; we price by volume. That's what determines the price. This is basically a commodity chemical. It's a niche commodity chemical. So anybody buying a few pallets is going to pay a little higher price than a guy buying two truckloads a day.

COMMISSIONER SCHMIDTLEIN: Right. But I guess my question really goes back to, and I don't know -- I don't recall what the answer was to Chairman Johanson, but it really has to do with price transparency, right. So if they're offering low prices in the Ag industry, does that somehow transmit to the construction industry?

MR. ZINKHON: That both of those industries, concrete admixtures, construction and Ag, are two of the very largest end uses in the United States for this product. So they're going to naturally show up that way, but it's a little bit misleading. You know, they've got some of the higher volumes, so they're going to have some of the lower prices.

COMMISSIONER SCHMIDTLEIN: Right. But what I'm saying is if the ag buyer is being offered a low price from a Chinese importer, does that in any way -- is there some way for the construction buyer to know that, or is it really that the prices --

MR. ZINKHON: Sure, because the fellas that are
selling into the ag market, the companies are that are selling them in the United States, they blast these robo emails out all the time. As Gary and I both mentioned, we get them once, twice a month and offering -- they don't care what you're using it for. They just want to sell it cheap.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. ZINKHON: They just want to give you a good price, and I've purchased both for the construction and the ag business, so they're interchangeable. There's no difference.

COMMISSIONER SCHMIDTLEIN: Yeah, okay, okay. Thank you very much.

CHAIRMAN JOHANSON: Commissioner Kearns.

COMMISSIONER KEARNS: Thank you. Just two quick questions. One I assume can only be addressed in a post-hearing brief, but at page 45 of its prehearing brief, Valudor argues that there is no correlation between changes to the levels of Chinese imports, domestic shipments and domestic profitability between 2015 and 2016. Can you respond to that argument in your post-hearing brief?

MR. SPOONER: Yes, Mr. Commissioner.

COMMISSIONER KEARNS: Thank you. And lastly, we've talked a lot about the importance of the products and we've described in the pricing data, and I know that that's, you know, your bread and butter. But you know, the pricing
products do not represent all of the U.S. producer's
shipments, but they do represent nearly all the Chinese
imports.

Do you see competition from Chinese products in
the market segments outside of those two pricing products?

MR. ZINKHON: It's not really market segment at
all. It's just simply how you want it in a package.

COMMISSIONER KEARNS: Okay so --

MR. ZINKHON: Some customer might want a 500 kg
bag, and if I recall, that wasn't in Product 2's scope.

COMMISSIONER KEARNS: Okay. So it's still GNA;
it's just that it's ^^^^  

MR. ZINKHON: Simply a different package.

COMMISSIONER KEARNS: A different page, okay.

That's all I have. Thank you.

CHAIRMAN JOHANSON: Okay. Reading page I-9 of
the staff report, I see that MFN duties on these products
are not zero but rather range between 3.7 and 6 percent. I
also see that at least some of these products will be
subject to additional duties related to the Section 301
investigation on China. My understanding is that those
additional duty rates will initially be 10 percent, and will
then increase to 25 percent possibly by the beginning of the
next year.

What is your assessment of the eventual effect
of those remedies on imports from China?

MR. ZINKHON: So if I understand correctly, potentially they'd be looking at around a 32 percent tariff, without any action in this case. Is that correct to sum up your question?

CHAIRMAN JOHANSON: Something along those lines.

MR. ZINKHON: Yeah, okay. Well, that would be, you know, we welcome any action. That would not be nearly enough. That means their price line goes up a little bit at the end of the day, and it's still far below our cost.

MR. SPOONER: I would just quickly interject, Mr. Commissioner, so I learned at midnight last night when I was preparing in the office that I would only stress, as you know very well, that these 301 tariffs could go away next week, or could change levels next week or next month.

Part of the difficulty for everyone in the U.S. with respect to these 301 tariffs is we don't know how long they'll be in effect, what the levels will be, and so it's very difficult to judge what their impact would be on the market.

CHAIRMAN JOHANSON: So how should we take that into account?

MR. ZINKHON: I can't stress -- I'm sorry, David.

MR. SPOONER: Oh no, go ahead.
MR. ZINKHON: I can't stress enough that whether they're in place or not, if the aggregate level is only 32-35 percent, whatever it is, 40-50 percent even, that's not enough of a tariff to keep the Chinese out in this market, and it does not allow us to run at a profitable level.

MR. SPOONER: That's exactly right. Commerce, of course, calculated combined prelim AV-CVD margins with 400 some percent, and so I think that says a lot, and the Commission should disregard the 301 tariffs, any potential impact of the 301 tariffs because again, they could be gone next week for all we know.

CHAIRMAN JOHANSON: Okay, thanks Mr. Spooner, Mr. Zinkhon. That concludes Commissioner's questions. Do staff have any questions for this panel?

MR. THOMSEN: Craig Thomsen, Office of Investigations. Staff have no questions for this panel.

CHAIRMAN JOHANSON: Do Respondents have any questions for this panel?

MR. SHUTZ: No, we don't have any questions for this panel.

CHAIRMAN JOHANSON: Okay. Then we will now break for lunch. Let's come back here at 12:45, and I would like to remind parties not to leave confidential business information in this room, as it is not secure. We'll see
you back here at 12:45.

(Whereupon, a luncheon recess was taken.)
AFTERNOON SESSION

CHAIRMAN JOHANSON: Mr. Secretary, are there any preliminary matters?

MR. BURCH: Mr. Chairman, I would like to note that the panel in opposition to the imposition of anti-dumping and countervailing duty orders have been seated. All witnesses have been sworn in and this panel have 60 minutes for the direct testimony.

CHAIRMAN JOHANSON: Alright, thank you. You all may begin whenever you'd like.

MR. SCHUTZ: Thank you. Good afternoon. I'm Andy Schutz from Grunfeld Desidero and we're representing the Valudor Products here in opposition to this case and we'd like to start here with Mr. Melamed, who's going to testify as to his experience with this product.

STATEMENT OF MR. SEMYON MELAMED

MR. MELAMED: Good afternoon. My name is Semyon Melamed. I'm the President of Valudor Products of San Diego, California, a company I founded in 2004. I appear here today with Michelle Tung, our Operations Manager.

Based on imports statistic information we found on usatrade.census.gov and our company records, Valudor is, by far, the largest importer of GNA from China. During the period of time examined by the Commission our imports have increased and our prices have declined. I'm fairly certain
that this case is primarily about Valudor and my business
decisions over the past several years.

I assume that we are responsible for the trends
which PMP claims require relief through additional duty
assessments on Chinese GNA. I disagree. Let me explain.
Valudor's business model is to import chemical products into
the United States which we either ship directly to our
customers from China, Russia, Taiwan, Cambodia, India, or
other origins or ship to third party warehouses for storage
and shipment through just-in-time delivery. Hundreds of
American workers serve as Valudor shipments in supply chain
jobs.

We pride ourselves in our ability to service our
customers in this manner and to the relationship we have
developed over the years. We import approximately 70
specialty chemical products. Sodium gloconate was our
seventh largest product by volume in 2017. For each of our
top 12 products, except GNA, we have 10 to 20 customers with
none of our customers accounting for more than 15 percent of
our total costs and total sales of that product.

We do business this way because we don't want to
be dependent on one customer for each product to keep us in
business. If we were to lose a customer like that, it would
take us many years to sell the leftover inventory. In 2013,
one of our longstanding customers to whom we have been
supplying several products for just-in-time delivery from our three West Coast warehouses since 2007 asked us if we could also supply them with sodium gloconate.

We had never sold this product before. I remember our meeting well. This customer's general manager asked me if Valudor would consider supplying sodium gloconate for them. I promised to look into it and then asked how do you spell this chemical? It is g-o-a-c-o-n-a-t-e? I had never heard of this product before. He said please try to find it. We really need your support and it is spelled g-l-u-c-o-n-a-t-e.

I started selling chemicals 23 years ago and I can count on the fingers of one hand the number of times a customer asked me to supply product Valudor never handled before. Each time this has happened it was because the customer was deeply dissatisfied with their current vendor and desperately needed a change and every time the need was not about price.

Several years later I asked my customer why they wanted to buy from Valudor and why they asked Valudor to get into sodium gloconate business when I didn't even know how to spell it. Their purchasing manager replied that PMP, their current sodium gloconate supplier at that time, was not responsive to their needs. Every time the customer asked PMP to make changes to facilitate the customer's
operations PMP would say no. When the customer asked PMP to change its packaging to match their production website, PMP said no.

Valudor accommodated this request promptly. When the customer told PMP their consumption of sodium gloconate increased and they were running out of storage space and asked PMP to provide just-in-time deliveries PMP said no. PMP supplied this California customer from an Illinois warehouse by rail with a seven to ten days transit time and an uncertain delivery date. By the time their shipments arrived, the customer had to stop production because they ran out of sodium gloconate raw material.

Unlike PMP to meet customers' needs, Valudor rented space in Oakland, California warehouse and made arrangements with local California truckers to deliver to our customers with 24 to 48-hour notice and at customer's specified time of the day. If PMP had been responsible to its customer's needs, we would not be here in this room today. This customer would never have brought Valudor into the sodium gloconate business. And in the absence of sodium gloconate being sold to this one customer, Chinese GNA imports would be small and declining and now PMP is trying to bully the sodium gloconate customer into accepting their poor service.

I'm here today and I'm doing all I can to
protect them because I firmly believe that this is not right. This customer uses sodium gloconate in its agricultural business. Sodium gloconate in powder form is used to make fertilizers under proprietary production technology no other fertilizer manufacturers utilize. This sodium gloconate was supplied was technical grade material. We found vendors for GNA products in China and begun shipping sodium gloconate to the United States in 2013 to be shipped just-in-time from our West Coast warehouses to this customer.

In the past, three years our sales of this customer have increased and prices have declined. Why? The increase of our sales was because of the growth in demand on the West Coast for our customer's product. This was not because of any innovation on our part. As our customer's businesses thrived, so did its need for sodium gloconate. Similarly, we did not reduce our prices to maintain this business. Our sales prices declined because the cost of corn in China declined and so did our purchase price.

The two main inputs in sodium gloconate are corn and sodium hydroxide; when the price of corn declines the price of sodium gloconate declines. Between 2015 and 2017, the price of corn declined, which lead to declines in our purchase price from our vendors in China, which we passed onto our customer. In 2018, the corn price increased, so we
increased the prices. We explained these fluctuations to our customer. As our sales to this customer through our West Coast warehouses increased, we attempted to diversify our customer base and sell sodium gloconate using the same business model as our sales of other products, selling each product to multiple customers; thereby, avoiding being dependent on one company.

Valudor's marketing strategy is to avoid high customer concentration of sales of any particular product. Normally, for our main product customer concentration is around 1 to 12 percent. Sodium gloconate is the only product in the top 12 products we sell with a top customer concentration above 12 percent. In fact, it is 70 to 80 percent. We tried very hard to dilute such high customer concentration. We approached a large number of sodium gloconate customers in the U.S., but failed with most of them because of Chinese products quality problems. Most of the prospective customers refused to buy GNA from us due to quality issues and our inability to warehouse Chinese sodium gloconate outside of low humidity California locations due to severe caking problems the product can experience when stored. Even though there is no longer a fishy smell and Chinese gloconate is white, it is still in inferior in quality to the sodium gloconate produced by PMP in the United States.
Even though it is made by a continuous fermentation process, Chinese sodium gloconate is a low-quality, technical grade product. All of PMP sodium gloconate is produced to higher food grade standards. It's easy to fail food grade standards. For example, if you use technical grade sodium hydroxide in the production you're going to end up with technical grade sodium gloconate with higher impurities.

For the agricultural market food grade certification is not required, but PMP's sodium gloconate is sold in many different market segments in the United States. It's used for construction, metal cleaning, food, de-icing, metal cleaning and industrial and institutional purposes. For the food industry, Chinese technical grade sodium gloconate is clearly not acceptable since it does not meet the food/chemical for food quality standards. It is my understanding that Chinese vendors have only a minimal capacity to produce food grade products and it requires additional production step.

A number of food processing and manufacturing companies told Valudor they will never consider Chinese sodium gloconate regardless of its price due to concerns about proper food grade safety monitoring procedures in China and recent bad publicity of Chinese food grade ingredients.
We tried to sell our Chinese sodium gloconate to U.S. concrete manufacturers. We contacted all major U.S. concrete manufacturers since we knew that this market is the largest volume application of sodium gloconate. They told Valudor that they only use liquid sodium gloconate and would not consider dry sodium gloconate, even if we gave it away.

We tried to follow Petitioners' advice to just put sodium gloconate in the water. We tried to find toll manufacturers to liquefy Chinese sodium gloconate powder, but the finished liquid gloconate was not price competitive. Several customers in metal cleaning industry and a number of distributors told Valudor they had problems with caking of Chinese sodium gloconate and would not use it again.

We were also unable to sell sodium gloconate outside of the West Coast and customers would not accept the 8 to 12 weeks lead time on direct shipments. In 2016, we actually shipped around 750,000 pounds, 18 truckloads of Chinese sodium gloconate to Memphis for sale to our major customer. We stored the sodium gloconate in Memphis warehouse, but it caked so hard that each one-ton bag of Chinese sodium gloconate turned into one ton solid rock. Our customer returned 100,000 pounds already delivered to them and told us they would not accept the remaining 650,000 pounds of cake product which remained in the warehouse.

We were unable to find anyone to break up the
caked product locally. The only company agreeing to break up the caked GNA was located in Illinois and delivery to them resulted in $1800 per truck load roundtrip fee, in addition to cost of de-lumping new bags. The processor in Illinois had to run forklifts into sodium gloconate super sacks to break them up into pieces and then further process the large chunks in their milling equipment. Needless to say, we lost a lot of money having to pay processing fee and roundtrip freight from Arkansas to Illinois and we learned our lesson.

After this disaster, Valudor stopped storing sodium gloconate in all locations in the United States, except for our low-humidity Oakland, California warehouse. We also suspended offering sodium gloconate from local stock to all customers, except for California where the low humidity delays caking of Chinese sodium gloconate. Our inability to supply local stock for just-in-time delivery and long lead time severely limit our sales, but we cannot see how we can prevent caking while storing Chinese sodium gloconate in states, other than California, and can no longer afford huge losses due to product caking. Thus, this is true that our sales during Commission's period of investigation increased and our prices declined, but these sales were basically to one customer in one market and one geographic area.
We failed in our attempt to increase our customer base to sell sodium gloconate to multiple markets and to sell sodium gloconate for just-in-time delivery outside of California. We do not believe that other importers succeeded in penetrating these other markets and we do not believe that our limited success in selling sodium gloconate to one customer for one purpose for a West Coast delivery could possibly have resulted in material injury to PMP.

We also do not believe we pose a threat to PMP in the future. First, by the middle of 2017, which is five months before PMP petition, we suspended our marketing and new prospect search for sodium gloconate due to our inability to stock it in most of the continental United States. Selling sodium gloconate to multiple customers in multiple markets throughout the United States did not work in the past and will not work in the future.

Second, Chinese sodium gloconate manufacturers are not very interested in selling GNA products in the U.S. market. They're reluctant to implement product quality improvements necessary for future success in the United States. The Chinese GNA market is booming as are Chinese sales to third countries.

Finally, my vendors just advised that their ability to increase production and sales of GNA products in
the future will be constrained because of new, aggressive Chinese environmental regulations restricting the availability of sodium hydroxide. The price of sodium hydroxide, one of the main raw materials for production for sodium gloconate sharply increased. As a result, our purchase price for sodium gloconate has almost doubled in the past nine months.

The Chinese Government environmental crackdown is a part of strategic, long-term Chinese industrial policy, approved at the top level of Chinese Government and included in long-term economic policy approved by recent Chinese ruling party Congress. I expect that this policy will continue for the foreseeable future. And it is important to remember that implementation of this policy and its impact on the supply and prices of sodium gloconate shipped from China to the United States have nothing to do with this trade action.

The price increases begun three months before PMP petition was filed. In fact, a recent clause from our Chinese vendors for our prospective customers in Canada have been 45 percent higher than previous pricing. This is the same with Chinese domestic prices and the price increases have nothing to do with this case. Chinese gloconate manufacturers have also experienced supply shortages of sodium hydroxide, causing several Chinese manufacturers to
scale down or stop production of sodium gloconate.

    For example, in October 2017, two months before
the petition, one of our vendors tried to increase the price
of sodium gloconate by 30 percent on a signed contract with
Valudor for 2.2 million pounds of sodium gloconate. The
vendor subsequently refused to supply goods under our
contract. It explained that the increase was due to
shortage and high prices of one of the main raw materials,
sodium hydroxide.

    We had to scramble to find an alternative
supplier and we paid 25 percent higher price than on our old
contract and the shipment was delayed until December 2017 to
allow the alternative supplier to manufacture the goods. I
do not know when the shortage will end, but given the need
for Chinese vendors to supply GNA to their Chinese customers
and to their much more important customers than me, who are
located in third countries, I do not perceive Valudor
importing increasing quantities of sodium gloconate into
the United States any time in the foreseeable future.

    In summary, based on our experience, I do not
see how we or anybody else can increase imports of Chinese
sodium gloconate to the United States in the future for the
following reasons. The product cannot be stored in central
and eastern U.S. because it turns into a rock. Most of the
U.S. customers will not accept 8 to 12 weeks lead times for
direct shipments. Chinese sodium gluconate has a higher moisture and impurity levels than PMP products, which are made to highest food and farmer grade specifications.

Chinese manufacturers aren't willing to improve product quality, lower moisture and impurities and have little interest in the U.S. market. The majority of their sodium gluconate sales are for domestic and non-U.S. imports where their product quality is acceptable. None of the Chinese gluconate manufacturers attended the U.S. trade shows. None ever visited our U.S. office, despite Valudor being their top U.S. customer.

I know that there are companies sending regular -- emails to a variety of prospective customers in the U.S. These emails are not coming from manufacturers. They're coming from distributors. These distributors are sending, as Petitioners said, emails on 30 different products. Obviously, they don't make 30 products. They just re-sell them. They're totally unfamiliar with the U.S. market that's why they're sending emails to U.S. manufacturers. They don't know who is doing what and they're still doing it, even though they would not be able to physically import the product into the U.S. because of the deposits that U.S. Customs and border protection are charging due to this action. But they are still quoting low prices just because they're completely unaware of the market situation and
ultimately unable to supply the product.

I'm also very familiar with the matter brought up by Petitioners on large Mid-West detergent manufacturer being offered sodium gloconate at 30 cents a pound right before the petition was filed. In fact, I got a call from one distributor who sporadically purchased our sodium gloconate asking me to match this 30 cents a pound price. And I told him I cannot do it. I'm not in the business to lose money and it's below my cost. I guess what happened they probably got this quote from one of these emails. They quoted to this large detergent manufacturer, then they could not supply and then they started looking. Obviously, we're the largest importers, so they turned to us. We couldn't help them because it was below our cost, so this is why there was no sales.

Chinese production capacity is limited by shortages of high prices of sodium hydroxide, the second most important raw material for sodium gloconate production. These shortages are a result of recent tough environmental enforcement campaign and are expected to continue for foreseeable future, as they're included in strategic, long-term Chinese industrial policy approved in last year's ruling party congress.

Our customer uses large quantities of sodium gloconate in a proprietary process unique in fertilizer
industry. Other fertilizer manufacturers do not use this process and unlikely to have much demand for sodium gloconate in the future. There was an excellent question about using EDTA products in manufacturing a fertilizer that asked of the Petitioners. I will answer it. The mainstream use of -- nutrients in fertilizer industry -- by ethylenediaminetetraacetic acid, also known as EDTA. Most of the fertilizer manufacturers are using it. Our California client is the only one who is using sodium gloconate micronutrients and not using EDTA. Nobody else is doing it and there are no plans for anybody else to change. The EDTA remains the mainstream way of -- micronutrients, delivering them to the plant.

I thank the Commission for its attention and I'm available, along with my colleague, Michelle Tung, to answer any questions.

STATEMENT OF MR. DHARMENDRA CHOUNDHARY

MR. CHOUNDHARY:  Good afternoon, Commissioners and staff. I am Dharmendra Choundhary from Grunfeld Desidero, appearing on behalf of Valudor Products, an importer of subject merchandise.

The Commission has already concluded that PMP was not experiencing any material injury as of September 30, 2017. It should now consider whether there has been any changes through June 30, 2018 to warrant the opposite
result. I will first underscore the fact that GNA products
stands for a class of products that include more than one
type and grades. On one hand, we have sodium gloconate and
gluco delta lactone, GDL, both of which are in dry form.
On the other, we have gluconic acid and liquid gloconate,
both being in liquid form.

Of the four types, sodium gloconate is the
principal GNA product produced and sold by PMP and it's
ordered by Chinese exports; however, sodium gloconate is
simply a generic name that encompasses several different and
desperate grades with varied applications in a range of
industries, encompassing construction, industrial, food,
agricultural, personal care, household, pharma, pulp and
paper, electroplating, textiles, plastics, and whatever
else you have. This is an important fact which has to be
kept in view when we will be discussing several pricing and
market share issues.

This case boils down essentially to a comparison
of data from one domestic producer, PMP, and one importer,
Valudor Products, which accounts for the majority of imports
from China.

Let's begin with volume effects. With 2015
volume as the baseline, Chinese import volumes during the
three and a half year POI did not go up. Overall, it went
slightly down. More importantly, when we compare data used
in preliminary determination when subject imports comprised
of French, plus Chinese imports and final determination
where we have only Chinese imports and we come to the data
across a range of volume parameters like subject GNA market
shares, entries in subject imports, domestic product market
share, subject imports as percentage of domestic production,
and annual growth rate for GNA market in U.S.

It turns out if we make this comparison that the
volume impact of subject imports was not injurious during
the POI. Even so, in face of this clear-cut data, PMP
cherry picks data around 2016 to 2017 only and again, from
interim 2017 to interim 2018 to argue that Chinese imports
rose during these periods, but what they are not telling you
is that the slightly increased annual or half-yearly Chinese
imports still remained below the level of 2015 data.

Further, realizing that its own production and
shipments during this time period, either on absolute or
relative terms, fails to support alleged adverse Chinese
volume effects and any injuries there from. PMP conflicts
the volume issue with price effect and allegedly lost sales
effect, which we will be discussing shortly.

In sum, PMP fails to impeach the current
evidence that there is no adverse volume effect during the
POI; especially, when the data is juxtaposed against the
data used in the preliminary determination.
Now let's move onto price effects. It's important to realize that in U.S. GNA market several grades and qualities of sodium gloconate, the main GNA product, are sold. Equally important, price is not the main factor considered by purchasers in their purchasing decisions. Sixty-five percent of purchasers reported that they never or only sometimes purchase lowest-priced product. Four other factors are considered more important than price. These factors are availability, reliability of supply, product consistency, and quality meets industry standard – whether quality meets industry standards. Price is tied with delivery times at the fifth spot.

Moreover, in comparing U.S. domestic sales and Chinese imports, either in terms of their average sales prices or specific prices for the two pricing products, we need to focus on the market experiences of Valudor, who is, by far, the largest importer of GNA from China. The vast majority of Valudor's imports during the POI consisted of technical grade sodium gloconate which was sold for agricultural use to one particular customer based in California. There Valudor's sales are focused on one product, technical grade sodium glutonate in powder form. One sector: Agricultural use and one market, California. On the other hand, PMP sells exclusively four grade GNA
products in powdered as well as liquid form to all other centers -- industrial, construction, food, household, et cetera, and to all of the geographic markets in USA. As such, PMP and Valudor operate in distant market segments. Accordingly, the vast majority of Chinese imports do not directly compete with PMP sales. Competition between the two classes of products is attenuated. Therefore, Chinese GNA imports do not adversely affect the prices or volume of PMP sales.

If we compare Chinese average import prices with PMP's average sale prices or compare the two with respect to the price of two pricing products, Chinese GNA undersold PMP. However, underselling is only the beginning of price effect analysis. The more important questions are the following: whether there was a direct competition between PMP and Chinese imports. The answer is no because PMP sells four grade GNA products throughout the United States, while Valudor, which is a proxy for Chinese importers, sold technical grade sodium gluconate for agricultural use on the West Coast.

It is important to reiterate that the scope of pricing products 1 and 2 encompasses several myriad grades that cannot be compared on an apple-to-apple basis in terms of quality, use, or price. Thus mere underselling a broad basket GNA pricing product by Chinese imports has little
The second issue is whether undersold Chinese pricing Products 1 and 2 adversely affected PMP's U.S. sale prices. And third is whether undersold Chinese pricing Products 1 and 2 adversely affected PMP's volume of U.S. shipments. If the Commission analyzes the price and volume data of PMP's shipments for the two pricing products, it will note that Chinese imports had no price depressing effects on PMP's shipments.

PMP also focuses its' arguments on PMP's alleged lost sale volumes and lost revenue. We have already rebutted the lost sales and lost revenue arguments in our pre-hearing brief at pages 39, 40 with reference to the top three purchasers. Each of these purchasers provided the nine commercial reasons for their Chinese GNA purchases, such that those shifts were not injurious to PMP.

In sum, PMP's price depression arguments are unpersuasive. Likewise, Chinese imports also had no price suppression effect on PMP's sales. Analysis of this issue in terms of the Commission's well-established criteria of analyzing domestic producers' cost of goods sold relative to net sales value shows an absence of price suppression in this final case. The price in terms of Chinese sales was directly influenced by the prices of key imports -- corn and corn starch -- that fell during the POI in China. We'll
elaborate this point in our post-conference brief. Prices of corn and corn starch similarly
decayed in the U.S. market too. We will further explain
the importance of these raw material prices in our
post-conference brief. In analyzing PMP's claims of
allegedly suppressed sale prices during the POI the
Commission should take into account this very important
consideration.

Now let us consider the impact on PMP. This
analysis, in terms of PMP's output, sales, inventories,
capacity utilization, market share, employment, wages,
productivity, gross operating and net profits, et cetera, is
an eye-opener. These data do not showcase an industry that
is currently injured or distressed or facing an imminent
injury. In particular, PMP focuses on certain financial
indicators to argue that its financial performance was
adversely affected in the interim 2018. However, as PMP
itself admits we have demonstrated on pages 45 to 49 of our
pre-hearing brief that PMP was not injured by low-priced
Chinese imports during this period.

Finally, PMP is not the least threatened by
Chinese imports. POI data for production sales, market
share, employment, profits unambiguously prove that PMP is
currently not vulnerable. Market competition between PMP's
GNA products and subject imports has all along been and will
continue to remain attenuated in a segregated market.

Moreover, it is undisputed that the U.S. GNA market has been expanding at a rate of -- as Petitioners mentioned -- at 6.5 percent over the last 10 years and continues to gain widespread uses in myriad of sectors where PMP alone stands to benefit, given that Valudor's data confirms that the majority of Chinese imports are mostly limited to one grade, technical grade; one use, agricultural use; and one market, California.

Further, Chinese imports have all along remained at a non-injurious level in the U.S. market. The focus of Chinese producers is on their own home market and third country markets. In 2017, nearly 7.7 percent of total Chinese exports were destined to the U.S. market and is further contracted to 7.4 percent only in 2017.

On the other hand, Chinese exports to other markets, like India, Turkey, and Japan expanded during this same period. Recently, Chinese Government's strict enforcement of environmental regulations have affected its chemical industries, resulting in a short supply in increased prices of critical raw materials, including sodium hydroxide, which is a key raw material. As such, not only the Chinese production of GNA is likely to go down, but also its' prices is going to spike in near future. All of these factors support the fact that PMP is not threatened by
Chinese imports.

PMP has not presented any evidence today showing that this trend is going to reverse in the near future; therefore, Chinese imports do not threatened the domestic industry with material injury. Thank you.

STATEMENT OF ANDREW T. SCHUTZ

MR. SCHUTZ: Good afternoon again. This is Andy Schutz. Before we conclude our presentation, I just want to address briefly a couple of legal issues, three legal issues which were raised by the parties in their prehearing briefs.

First is: What is the significance of the Commission's Preliminary Determination that PMP was not materially injured by cumulated GNA imports from France and China?

We know that the Preliminary POI has been extended for an additional nine months, from October 2017 to June 2018, and we know that the record for this Final Investigation is not identical to the Preliminary record. But the conditions of competition which led the Commission to conclude that cumulated imports were not injurious have not materially changed during this extended period. And, if anything, there is more information on the record supporting a finding of No Current Injury than there was in the prelim.

In other words, while this Preliminary Decision does not mandate that the Commission will similarly reach a
negative determination in this Final Phase investigation, the Commission should be careful not to reach diametrically different results based on very similar facts.

Therefore, in our view the overlapping Preliminary POI period, 2015 to 2017, should be viewed as the baseline to which the financial and industry circumstances of the post-prelim POI period should be compared in this final phase.

The circumstances present between 2015 to 2017, which have not changed, were such that the Commission found under the very high "clear and convincing evidence" standard that there was no reasonable suspicion of material injury.

Thus, to the extent that the circumstances in this post-prelim period are the same or similar to that of 2015 to 2017, the law of the case is already established that this is insufficient for an actual Material Injury finding in this Final Phase.

Second, PMP argues in its brief that the Commission should reject all Chinese producer questionnaire responses because they were not timely filed and should apply adverse facts available to Fuyang in particular because of the possibility that Fuyang provided inaccurate information to the Department of Commerce.

We disagree. First, the Commission's long-standing policy is to reach the legally and factually
correct result based on all evidence placed on the record in a sufficiently timely manner for analysis, rather than to penalize parties who have not met the Commission's initial deadlines.

Achieving a correct and complete picture of the industry is paramount. This policy makes sense, and to our knowledge has been applied in every case. Unlike the Department of Commerce which determines the margin of dumping and subsidization of individual companies, the Commission is charged with issuing decisions which have an industry-wide impact.

The Commission has properly recognized that it would be unfair to penalize fully cooperative parties who have submitted timely responses to Commissioners because other parties, for a wide variety of reasons, have not. In this case, Chinese exporters initially decided that the U.S. market was not important enough to expend the time and effort necessary to respond to the Commission.

Upon request of our client Valudor, they agreed to respond. Their data has been submitted in more than enough time to be considered by the parties for their post-hearing briefs, and to be incorporated into a staff's final report.

The Commission should accept this data. The Commission should also reject PMP's argument that Fuyang's
information should be disregarded because of the company's actions before Commerce.

The administrative records before Commerce and the Commission are not the same. The Commission must base its decisions on the record in this proceeding, not Commerce's. And PMP has pointed to nothing on the record of this case that impeaches the reliability of Fuyang's information submitted before the Commission.

The Commission is required to accept the dumping margins and subsidy rates provided by Commerce. But at the same time, it does not examine the reasons for Commerce's decisions.

A decision by the Commission to apply AFA to Fuyang in this proceeding because of what Fuyang may or may not have submitted to Commerce is particularly inappropriate, since such decision would adversely impact totally innocent parties who do not have access to the underlying Commerce record, much of which is proprietary in any event.

If the Commission were to look at Fuyang's action before Commerce, we just note that Fuyang received AFA at Commerce for issues related to cross-ownership and affiliation standards, and whether or not certain of the company's current or past affiliates needed to report subsidies.
While it is not necessary to go into those
details, it is important to recognize that these issues are
extraordinarily complex, and even companies with the best
intentions inadvertently run afoul of affiliation issues
before Commerce. And I can tell you from personal
experience in dozens of Commerce CVD cases, even Commerce's
own staff is inconsistent in their interpretation of when a
company is or is not cross-owned and has to report its
subsidies.

Thus, the fact that a company did or did not, or
should or should not have reported certain affiliates before
Commerce is not indicative of deceptive intent or
unreliability.

The third and last issue for the Commission to
consider is whether to focus its analysis on one segment of
the domestic industry as proposed by PMP, or to examine the
impact of imports on the industry as a whole.

Here the Commission should again reaffirm its
Preliminary Decision to reject PMP's argument that the
Commission's analysis should focus primarily on the
performance of PMP's sodium gluconate operations, rather
than the entire range of the domestic like product.

One portion of the Commission's Preliminary
Decision is worth repeating:

"The scope of these investigations includes not
only sodium gluconate, but also gluconic acid, liquid gluconate, GDL, and subject blends, in accordance with the scope requested by PMP in the Petitions. ... The Commission has defined the domestic like product to include all GNA products corresponding to the scope, in accordance with the domestic like product requested by PMP. ... Petitioner could have requested that the scope of the investigations and the domestic like product be limited to sodium gluconate, but did not do so."

In other words, Petitioner must lay in the bed it made and the Commission should continue to reject Petitioner's attempts to demonstrate injury by focusing only on one product that PMP makes rather than all domestic like products the company produces.

Thank you. And this concludes our direct presentation and we're available to answer any questions from the Commission at this time.

CHAIRMAN JOHANSON: I would like to thank this panel for appearing here today. We appreciate it. And the Commissioner questions will begin with me.

This question is probably best answered by Mr. Melamed, but any of you can of course jump in. Table 2-9 of the staff report shows that the vast majority of responding purchasers reported that U.S. and Chinese GNA products are comparable in terms of meeting minimum industry standards.
Could you estimate the percentage of domestic or subject product that may have imperfections, such as being off-color or caking, which prevents it from being accepted by the food or personal care industries?

MR. MELAMED: Well, Chinese manufacturers are not completely aware of conditions of product approvals and sales in North America, and we are. And I can tell you that nobody in the food industry would consider Chinese sodium gluconate just because of general concerns about the lax control standards in China, recent bad publicity in various publications about problems with adulterated food products coming from China. And, frankly, we would be very reluctant to even offer their products to the food industry because of the liability concerns.

In terms of caking, we tried product from several different manufacturers. In the case of Memphis warehouse disaster, there were products from two different manufacturers. They caked the same. And they caked really hard to the point the customer, they told me, look, we know it's really bad situation for you but we cannot use it. It's solid rock. We don't have any equipment to break it up. We had to haul it all the way to Illinois. The company there kept around forklifts into these rocks of sodium gluconate to break them up, and they had special mills to series of different milling equipment to grind them.
back to the powder, and then we shipped it back.

So there are several differences in quality that Chinese manufacturers are not necessarily aware of that really prevent us from selling it here. The caking being the most serious because it really makes it impossible. I'm not going to take a chance of losing all this money again and storing it in eastern or central U.S.

And then there are all these food-grade quality concerns. They are really using a technical grade sodium hydroxide in their production. Their facilities are not meeting U.S. food production standards. But there are other impurities. And in the post-hearing brief we're going to provide—we obtained product specification from PMP's website. We also have technical data chips of Chinese products, their differences. The moisture is higher in Chinese products, and the impurities are higher, and it makes a big difference when people are trying to approve their products.

Their production methods, their production technologies, are based on PMP's product because this is what they are using now. And when they are trying to substitute it with Chinese because of the impurities Chinese doesn't perform this way, and this is why we failed in so many cases to sell our product to any more customers. And we are facing the situation when we have this one customer
that is 70 to 80 percent of our sales that's unique in our
portfolio, we really tried to avoid it, but there is no way
for us to do it.

CHAIRMAN JOHANSON: Mr. Melamed, you've spoken
extensively on quality problems with Chinese product as
opposed to U.S. produced product. Do you know if there are
any industry publications, or any documentation which might
discuss the quality of Chinese GNA vis-a-vis U.S.-produced
GNA?

MR. MELAMED: I'm just a salesman. I don't spend
too much time on trying to find publications. I'll
certainly try to look for them, and if I find anything I
will submit them in the post-hearing brief.

But I can speak to my personal experience. And
the money to break this caked material came from my own
pocket, as the owner of the company. And I have all the
invoices I submitted to my attorneys for transportation and
processing and new super sets and they are over $100,000.
And we will definitely submit that to the post-hearing
brief.

I mean I know that I called all these customers
and they told me they wouldn't use it for various reasons.
The food people wouldn't use it because of general concerns
about Chinese food standards. The metal cleaning people
wouldn't use it because it cakes, because it did not work
well. They could not explain really why, but when they
substituted FMP's material with this product, it did not
work well in their formulas. It created problems.

There were things falling out. The color was
changing. Even though initially sodium gluconate from China
looked exactly the same, once it went into solution and
reacted with some other ingredients in their formulations,
things went wrong.

And this is my experience. And this is why we
took a decision, even though before the Petition we had
really good position on sodium gluconate. We could get it
at really good price. And before the problems with
environmental enforcement, we had a limited supply of it in
'15 and '16, and we really tried. We could not really sell
it.

CHAIRMAN JOHANSON: If you would try to find some
type of written description of quality problems with Chinese
GNA, Chinese-produced GNA, and not just industry
publications but any, for example, emails you might have
received, any other documentation you might have received
regarding quality problems encountered by customers?

MR. MELAMED: Oh, absolutely. I do have an email
from our biggest customer from the plant manager in there,
you know, Arkansas facility. He was saying, well, we got
100,000 pounds of rock-solid sodium gluconate. When are you
going to pick it up?

And we did provide it to our attorneys. We will definitely attach it to the post-hearing brief.

MR. SCHUTZ: Yes, this is Andy Schutz. We will provide all that for you.

CHAIRMAN JOHANSON: Okay, yeah, anything you could provide would be helpful. Because right now I understand your experiences, but it would benefit us if we had something written by folks other than you, or anything you'd written prior to the investigation would be helpful as well.

MR. MELAMED: Yeah, yeah, those emails to pick up the rock-hard material are dated 2016, a couple of years before that.

CHAIRMAN JOHANSON: Okay, that would be helpful. Can GNA products that meet food chemical CODEX standards be used as a substitute for technical grade product?

MR. MELAMED: Yes, but not vice versa.

CHAIRMAN JOHANSON: Okay. So if it doesn't meet the FCC standards, you cannot use it? If it does not meet FCC standards, you cannot use it for food production?

MR. MELAMED: Yes.

CHAIRMAN JOHANSON: Is that an industry-accepted response? Or is that just what--or is there any type of
regulation to that effect, do you know?

MR. MELAMED: Well, it needs to meet--to sell to food industry, it needs to meet a variety of regulations. We need to certify that it meets the FCC-4 requirements. There are certain Food and Drug Administration filing requirements when the shipments come into U.S. There are certain requirements for third-party inspections of the facilities in China, which I'm sure we would fail, given--

CHAIRMAN JOHANSON: That would be the FDA, possibly, or--

MR. MELAMED: Well, there is new regulation that requires third-party inspection of the food facility overseas. I cannot imagine these facilities passing it. And just general concerns by the food manufacturers about recent bad publicity prevents it being used in food applications.

But you can take food grade and sell it to nonfood applications. That is possible.

CHAIRMAN JOHANSON: Right, right.

MR. MELAMED: This is what PMP is doing all along. What they probably don't even realize, but they established a very high bar standard incorporated in their customers' technologies that prevent lower grade sodium gluconate from substituting their product because they have been enjoying this high quality, low impurity product for
all this time. They're not filtering it as much. They are not so many segmentation that doesn't do certain bad things that it does with Chinese sodium gluconate. And when they apply Chinese sodium gluconate in the same process, it doesn't necessarily perform this way. And they have to go through additional steps, or don't get as clear result as they would like.

CHAIRMAN JOHANSON: Could you perhaps submit information to the Commission in your posthearing brief discussing different regulations that you must meet in order to bring in food-grade?

MR. MELAMED: Oh, absolutely, yeah. There is very clear regulations.

CHAIRMAN JOHANSON: In addition, anything that you might have regarding required inspections of facilities in China.

MR. MELAMED: Yeah, yeah. We need to submit the prior notice of export to the Food and Drug Administration. There is a recent regulation that we have to subject the plant to the third-party inspection. We'll provide all this information.

CHAIRMAN JOHANSON: Okay, that would be helpful. If you contend that the product being sent from China is used for non-food purposes, it would help us to delineate exactly what that means.
MR. MELAMED: Yeah, I mean we never even dreamed about using it for food, seriously. We were just hoping to sell it in less demanding applications like, for example, construction. But we couldn't do it because we didn't have liquid form. We tried to sell it to metal cleaning, but apparently it reacted with some other ingredients in this metal cleaner and then it caked and just was really hard.

I normally am usually very successful in selling this product to somebody else who's buying it. We can sell to 20, 30 different customers and just really have very diversified customer base. It didn't happen with sodium gluconate, unfortunately.

CHAIRMAN JOHANSON: Alright, thank you, Mr. Melamed. My time has expired.

Commissioner Williamson?

COMMISSIONER WILLIAMSON: Thank you, Mr. Chairman.

I want to thank the witnesses for coming today.

MR. MELAMED: Thank you.

COMMISSIONER WILLIAMSON: So my first question is: Are you aware--you mentioned the Arkansas sale--but are you aware of other sales of subject imports of sodium gluconate from China being sold outside the West Coast of the United States?

MR. MELAMED: Well we sell a lot to this
customer, and I know we're not the only company who is
selling to this customer, they buy from others as well--

COMMISSIONER WILLIAMSON: From other Chinese
companies?

MR. MELAMED: Other U.S. importers.

COMMISSIONER WILLIAMSON: Okay, who are buying
from China--

MR. MELAMED: No, no, our customer in California
is buying majority of their sodium gluconate from us, but
they are also buying from another--at least one more U.S.
importer who buys it from China.

COMMISSIONER WILLIAMSON: What about customers
outside of the West Coast who are buying the imports,
subject imports from China?

MR. MELAMED: Well we have one in Georgia. You
know, it's a smaller customer. They're in metal cleaning
business. They are very few that agreed to having like 8 to
12-week lead times. Most of the people when we mention
that, they just say no.

This particular customer agreed to it, so we've
been supplying them very small quantities based on long lead
times. I'm sure we're losing on a lot of their business,
and basically between them and our big California customer,
it's the only stable business of sodium gluconate we ever
have.
COMMISSIONER WILLIAMSON: Okay.

MR. SCHUTZ: This is Andy Schutz.

COMMISSIONER WILLIAMSON: Yes.

MR. SCHUTZ: I just want to jump in here. I think that is part of the point that Mr. Melamed just said, is that there are--this is sold around the country in different places, but the point is that it's in very small quantities from China.

Mr. Melamed is the main guy, and the vast majority of the Chinese imports, as he mentioned, are him. So I think that's telling as to what exactly the structure of this industry is in terms of imports.

COMMISSIONER WILLIAMSON: Okay.

MR. MELAMED: We tried to get more customers like the one in Georgia, and get bigger customers in this industry. We tried very hard, but it just didn't work. They didn't like the fact we couldn't store it. They didn't like the impurities. They didn't like the fact we don't have a liquid. There were many problems. It's the only product in the main product category that we have 70 percent concentration among customers.

COMMISSIONER WILLIAMSON: Okay. Now is it only the sodium gluconate from China that can only be stored in low-humidity areas? Or is this a general problem?

MR. MELAMED: This is our biggest problem,
because in California we did not see product caking. And in
Memphis, we had like 750,000 pounds of product turning into
a rock. So we had severe problems with caking in other
parts of the country.

It was definitely due to high humidity. And in
California it doesn't cake because humidity is low.

MR. SCHUTZ: This is Andy Schutz. My
understanding--correct me if I'm wrong--is that it is unique
to Chinese product, because Chinese product has a higher
moisture level--

MR. MELAMED: Yes, if--

MR. SCHUTZ: --than product in the U.S.

MR. MELAMED: Yeah, if you look at the product
specifications that we're going to submit as a part of
posthearing brief, there is a difference in moisture.
Sometimes it's called loss of drying, but we and Chinese and
PMP's product, it's quite significant. I think in Chinese
product it's double.

There is lower moisture in Chinese food-grade
product than in Chinese technical grade product, but it is
still higher than in PMP's food-grade product. And we will
submit documentation to that.

COMMISSIONER WILLIAMSON: Why is this moisture
level higher? What is it about the processing that produces
that difference?
MR. MELAMED: I think they are just not drying it enough. And we tried to induce them to do that, and they said, look, we can sell it to other countries, nobody's complaining. We can sell it to China. This is the main problem that we have. They are not that interested to improve their quality to meet U.S. market standards.

They're saying we have enough sales everywhere else, we don't need this. Just buy it the way it is, or, you know, we'll sell it elsewhere. And now that they have restrictions on capacity because of the sodium hydroxide environmental enforcement, the discussions became even more difficult.

COMMISSIONER WILLIAMSON: Well they're selling it all over the world, and there are an awful lot of high-humidity places around the world, too.

MR. MELAMED: Absolutely. Including China. And they're probably—I have to guess, they're dealing with a hard product. Most of it is going into liquid. So they just either grind it, or they just liquify it.

The problem is, there is PMP here in the U.S. with high-quality material. They don't need to worry about it. Like the surveys indicate, price is not the main issue in purchasing sodium gluconate. There are other factors. The convenience and the amount of time it takes to process the raw material is very important. So they just buy PMP's
product that is free-flowing instead of having to deal with the rocks.

And in other parts of the country where there is no PMP material, and this is the only supply, they have to deal with that and the Chinese capitalize on it.

COMMISSIONER WILLIAMSON: Okay. I think Commissioner Johanson had asked you about documentation of customers rejecting sodium gluconate. And I know you mentioned something about 2016. I was wondering also whether or not you have more recent examples that you could provide post-hearing.

MR. MELAMED: Well, this was really the watershed event for us when we had to regrind 750,000 pounds of product. After that, we stopped storing it on the--anywhere besides Oakland. And we pretty much, within seven or eight months, we stopped even offering it there. So there was nothing more recent. We just were reduced to pretty much supplying this one customer in California who got it from the warehouse where it never caked, and the Georgia customer that got product from overseas and used it as soon as it came in, and sporadic purchases from, you know, a couple of distributors.

We found another customer in Kentucky. We sold them one container. And they paid for it and disappeared. Up to this day, I don't know what happened. Probably it was
some kind of problem. They never returned my calls. They
never returned my emails. They just completely disappeared,
and I don't know what the problem was but obviously it
wasn't anything good.

COMMISSIONER WILLIAMSON: Would you agree with
Petitioners that the quality of the Chinese product is
improving?

MR. MELAMED: Well, I started selling Chinese
sodium gluconate in 2013. By that time, it did not have a
fishy smell and it was white. So if we can assume that that
was a fishy smell before, obviously it has improved.

Since I started selling it, the quality has been
exactly the same for the last five years. And the caking
problems have not been resolved, and the other problems have
not been resolved. But there is no fishy smell anymore.

COMMISSIONER WILLIAMSON: Mr. Schutz, the
Commission did not find reasonable indications of material
injury in its preliminary determination, but it did find a
reasonable indication of threat of material injury. Do you
argue that the Commission needs to find a requisite change
to find a threat of material injury now?

MR. MELAMED: Well, I really don't --

MR. SCHUTZ: Can you repeat the question?

COMMISSIONER WILLIAMSON: Okay, the Commission,
you know we did not find present material injury in the
prelim, but we found a threat and do you argue that the
Commission needs to find a requisite change to find a threat
of material injury now. That's something you seem to imply
on page 5 of your pre-hearing brief.

MR. SCHUTZ: I think that in order for you to
find a material injury now there has to have been some sort
of change since the prelim. I think for the threat I think
that there is more evidence on the record for you to
reevaluate your threat determination that was made in the
prelim.

COMMISSIONER WILLIAMSON: In particular?

MR. SCHUTZ: In particular? Well, I think that
there is more evidence regarding what was going on in the
Chinese industry at the time and I think that it has become
a little bit more clear that Chinese industry doesn't really
care about the U.S. market that much. You're not really
seeing -- even though demand has increased here and even
though capacity has been the same in China that they're not
really shifting anything here. And then now you have this
quality issue and you have specific instances where China is
just refusing to sell here.

MR. MELAMED: Basically, as you know, we did not
participate in the preliminary process. We're the largest,
by far, importer of Chinese sodium gloconate, so certainly
we brought in our own experience, which hasn't been very
positive, unfortunately, in terms of selling it and the
problems that we have experienced also there definitely has
been additional enforcement of Chinese tough environmental
policy --

COMMISSIONER WILLIAMSON: I'm sorry. I'm just
cutting you off because my time has expired.

MR. MELAMED: Sure.

COMMISSIONER WILLIAMSON: But I just wanted to
ask one last question. Given the capacity in China, do they
have to care all that much to still not be a threat?

MR. SCHUTZ: Well, I think that you have to look
at it as this capacity existed it has existed for some time
that you have to look at what their actions have been and I
think that their actions have shown that they -- you know if
they weren't increasing before why would they increase now?
And now you have -- particularly, when you have a booming
market in China and you have a booming third country market
and you have these strict regulations in China regarding the
raw materials. I mean so maybe if you looked at capacity in
isolation, but not when you combine it with everything else.

COMMISSIONER WILLIAMSON: Okay, thank you.

Thank you for those answers.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay, thank you.

Well, one thing we have that we didn't have in the prelim
is, of course, the last quarter data in 2017. And Mr. Schutz, when you look at the majority's opinion there, while they didn't find price depression, the majority didn't really analyze 2017 for that purpose if you look at their decision.

MR. SCHUTZ: Okay.

COMMISSIONER SCHMIDTLEIN: So, is that going to preclude a majority of the Commissioners from looking at 2017 for purposes of the final?

MR. SCHUTZ: Well, I think that you can -- if the majority did not look at all of 2017, there obviously was a component of it that was not --

COMMISSIONER SCHMIDTLEIN: Well, they didn't use any of it in terms of their analysis for purposes of price depression, if you look at page 40 of the decision. I mean I'm guessing you're aware of that, right?

MR. SCHUTZ: That's right.

COMMISSIONER SCHMIDTLEIN: What the basis of the decision was.

MR. SCHUTZ: Yes. I think that's something that we're going to have to address in our post-hearing.

COMMISSIONER SCHMIDTLEIN: Okay. So, along those lines, can you discuss -- and I'm not sure who would be the best person to do this. In 2017, when you had such a strong increase in demand, overall, and as they've said
there's not other domestic competition, raw material prices went up and that's in the staff report. Why weren't they able to raise prices in 2017? I mean the amount of increase in apparent consumption I believe is bracketed. Yeah, it's bracketed, but it's a robust increase from '16 to '17, so then raw material prices are going up, so why -- in a normal industry, why wouldn't they be able to raise prices?

MR. MELAMED: Well, I can only speak to Valudor Products what happened in 2017. 2017 for us was just like a normal year, just like '15 and '16. Our sales were constrained to this one large customer. We pretty much withdrew from their Arkansas business because of the caking issues, just supplying them in California. We had the large blanket purchaser there that we negotiated at the end of '16. It is our not our company policy to change or to renegotiate signed contracts. You know they have maintained high prices for other -- we sell them like eight or nine products. Sometimes prices go down and they honor the old price. And sometimes prices go up and we honor the old price. So, what happened in '17 we just got this large purchase order we were supplying on just-in-time delivery basis as they were requesting it.

As I mentioned --

COMMISSIONER SCHMIDTLEIN: Maybe Mr. Schutz -- do you have a theory as to why the domestic industry wasn't
 able to raise prices in 2017, even though demand was going
up and raw material costs were going up?

MR. MELAMED: I have absolutely no idea because
our sales, like I said, were constrained to two customers.

COMMISSIONER SCHMIDTLEIN: I understood that.

Yes.

MR. CHOUNDHARY: I wanted to add something to
it.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. CHOUNDHARY: In China -- and we're going to
develop it in our post-conference brief also. The key of
raw material as we know are corn and corn starch. And the
prices of corn, although it fell consistently through POI
and through 2017, it stopped at some point in 2017, close to
middle of 2017, from which point it started rising. So, you
are correct also that that was the end of the three-year
period.

COMMISSIONER SCHMIDTLEIN: Well, no, in the
staff report it has liquid corn sugar going up every single
year -- '15 to '16 to '17. Are you talking about just in
China?

MR. CHOUNDHARY: Yeah, I'm talking of the China
situation. In China, the prices was falling through the POI
and same as this situation in U.S. also again. This is
going to come up in a big way in post-conference brief. The
situation in U.S. is no difference, but talking about China --


MR. CHOUNDHARY: Yes, yes.

COMMISSIONER SCHMIDTLEIN: Okay, so --

MR. CHOUNDHARY: But the prices of key raw materials also as in China they kept coming down. I mean this point has not been brought to your attention, but we are going to highlight this issue -- price of corn and corn starch -- feedstock materials for --

COMMISSIONER SCHMIDTLEIN: Came down in 2017.

MR. CHOUNDHARY: From 2015 onwards through 2017, they came down in U.S. They came down in China. But in China, a curious thing happened. Let's say around July or August the prices started going up and they continued to go up. They went up until March of 2018, then they slightly dropped, but the gradient has been upwards. Why they were not able to raise the prices too quickly is because you have outstanding contracts and those contracts there is a time lag between the time when the price -- starts rising and --

COMMISSIONER SCHMIDTLEIN: So, you're saying the U.S. company was not able to raise its prices because of its contracts?
MR. CHOUNDHARY: No, no, I'm still talking about China.

COMMISSIONER SCHMIDTLEIN: But I'm talking about the U.S. because what we're trying to decide here is whether or not the U.S. has been injured -- the U.S. industry, right? So, in the U.S. you got demand going up.

MR. CHOUNDHARY: Yes.

COMMISSIONER SCHMIDTLEIN: You've got raw materials going up in the U.S., according to the staff report, if you look at V-1, Footnote 6. They went up every year, so why was the U.S. in a strong demand market not able to increase its prices?

MR. CHOUNDHARY: So, it is not exactly accurate simply because all the facts were not presented before the Commission. We are going to address it in post-conference brief. The price in U.S. the price key raw material - corn and corn starch -- it did not go up. It went down consistently.

COMMISSIONER SCHMIDTLEIN: Okay, well, we're citing here USDA sources.

MR. CHOUNDHARY: That price is not of corn and corn starch. That price is of glucose syrup.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. CHOUNDHARY: That is not the price of corn and corn starch.
COMMISSIONER SCHMIDTLEIN: Okay, alright.

MR. CHOUNDHARY: So, you know if you go to the actual raw material prices from which you start producing these products those prices consistently went down through the POI and therefore there was a reason to reduce the price in U.S. market.

COMMISSIONER SCHMIDTLEIN: So, even though a demand was going up, they wouldn't be able to raise their price if the raw material costs are going down?

MR. MELAMED: Let me say something. I'm a businessman and sometimes in the business world there is a tug of war. You get all these emails from all these distributors in China that are going to your customers every day. They are quoting 30 cents a pound. They're coming back and beating you up on it. Sometimes you think they can do it. In fact, they can't and you make a wrong decision not to raise the price. And they are the only company. It's not like there were several companies who independently make pricing decisions. It's just probably one guy just said, look, there's all these emails. Let's just keep price the same to keep the market. I've done it myself. I've made those mistakes. Who knows?

COMMISSIONER SCHMIDTLEIN: Okay. Do you all have any idea why demand was going up in 2017?

MR. MELAMED: I don't know. Again, by that time
we pretty much withdrew from marketing the product anywhere because of the caking issues. We just maintained these two customers. We certainly were not participating in any other marketing efforts and we didn't even notice that demand went up. Our customer demand remained steady from before.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. CHOUNDHARY: If I may add, and this is in the staff report also somewhere, that this is one of the projects where you know because of environmental friendliness and biodegradability, et cetera, it has gained not only increasing use within the sector it is already present, but it is expanding its use in other sectors -- new sectors. And these two factors are cumulative and these are accounting for this robust growth of 6 1/2 percent, which has been going on for last 10 years and it is continuing to go up. There is no sign that it is going to go down any time soon in U.S. market, so it is finding new applications also.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. CHOUNDHARY: And increasing volume in the existing application and new applications, both of these things.

COMMISSIONER SCHMIDTLEIN: Okay. Alright, before my time runs out, one other question I had here was what is your position on the affect of the petition? Are
there post-petition affects here that are affecting the volume of subject imports?

MR. SCULTZ: I think that you're certainly seeing, to a certain extent, certainly when the duties went in place, obviously, shipments were stopping. And before that shipments were going up, but as Mr. Melamed had discussed before, the prices had been going up and we have some instances even before the petition was filed. So, I think the facts are not as strong as the Petitioners have said.

COMMISSIONER SCHMIDTLEIN: Okay. But you would say that there are some affects.

MR. SCHUTZ: I would say there are some affects, yes.

COMMISSIONER SCHMIDTLEIN: Okay.

MR. MELAMED: From what I understand, our biggest customer have placed large orders with non-subject importers and did not go to domestic industry for much of their product for reasons I outlined for the service reasons.

COMMISSIONER SCHMIDTLEIN: This is the customer on the West Coast.

MR. MELAMED: Yeah, this is what they told me, at least.

COMMISSIONER SCHMIDTLEIN: Okay. Alright, thank
you very much.

CHAIRMAN JOHANSON: Commissioner Kearns.

COMMISSIONER KEARNS: Thank you and thank you to all the witnesses for appearing here today. Mr. Melamed, your testimony was very informative and I appreciate you putting all the effort you did into that.

I guess I'm going to start where Commissioner Schmidtlein -- on one of the questions she focused on here. So, Mr. Choundhary, are you saying -- I mean everything in our record suggests that costs are going up and that what we mean by the costs in terms of the raw material is liquid corn sugar. Now you're saying corn prices went up during the POI, although I don't believe they put corn in the hopper. I think they put liquid corn sugar, but can you -- I mean this is a pretty big statement to say that the costs were actually declining over the POI. Can you help us understand more what you're referring to here?

MR. CHOUNDHARY: Sure. So, in support of the fact that prices of raw material went up through the POI, Petitioners have placed on the record the price of glucose syrup. What we are saying is that if you see the manufacturing, ultimately, the product that is used, your corn syrup or glucose syrup, it is produced from where it is produced. It is not produced from wheat, barley, or any other source of starch. It is produced from corn and there
is no dispute about that -- corn or corn starch. These are
the two feedstock materials for producing glucose syrup or
corn syrup and from there you produce GNA.

What has been placed on the record is price of
an intermediate input glucose syrup, which can be produced
from so many sources. But on the other hand, if you see the
price of the actual raw material from where all of this will
produce corn and corn starch and it is not on the record,
right now the price of corn and corn starch, but it's going
to be dealt with in our post-conference brief. The prices
came consistently down in U.S. and in China.

COMMISSIONER KEARNS: But are you suggesting
that PMP purchases corn to make its product?

MR. CHOUNDHARY: No, no, no.

COMMISSIONER KEARNS: Then why do I care -- in
terms of the U.S. costs of goods sold, why do I care what
happening in corn prices if corn is used to make corn syrup
or liquid corn sugar. And while I would tend to think that
if corn prices go up corn sugar prices would go up and vice
versa. Why don't I just be focused on liquid corn sugar?
It looks to us like the prices have gone up pretty
dramatically and that that's what they use as their
feedstock, right?

MR. CHOUNDHARY: So, in support of this fact,
they have produced public domain information about glucose.
That the price of glucose syrup went down. Now glucose syrup who knows what is -- glucose syrup is a more generic activity.

COMMISSIONER KEARNS: Okay.

MR. CHOUNDHARY: And what I'm is saying is that if you actually see from where this whole intermediate import corn syrup is produced it will be produced from corn and corn starch. And the trend is unmistakable. It is coming down in U.S. market also. U.S. all their data supports that, so it's unclear as to how from where this case is coming up that our cost of raw material went up. And in support of that, the alleged raw material which is being cited is glucose syrup, which is not the same corn starch.

COMMISSIONER KEARNS: Are you asserting that you believe PMP's feedstock isn't liquid corn sugar. It's something else, corn starch or something.

MR. CHOUNDHARY: No, I'm not saying that. What I am saying is that in support of the fact that the price of raw material went up they have cited public domain price of glucose syrup. That is the raw material that they're citing, glucose syrup.

MR. MELAMED: Glucose syrup can be produced from other inputs than corn. It can be made from sugar cane, from sugar beets. It's not necessarily made from corn.
COMMISSIONER KEARNS: Okay.

MR. MELAMED: And again, it's a business decision they made to use certain input, which might not be ideal or most economically feasible for production and because they made wrong business decision now they're saying, oh, it was going up and then alternative products they could have used and people around the world are using were going down, but they were not taking advantage of that.

COMMISSIONER KEARNS: Okay, I'm going to have to come back to that later. I'm not sure if I fully understand, but I appreciate that.

I wanted to turn to this geographic issue that West Coast and to the issue of caking. And I know you covered some of this ground with Commissioner Williamson. Did you mention with him that caking is the biggest quality problem that you see with the Chinese product?

MR. MELAMED: Yes, by far. It really prevents us from storing it and it prevents us for providing just-in-time deliveries to our customers. This is pretty much what doomed our entire marketing program.

COMMISSIONER KEARNS: Okay. And you mentioned that you rented a warehouse in Oakland to serve your customer.

MR. MELAMED: In California.

COMMISSIONER KEARNS: Okay, right. So, I take
it that that's essentially where your customer is, in the Oakland area?

MR. MELAMED: The customer is in central valley. It's about three hours away, but Oakland is very convenient because this is where overseas shipments arrive and it optimizes the cost of transportation.

COMMISSIONER KEARNS: Okay. Because I was curious about this a minute ago, so I went on the Internet and looked at relative humidity in San Francisco and others, because I think of San Francisco and Oakland as a fairly humid area and it looks like it's not so different from other environments around the country. I mean their morning relative humidity in June is 84. That's the same as Baltimore, Columbus, Ohio, Buffalo is actually a little bit lower in humidity, so is Pittsburgh. And as Commissioner Williamson mentioned, China sells a lot around the world and there's a lot of humid places around the world.

MR. MELAMED: Absolutely.

COMMISSIONER KEARNS: So, how does that make sense?

MR. MELAMED: Well, like I said, we never had any problems in Oakland. Probably just because the humidity is not high enough or not consistent enough to make product hard, we definitely had problems with product turning hard for whatever reason in other parts of the country. And we
stored product for the same period of time in Memphis and in
Oakland and in Oakland it kept free-flowing and in Memphis
where -- I mean it's more humid. You can come out and see
the product cake. There is something called dew point.
Maybe this is the culprit. I'm not a meteorologist. I
think it's much higher in Memphis and when you come out you
feel like you're floating in the soup and in Oakland you
feel nice breeze. Maybe it has something to do with that.
I don't know. But the result is that I spent like $100,000
of my own money and spent a month trying to find a solution
to 750,000 pounds of product turning into a rock and this
was the end of our marketing.

COMMISSIONER KEARNS: Okay, thank you. Now you
mentioned that you have a customer in Georgia.

MR. MELAMED: We have a customer in Georgia.
Obviously, it's about as -- has about as high dew point as
in Memphis and for this reason I told them we're not going
to store it for you. We're going to deliver directly from
China. It's going to come to the port. You need to
understand it might cake. They told me, oh, we're going to
use it right away, so we ship it to them and they use it
right away. We don't store it, so it worked.

COMMISSIONER KEARNS: Okay, thank you. And Mr.
Schutz, I don't believe any other purchasers or importers
have mentioned this caking issue or maybe it could be
described as something else, but I didn't recall seeing anything like that from the other purchasers or importers. Do you think that the other questionnaire responses corroborate this idea that there's a problem with the moisture context in Chinese product?

MR. SCHUTZ: I don't recall specifically. That's something we're happy to go back through each of those and check to see if that's something that was raised.

COMMISSIONER KEARNS: Okay, thank you.

MR. MELAMED: Can I add to that? It is quite possible that -- and again, I am not familiar with their business -- that they might be selling in the same condition as I'm selling to Georgia customer, just selling direct from China. We can definitely provide the written -- the notarized statement from the company that de-lumped our product and their invoices for doing that. They've seen the entire shipment. They ran forklifts into it. We will be happy to share this information to the Commission.

COMMISSIONER KEARNS: Okay, thank you. So, our Table II, Roman Numeral II-2 shows that Chinese imports are sold in many U.S. regions. What areas does Valudor serve and can you document that your customer had a huge increase in demand on the West Coast? I think that what you're saying is that your customer on the West Coast that customer itself had an increase in demand in that region that's why
it was purchasing more; is that right?

MR. MELAMED: This is my understanding. They're purchases increased primarily in '14 and '15 and then they stayed flat. Afterwards, like I said, they're operating in a market where most of the chelation process is done using EDTAS and not sodium gluconate, so the industry itself is not growing much, but they apparently managed to capture some market share from the EDTA route competitors and this allowed them to increase their consumption and, of course, we were there to support them.

And this is one of the grievances that they had with PMP because they said, look, we're using more material. Our storage space is limited. We need you to store at piers to deliver next day when we need it because sometimes -- Michelle can attest to that -- they would call us and say that they need product tomorrow at 1:00 o'clock and it's impossible to ship it from Illinois for it tomorrow, 1:00 o'clock delivery and we can do it by deploying local truckers from a warehouse that is three hours away from them.

COMMISSIONER KEARNS: Okay, my time is up.

CHAIRMAN JOHANSON: This is a question I asked the panel this morning, but I'm going to ask you as well. How transparent are prices in this market?

MR. MELAMED: Not very transparent. There are
no industry publications or any reporting services updating
customers on the prices. This is not a major commodity like
urea or ammonia where there are marketing publications, so
it's a small specialty type of product.

CHAIRMAN JOHANSON: How do purchasers get a good
sense of the market price?

MR. MELAMED: I don't think they really are that
focused on it to begin with. They're more focused on the
quality and on the service. We got the business with our
customer on the service and we didn't get business on the
quality and the price has never been a big factor in either
of these decisions.

CHAIRMAN JOHANSON: Okay, so you're saying it's
the quality which leads to pricing.

MR. MELAMED: Well, the reason I got into this
business, the reason I'm in this room right now, the reason
we have this case is because PMP did not provide good
service to this one customer in California, happened to be
pretty big and they were not happy with that, so they pretty
much brought us into this business. And the reason I didn't
get bigger in this business because of the quality problems
that precluded me to selling to other customers who are
using sodium glocconate.

CHAIRMAN JOHANSON: Okay, thanks Mr. Melamed.

Do you know how the EU anti-dumping order on
sodium gluconate has impacted the market in China or the world market?

MR. MELAMED: They probably don't even care about that. The sodium gluconate industry is geared towards supplying China's construction boom, because a lot of it is used in concrete applications. This is their main focus. They're selling a lot to other Asian countries. These guys never visit with me in the U.S. They never went to any trade shows. They're not that focused on U.S. market and I assume they have the same attitude towards European market. Their main focus is Chinese and Asian customers.

CHAIRMAN JOHANSON: Okay. But would it have impacted prices in China?

MR. MELAMED: Again, I am not familiar with the amounts of product they sold to Europe prior to the order, but I would imagine it was relatively small compared to overall Chinese production and demands. If that is the case, it wouldn't matter to them that much.

CHAIRMAN JOHANSON: Okay, thanks, Mr. Melamed.

MR. MELAMED: And we can look more into it in the post-hearing brief.

CHAIRMAN JOHANSON: Yeah, if you wouldn't mind. I mean this is something which has been raised. And something I'd like to look a bit more into, especially since this is a commodity product.
MR. SCHUTZ: No problem.

CHAIRMAN JOHANSON: Okay, thank you. On Page 63 of your brief, you discuss shortages of sodium hydroxide in China? Referring to Figures 1-2 and 1-4 of our staff report. Is sodium hydroxide necessary to produce gluconic acid? If not, would the shortage of sodium hydroxide really act as a deterrent to production of in-scope products in China?

MR. MELAMED: I don't believe it's -- I'm not a chemical technologist, but I don't believe it's necessary to produce gluconic acid. I think it's used to make sodium gluconate from gluconic acid. It provides the source of sodium ion and also it helps monitor the pH of the reaction. So I think its role is primarily in production of sodium gluconate.

MR. SCHUTZ: Yeah, this is Andy Schutz. And that's something we can certainly go into technical details more. But I think that, I believe that there have been discussions about how specific Chinese companies have said that that's exactly why this shortage has been the reason why prices have increased.

CHAIRMAN JOHANSON: Okay, thanks, Mr. Schutz. I noted this morning that at least some of the products at issue today will be subject to additional duties related to the Section 301 investigation on China. My understanding is
that the initial duty rates will be 10% and then could
increase to 25% by the end of the year. What is your
assessment of the eventual impact of these tariffs on
imports from China?

MR. MELAMED: It's hard to say. If we can listen
to petitioners, I should not worry about Section 301 at all
because domestic product is so much more expensive that it
wouldn't affect at all. Right now, the normal duty on
sodium gluconate is 3.1% so with 10% it's gonna be 13.1 with
2528.1. I don't know what's gonna happen.

I need to see what's gonna happen with the
customers, whether they're gonna accept it or not. But I
think it's a sizeable increase that can be a problem.
Luckily in sodium gluconate case, our customer is more
service-oriented, so hopefully they will not mind this
increase and they will understand it comes from
circumstances beyond our control.

CHAIRMAN JOHANSON: Okay, thank you, Mr. Melamed
for your response. That concludes my questions. I
appreciate you all being here today. Commissioner
Williamson?

COMMISSIONER WILLIAMSON: Thank you. I was
wondering, who produces sodium hydroxide? And is the
shortage you talked about in China, is that a global
shortage of sodium hydroxide?
MR. MELAMED: I'm not really -- like, I know a few companies will definitely provide you a full list in the post-hearing brief. The shortage is local, it's related to the fact that Chinese government is visiting these facilities, they're doing environmental monitoring. They're measuring certain discharges into what there is in the air. And if there is a problem or if their equipment malfunctions, they just shut them down without explaining the reason.

And then they need to prove that they are not polluting the environment. The policy has been very strict. It's been mandated by the highest levels of Chinese government. It's been endorsed by the last Congress of their ruling party, and it's expected to continue for the indefinite future. So every time they come and shut down a couple of big plants, there is a --

COMMISSIONER WILLIAMSON: These are sodium hydroxide plants?

MR. MELAMED: Yeah, sodium hydroxide plant, there is a shortage for the whole of China and the prices go up.

COMMISSIONER WILLIAMSON: Okay, thank you.

Respondents argue that, because of attenuated competition, that subject imports did not affect domestic pricing. But our records indicate that eight of twenty-three purchasers purchased subject imports rather than domestic like product.
Seven reported that subject imports were priced lower and six said that price was a primary reason for the decision to purchase subject imports rather than domestic imports. This is Table 5-11 to 5-12. Doesn't this data suggest that subject imports and the domestic like product do compete?

MR. MELAMED: Well, it was probably not my customers, but somebody else's customers. But again, I understand that we are importing more than -- and I understand that our customer is buying from another source, probably another 20% or so of total imports. Whatever is left, where price plays a role, it's fairly minor, but I haven't seen this confidential part of the records, so maybe he can address that.

MR. SCHUTZ: We can certainly address it in more detail in the post-conference. But I think that if you look at the fact that Mr. Melamed's imports account for a vast majority of it, and there is very clear attenuation in that market, I think that is really the more important fact to look at for this.

COMMISSIONER WILLIAMSON: Okay. Let's look at this Table 5- and also whether or not what we're seeing here sort of indicates that underselling did shift sales. For post-hearing, could you look at that?

MR. SCHUTZ: No problem.

COMMISSIONER WILLIAMSON: Okay, thank you.
Petitioner notes a spike in subject import volume just before Commerce's preliminary determination. Do you agree that such a spike occurred? And if it did occur, what does that tell us about subject producers' interest in access to the U.S. market?

MR. MELAMED: Well, again, since most of the products were imported by us, I can tell you exactly what happened and I touched on that in my presentation. We had a contract, a large contract with one of Chinese producers for 2.2 million pounds of sodium gluconate that was schedule to be shipped in August and September.

And because of rising prices of corn and because shortages and rising prices of sodium hydroxide, they pretty much breached the contract. They did not perform on it. They told us they not gonna do it. So we had to scramble and get it somewhere else. We paid 25% premium and the other guys took a while to produce it.

So by the time it was ready, the petition was filed. But all these contracts were signed and all these orders were received from our customer well before the petition.

COMMISSIONER WILLIAMSON: Okay. Can you put some documentation in the record on that?

MR. MELAMED: Oh, absolutely. We already provided text message correspondence with this supplier who...
breached the contract. And we'll definitely provide the
contract with the replacement supplier that was signed prior
to the petition. And also the purchase order from the
customer that was given us well before the petition.

COMMISSIONER WILLIAMSON: Okay, thank you. We've
already asked some questions about the technical and
food-grade. And what did you say the differences were
between them?

MR. MELAMED: Well, number one is, the food-grade
product has to be produced under a certain standard of
sanitary conditions. There cannot be any rodents, insects,
any dust in the environment. I visited some of these
facilities. They're far from meeting that standard.

Second, you have to use food-grade inputs into
the production. If one of the inputs is not food-grade, the
resulting end product is not food-grade. From what I
understand, Chinese manufacturers are using technical-grade
sodium hydroxide. And as a result, we're getting higher
moisture, we're getting higher impurities. And not only
impedes our sales to food applications, which is a given,
but also creates caking issues and creates problems using it
anywhere else.

COMMISSIONER WILLIAMSON: When the product is
shipped to the U.S., is it labeled as technical-grade?

MR. MELAMED: Oh, absolutely. It says for
industrial or fertilizer use. We can provide pictures of our labeling in the post-hearing brief.

COMMISSIONER WILLIAMSON: Okay. Thank you. Actually, that's all the questions I have for right now. I'll come back later.

CHAIRMAN JOHANSON: Commissioner Schmidtlein.

COMMISSIONER SCHMIDTLEIN: Okay. I think I had just one, maybe two questions. Mr. Melamed, I've heard your testimony about the issue with the caking and so forth and that, at least, from the Chinese producers that you're buying from, that would, according to you, preclude them from selling or elsewhere besides California. Am I --

MR. MELAMED: As far as the U.S. is concerned, I mean, look, if there wasn't PMP product that doesn't cake, the customers would live off the cake product. They would just say, "Oh, this is how it is." But they have an alternative that is better, and they just using it.

COMMISSIONER SCHMIDTLEIN: And so, forgive me if this was already asked. Is that the issue with all Chinese producers? Or just the ones you're buying from?

MR. MELAMED: Oh, no-no. We purchase product from all five of them. And the product in Memphis that was caked was at least from two. All their products are the same. We don't really see any difference of quality between the producers.
COMMISSIONER SCHMIDTLEIN: Okay. And again, if this was already asked, I'm sorry. But in the staff report, we asked purchasers for their opinions on the comparability between U.S. and China product and the numbers—which are not confidential, right—where it talks about quality exceeding industry standards, quality meeting industry standards, the vast majority of purchasers say that U.S. and Chinese product are comparable, even for the quality exceeding industry standards.

MR. MELAMED: Well, remember that these were the answers from people who are using Chinese sodium gluconate. You did not get answers from countless people who have problems in testing and are not using it by definition, there were not sent questionnaires, so they would not respond. It was a sample of people who actually approved Chinese sodium gluconate and were able to use it.

So once they do it, and I supposed that people like me, the importers take care of the caking, if it cakes, they mill it, then everything is good. But then there are all these people who never approved it, so they never bought anything. They never got educated as customers. They never answered the questionnaire. So it was just a narrow group of the population of consumers.

COMMISSIONER SCHMIDTLEIN: So what should I do with that, though?
MR. MELAMED: I don't know.

COMMISSIONER SCHMIDTLEIN: I should just ignore it, and say, well, on the record, we've got, of the purchasers who answered the questionnaire, the vast majority found it to be comparable? And then when you look at the next table, we've got number of purchasers reporting, ten out of twelve says that Chinese and U.S. product are frequently or always interchangeable.

MR. MELAMED: Well, again, I am not a Commissioner. I don't know what to do with it. All I can say is, from my experience, a lot of people reject the Chinese product, and the one who were given questionnaires are the one who accepted it. So it's a very skewed population of users.

COMMISSIONER SCHMIDTLEIN: Do you agree with that, Mr. Schutz?

MR. SCHUTZ: Well, the other thing, and again, we can provide a more detailed analysis in the post-hearing brief. But there is a certain portion of the Chinese product that is made to the food standard. So that could be some of the purchasers that are actually purchasing that product. Our position is not that all product coming out of China is of a lesser quality, but certainly as Mr. Melamed has experienced, a vast majority of it, and the one that he is using and the one that really has caused issues in this
COMMISSIONER SCHMIDTLEIN: But I guess you would expect that if there were purchasers from outside the West Coast, who answered the questionnaire, wouldn't they be expected to answer that the quality's not the same, since they would have this problem with caking?

MR. SCHUTZ: Well, it depends what kind of GNA they were purchasing. If they were purchasing the food-grade from China, then they wouldn't be experiencing, necessarily, the quality issues that have been experienced.

MR. MELAMED: And also, I'm sure you got the questionnaire response from our Georgia customer. And they probably saying that everything works. And this is a great example of why their people were saying that products are interchangeable, because number one, they're not storing the product. They're using it as soon as they can possibly receive it. And number two, they approved it and it works in their production and this is why they're buying from us. But then, for them, there are twenty people in the same industry who rejected our samples, who told us that the product doesn't work in their applications and they're not a user, they didn't get the questionnaire.

MR. CHOUDHARY: If I may add one point to this issue. Again, Table 2-9 in staff report, it's true that -- purchasers are kind of seeing that U.S. and China products
are comparable on these quality issues, and which is -- but
if you notice, all these parameters, beginning from product
consistency, product range, quality meets industry
standards, quality exceeds industry standards, reliability
of supply and technical support service and transport it, up
to this point.

You see, in all of the instances, some of the
purchasers definitely rank U.S. as superior to China. And
none of them rank China as superior to U.S. I mean this is
important to note. A majority of them did see that both of
them are comparable on these parameters. But several of
them also underscore that U.S. is superior to China, but
none of them said that China is superior.

COMMISSIONER SCHMIDTLEIN: Yes, yes. I see that
as well. Okay. I don't think I have any other questions.
We did look up that USDA table that's in the staff report,
and it is referring to the corn-based glucose syrup. So if
you wanna address that in the post-hearing, if you have
other information with regard to the cost of the raw
material input, we'd be happy to receive it. But the table
that's cited there is based on corn.

MR. CHOUDHARY: We are going to --

COMMISSIONER SCHMIDTLEIN: Glucose syrup. Okay.

All right. Thank you.

CHAIRMAN JOHANSON: Commissioner Kearns.
COMMISSIONER KEARNS: Let me just pick up where Commissioner Schmidtlein left off. Mr. Choudhary, I understand your point. There are some areas in which the U.S. product is superior. Service, transportation costs, minimum quantity requirements, delivery terms, delivery time. But we were very much focused this afternoon and this morning on the quality of the product. Product consistency, minimum quantity required -- sorry. Quality meets industry standards.

That's where the story's very different. So I mean on the one hand, I'm hearing you say that the product isn't as high quality. That appears to be refuted in this table. But then you're saying, "But the U.S. product is superior in other ways," delivery times or whatever else it might be.

Those are different stories, right? I mean it seems like we're shifting our focus now from problems with caking and so-forth to, maybe not caking, but things like services and reliability--well, not reliability, those are comparable, too--for these delivery terms and delivery times. That's a different issue, right?

MR. MELAMED: Well, it's a part of the same.

It's just --

COMMISSIONER KEARNS: No, but you were very much talking about caking and the quality of the Chinese product
being inferior.

MR. MELAMED: Right.

COMMISSIONER KEARNS: And now we're saying, "Okay, this table doesn't so much support that, but it does suggest that in other ways" --

MR. MELAMED: One doesn't exclude the other. The quality is superior and --

COMMISSIONER KEARNS: But it's hard to exclude, yeah, this chart says -- you know, when you look at meeting minimum quality standards, it seems like they're comparable.

MR. MELAMED: Well, like I said, the people who reject the Chinese product because of the quality are not --

COMMISSIONER KEARNS: That's my next question.

MR. MELAMED: -- even a part of the respondents. And the ones --

COMMISSIONER KEARNS: Right. That's my next question. Mr. Schutz, wouldn't you agree, I mean, it's not just people who purchase Chinese product that answer the questionnaire, right? I mean there are some purchasers who don't purchase Chinese product, but they still answer the questionnaires.

MR. SCHUTZ: Right. That's my understanding.

COMMISSIONER KEARNS: Okay.

MR. SCHUTZ: So I think you have to go -- we have to go behind it a little bit and see exactly who these
purchasers are, what type of product they're actually purchasing.

COMMISSIONER KEARNS: Okay.

MR. SCHUTZ: And then weigh that against Mr. Melamed and what he said. Because if Mr. Melamed is saying, if he's importing a ton of this stuff, which he is, and it's a large percentage, and he has had specific experience, and you're talking about a purchaser trying to compare his experience to a purchaser that has purchased a very little amount that has this opinion, I think that you have to weigh Mr. Melamed's --

COMMISSIONER KEARNS: Okay. If you can kind of address that --

MR. SCHUTZ: Yeah.

COMMISSIONER KEARNS: -- parse the questionnaire responses in the post-hearing brief, that'd be helpful. And in relation to that, we've been talking a lot about food-grade GNA. And I don't know that we have an estimate in our staff report of how much of this is food-grade. And I assume that that's distinguishable from agriculture, which I think means fertilizer.

So I don't know if you all, or petitioners, I guess I'd ask you both post-hearing if you all have any --

Well, first of all, am I right that the staff report doesn't estimate how much actually is purchased by food
manufacturers? And if I am right about that, if you all have any estimates about what segment of the market that might be, what the percentage is, that would be helpful.

MR. SCHUTZ: Okay, we'll address that.

COMMISSIONER KEARNS: Okay, petitioners as well, that'd be great. Thanks. Turning back to -- I now sort of understand the point you're making, Mr. Choudhary, I think, about corn syrup prices. In essence, you're saying, yes, their corn syrup prices may've been going up and they were purchasing corn syrup, but they probably could've been relying upon a cheaper raw material when corn syrup prices were going up, is that right?

MR. CHOUDHARY: What I stated is that the price data which has been included in the staff report, that is for glucose syrup. And glucose syrup is a general category, which encompasses syrup produced from a range of starch sources.

COMMISSIONER KEARNS: Okay.

MR. CHOUDHARY: Not only corn. In this case, there's no dispute the GNA sodium gluconate has been produced, not from any other starches, but primarily from corn, beginning from -- I mean they, PMP purchases an intermediate input, but whosoever would produced that intermediate input, he must have used corn or corn starch to produce.
COMMISSIONER KEARNS: Okay, could I just interrupt? I'm sorry, 'cuz I don't wanna take too much time. But apart from this USDA data we have about corn syrup prices, which I take your point now, but that's a broad category. I mean I think, as I understand the way we gather our data, we do have on the record that their costs, PMP's cost did increase over the POI.

So I thought you were arguing that they should've been purchasing a different raw material to make it as a substitute when their raw material was getting too costly. I don't think that's what you're saying. Now, I think what you're saying is, well, this corn syrup thing is a basket category and we don't necessary -- just because that price may be going up, doesn't necessarily mean that PMP's raw material prices are going up. But I believe that we get from PMP's financial data what their costs are, and those costs are increasing, am I right?

MR. CHOUDHARY: Once again, I was addressing the glucose syrup price that is attributable to USDA.

COMMISSIONER KEARNS: Right. And my point is, put that aside, good point, that's a basket category. It may not be reliable. But can't I just look at what PMP has reported as their cost of goods sold and their raw material costs over the POI as going up and doesn't that suggest that that impact is the case?
MR. CHAUDHARY: We have to address it in our post-conference brief.

COMMISSIONER KEARNS: Okay, thank you. Well, I wanted to turn back, Mr. Melamed, you had talked about how you, unlike PMP, had accommodated a customer in terms of packaging. Can you tell me more about what they were seeking in terms of packaging?

MR. MELAMENT: Absolutely. They were seeking for 1,000 kilogram super sacks and PMP was supplying 2,000 pound and 2,500 pound super sacks. So they really needed 1,000 kg super sacks that we provided to them promptly.

COMMISSIONER KEARNS: Okay. And I'm trying -- I don't remember what our pricing data is, but -- 'cuz that of course relates to the packaging, and I don't know what we, let's see, it's 50 to 60 pound bag or kilogram equivalent that -- so here, I mean Product 2 is 1,000 or 1,250 kilogram bags.

MR. MELAMENT: Exactly. This is what we would provide, yeah.

COMMISSIONER KEARNS: Okay. Well, what's hard for me to understand here is, you know, our data suggests that that is almost all the Chinese product is entering under this, you know, this kind of product. But it's a very high percentage of U.S. product is also in this category.

MR. MELAMENT: No-no, absolutely. All the super...
sacks will be in this category, whether they're 2,000 pounds, 1,000 kg, which is 2,204 pounds, or 2,500 pounds, they will all be in this category. It's just for this particular customer, they wanted this 1,000 kg, which would be 2,204 pounds. And PMP did not want to supply it to them.

COMMISSIONER KEARNS: But what I'm saying, and this doesn't say bags that contain at least 1,000 or 1,250 kilograms, it says 1,000 or 1,250 kilograms and a lot of U.S. product is being sold in that. So even though they told your customer that they can't do this, they apparently are.

MR. MELAMED: Well, I mean if they are offering 2,500 pounds super sack, it would fall right into this category.

COMMISSIONER KEARNS: That's what I'm saying. I don't think it would. 2,500 kilograms?

MR. MELAMED: 2,500 pounds.

COMMISSIONER KEARNS: Oh, okay, right. But then I don't understand, I mean, you're saying that only you are willing to provide this and --

MR. MELAMED: Well, again, PMP was providing 2,000 pound super sack, which is 908 kilograms. And 2,500 pound super sack, which is -- I don't know the exact conversation, probably around 1,100 kilograms. And we were providing something in the middle, which is 1,000 kilograms.
All three packaging sizes would fall into the category in your report. But for our customer, they just needed the specific, very exact weight of 1,000 kilograms for their production deck side.

COMMISSIONER KEARNS: Okay, okay. I guess I'd like, anything you can do to sort of document that more would be helpful I think, post-hearing. And also if the petitioners can sort of address that, that'd be helpful.

MR. MELAMED: Sure.

COMMISSIONER KEARNS: One question for, I guess it would be Mr. Schutz. We focused a lot on how there's only sales, or most of the sale of the Chinese product are on the West Coast. And normally that means something, because if there's reasons why the subject imports couldn't also then go sell to other markets, then that would suggest that there's going to be attenuated competition.

But in this particular case, isn't it right that if the number of sales is great enough in one particular region, like, the West Coast, that that alone could establish material injury, even if they were completely prohibited from selling to any other market?

MR. SCHUTZ: Well, I think that you have to look at the reasons behind those sales. I suppose theoretically it's possible, but in this instance, the reason why the U.S. lost, or PMP lost sales particularly to the West Coast, was
not because of price, and it was for other reasons. And I point your attention to the recent TRB's case from Korea where something kind of similar happened, where there were business reasons why purchasers moved towards the foreign product and rather than the domestic product. They were other than price.

COMMISSIONER KEARNS: Okay.

MR. SCHUTZ: I think that would be helpful and obviously that's something we'll address in our post-hearing.

COMMISSIONER KEARNS: Okay, thank you. My time is up.

CHAIRMAN JOHANSON: I have no further questions.

Do any other Commissioners have questions?

COMMISSIONER WILLIAMSON: Yes, Mr. Schutz, just post-hearing, could you take a look at Table V-8, look at the top there and just address what that tells us compared to what we've been hearing.

MR. SCHUTZ: No problem.

COMMISSIONER WILLIAMSON: Thank you.

COMMISSIONER KEARNS: Just one more. I believe you all criticized the product pricing data, suggesting it was, Mr. Melamed, that it's too general of a category, there can be very different kinds of product that fit within that category. And I know you all weren't involved in the case
at the time when the questionnaire was being put together.
But what should we have done? Is there some way that we
could have written the questionnaire to distinguish the
products? Because as I said, we've been focused a lot on
food-grade versus technical-grade. But I'll bet a tiny
fraction of, as I gather the market, a very small amount of
this is actually sold to food manufacturers. And so what
should we have done to get a clearer picture of, you know,
the various sales? How would you distinguish PMP's product
from your product from a pricing perspective?

MR. MELAMED: Again, I'm not in the business of
writing questionnaires. I'm just a salesman. All I can
tell you is, we just have this one big customer and a small
handful of smaller ones, and it's also into agriculture
primarily and, you know, it's not based on price.

COMMISSIONER KEARNS: But could it have been
moisture-content or something like that? Would that've
distinguished the two?

MR. MELAMED: Well, again, we will provide in the
post-hearing brief, the technical specifications of PMP
product versus Chinese food-grade and technical-grade. So
it will capture this issue so there is no difference,
whether it was in the questionnaire or not, we'll still
provide it.

COMMISSIONER KEARNS: Okay, thank you. No
further questions.

CHAIRMAN JOHANSON: Well, thank you all for appearing here today. We appreciate it. Do staff have any questions for this panel?

MR. THOMSEN: Craig Thomsen, Office of Investigations. Staff have no questions for this panel.

CHAIRMAN JOHANSON: All right. Do petitioners have any questions for this panel?

MR. SPOONER: No, Mr. Chairman.

CHAIRMAN JOHANSON: Okay. With that, we will prepare for the party's rebuttals and closings. I will note that petitioners have thirty-two minutes of direct, five minutes of closing, for a total of thirty-seven minutes. And respondents have eighteen minutes for direct, five minutes for closing, for a total of twenty-three minutes.

MR. BURCH: Closing and rebuttal remarks on behalf of Petitioner will be given by David M. Spooner of Barnes & Thornburg. Mr. Spooner, you have 37 minutes.

CLOSING STATEMENT OF DAVID M. SPOONER

MR. SPOONER: Mr. Chairman, Commissioners, thank you. I'm just going to use five minutes for a closing. I won't go on for 37 minutes.

I will close, succinctly, I hope, by addressing five points made by Respondents, a list that of course is not comprehensive.
First, Respondents claim that they are limited to the fertilizer industry; that they tried to sell to the concrete industry, but the concrete industry only accepts liquid product.

This is simply not so. Mr. Russell, a purchaser in the concrete sector who testified here today, testified that he purchases both liquid and powder for concrete. And PMP sells both product types to concrete users.

Second, Respondents claimed in their affirmative presentation that their primary customer shifted— and this is an important point— from PMP to Chinese product because of quality issues, not price. I would ask the Commission to please look at Table 5 or V-8 of the staff report, as well as the relevant questionnaire responses as the Commission weighs this claim. I'm sorry I have to be a little obtuse, but it necessarily involves BPI information.

Also, regardless of the reason for this major customer switch from PMP to Chinese goods, I can't help but note that Valudor has admitted that its major customer was a customer of PMP's, which speaks volumes about Valudor's claims of attenuated competition.

Third, as to Valudor's claim that product must be stored in California, the record shows, particularly in Table 2-2 of the staff report, that subject imports are present in all regions. And Valudor itself in its
affirmative presentation spoke of selling to a customer in Georgia. And for goodness sakes, PMP is in Illinois. PMP's warehouse is in Peoria, Illinois, not California.

Fourth, the Respondent conveyed that Chinese solicitation emails are not coming from Chinese sodium gluconate producers but from distributors who sell many products and who don't know the U.S. market. One of the two emails that we waived around this morning, an email received in the past week, was from Shan Dong Fuyang, one of the major Chinese producers, indeed a mandatory respondent on the Commerce side. We'll put that email on the record post-hearing.

Fifth, finally, the Respondent beseeched the Commission to utilize untimely filed foreign producer questionnaires, and asked the Commission to disregard the fact that Commerce went AFA. And, yes, Mr. Schutz indicated that at times Commerce does go AFA because of a messy database, or unclear affiliation rules, or that sort of thing. But believe me--and we've put Commerce's CVD decision on the record--here the sole participating Respondent repeatedly filed false information and hid information from the Commerce Department. And was convicted in Chinese court of bribery.

Chinese product is sold into all regions of the United States for all end uses. PMP's product is sold
throughout the United States into all end uses, including fertilizer producers in the West. Chinese product is substitutable for U.S. sodium gluconate. Subject imports substantially undersold PMP in every period, underselling that resulted in lost sales and revenue, and that negatively impacted PMP's financial performance.

We would ask the Commission to please find Material Injury or Threat of Injury when it votes. And thank you.

MR. BURCH: Closing and rebuttal remarks on behalf of Respondent will be given by Andrew T. Schutz of Grunfeld, Desiderio, Lebowitz, Silverman & Klestadt.

Mr. Schutz, you have 18 minutes.

CLOSING STATEMENT OF ANDREW T. SCHUTZ
ON BEHALF OF RESPONDENT

MR. SCHUTZ: Thank you. I too will only take about five minutes here.

So I mentioned in my opening statement that this is essentially a case about two companies, PMP and Valudor. You have now heard from those two companies, and when you marry the statements made today with the data on the record, the data speaks for itself.

This data shows that the doom and gloom that the Petitioner espouses is vastly overstated. The Commission has seen what injury looks like in countless companies over
the years, and this just isn't one of them.

The data shows that through every financial indicator, this is an industry and a company that is healthy, not one that is injured or vulnerable to injury from Chinese imports. And it is for this reason that the Commission has already found that there was not a reasonable indication of Material Injury between 2015 and 2017, and there is no factual basis for the Commission to revisit that decision.

So when the Commission turns to its review of the additional post-prelim POI period for this Final Phase, it should analyze that period through the prism of its Preliminary Analysis. That is, the Commission compare what occurred during that preliminary period to what has occurred now.

Since the 2015 to 2017 financial indicators were such that the Commission made a No Injury finding under the Reasonable Suspicion Standard because the facts were clear and convincing, the facts regarding this interim period must be significantly different to achieve an Injury finding in the final. And when we actually review this period, the data establishes the absence of Injury.

Specifically, the financial indicators--market share, U.S. shipments, capacity utilization, productivity, et cetera--are not at injurious levels. This is simply not
a case where all, or even many financial indicators are poor.

Next, any increase in the Chinese shipments or the decrease in U.S. financial indicators is readily explainable, some of which you heard today, and more of which is confidential as you will see in our pre- and post-hearing briefs. This is just not a case where imports have increased over the POI where prices went down. Instead, prices in imports fluctuated and are essentially at or below 2015 levels.

The trends do not follow the typical injurious trends that the Commission normally sees in these cases. Given the situation, the only way the Petitioner tries to make its case is by:

One, splicing and dicing the data by repeatedly focusing attention on its own sodium gluconate sales and business, rather than on all GNA products. This should be rejected by the Commission, like it was in the prelim.

Two, by lamenting about theoretical lost sales that weren't actually lost.

Three, by focusing on product two.

Again, our answer to these claims is that the actual data speaks for itself and that there are very specific reasons for any claimed instances of injury, particularly those provided by Valudor today.
And when looking at the whole U.S. industry, as is required by law and was actually occurring with regard to product two, the Commission should come to a conclusion that there is no current material injury. Or, put within the context of this case, the U.S. industry certainly is not being any more injured during this POI than it was during the Preliminary POI, to the extent that PMP was experiencing any injury at that time.

The data surrounding threat is equally as demonstrative of a negative determination.

First, Chinese imports and domestic shipments are focused on different sectors and different geographic areas. There is no evidence that this will change in the future.

Second, the GNA products market in the U.S. is expected to continue to grow and expand.

Third, China has significant internal raw material shortages that have decreased shipments and will continue to do so.

Fourth, and most importantly, the U.S. market simply is not a major one, or even an important one, for Chinese producers and exporters. China is by far the largest GNA products producer in the world, having more than 90 percent of worldwide capacity and production.

A vast majority of that GNA is destined for the China home market, or third-country market, with little of
it destined for the U.S.

Taking this into account, and even assuming that the Chinese capacity figures are correct, there is no evidence that China intends to increase its shipments to the U.S. under any circumstances. This was confirmed by Valudor who testified that they tried and failed to expand its market for this product in the U.S. and how Chinese producers outright refused to make changes to their product that would permit them to compete for more sales in the U.S.

China's status as a worldwide producer and its capacity utilization have remained relatively the same over the POI, and despite increases in demand in the U.S. China has not increased shipments. If China didn't increase its shipments before, there is no reason to believe they would do so now.

Thank you, and we thank the staff and Commission for their consideration and their time today.

CHAIRMAN JOHANSON: Thank you again for appearing here today. And I will now make a closing statement.

Post-hearing briefs, statements responsive to questions, and requests of the Commission, and corrections to the transcript must be filed by September 25th, 2018. Closing of the record and final release of data to parties occurs on October 10th, 2018. And final comments are due on October 12th, 2018.
And with that, this hearing is concluded.

(Whereupon, at 3:00 o'clock p.m., Tuesday, September 18, 2018, the hearing in the above-entitled matter was concluded.)
CERTIFICATE OF REPORTER

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

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

HEARING DATE: 9-18-18

LOCATION: Washington, D.C.

NATURE OF HEARING: Final

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: 9-18-18

SIGNED: Mark A. Jagan
Signature of the Contractor or the Authorized Contractor’s Representative

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

SIGNED: Duane Rice
Proofreader

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

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