UNITED STATES
INTERNATIONAL TRADE COMMISSION

In the Matter of:	**) Investigation No.:**
SODIUM SULFATE ANHYDROUS	**) 731-TA-1446**
FROM CANADA	**)**

Pages: 1 - 206
Place: Washington, D.C.
Date: Thursday, April 18, 2019

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UNITED STATES OF AMERICA

BEFORE THE

INTERNATIONAL TRADE COMMISSION

IN THE MATTER OF:	) Investigation No.:
SODIUM SULFATE ANHYDROUS	) 731-TA-1446
FROM CANADA	) (PRELIMINARY)

Main Hearing Room (Room 101)
U.S. International Trade
Commission
500 E Street, SW
Washington, DC
Thursday, April 18, 2019

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

APPEARANCES:

Staff:

William R. Bishop, Supervisory Hearings and Information Officer

Sharon Bellamy, Records Management Specialist

Douglas Corkran, Supervisory Investigator

Keysha Martinez, Investigator

Samuel Goodman, International Trade Analyst

Jenifer Catalano, International Trade Analyst

Emily Burke, International Economist

David Boyland, Accountant/Auditor

Henry Smith, Attorney/Advisor

APPEARANCES:

Embassy Appearance:

Embassy of Canada

Washington, DC

Colin Bird, Minister-Counsellor, Economic and Trade

Opening Remarks:

In Support of Imposition (Thomas J. Trendl, Steptoe & Johnson LLP)

In Opposition to Imposition (Douglas J. Heffner, Drinker Biddle & Reath LLP)

In Support of the Imposition of Antidumping Duty Order:

Steptoe & Johnson

Washington, DC

on behalf of

Cooper Natural Resources, Inc. ("CNR")

Elementis Global LLC ("Elementis")

Searles Valley Minerals, Inc. ("SVM")

(collectively, "Petitioners')

Joe Kane, President, CNR

Michael Cortese, Director-National Sales, Elementis

Frank Murphy, General Manager-Americas, Elementis Chromium

Pamela Ford, Vice President, Sales & Marketing, SVM

APPEARANCES (Continued):

Guy Wrenn, President, Giles Chemical Industries, Inc.

Thomas Rogers, Principal, Capital Trade Inc.

Travis Pope, Associate, Capital Trade, Inc.

Thomas J. Trendl and St. Lutheran Tillman - Of Counsel

In Opposition to the Imposition of Antidumping Duty Order:

Drinker Biddle & Reath LLP

Washington, DC

on behalf of

Saskatchewan Mining and Minerals Inc. ("SMMI")

Rodney J. McCann, President, SMMI

John F. Kearney, Director, SMMI

Brent Hironaka, Chief Financial Officer, SMMI

Brent Avery, General Manager, SMMI

Ruby Cozart, Regional Accounts and Logistics Manager, SMMI

Douglas J. Heffner and Richard P. Ferrin - Of Counsel

Rebuttal/Closing Remarks:

In Support of Imposition (Thomas J. Trendl, Steptoe & Johnson LLP)

In Opposition to Imposition (Richard P. Ferrin, Drinker Biddle & Reath LLP)

I N D E X

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P R O C E E D I N G S

(9:30 a.m.)

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

MR. CORKRAN: Good morning, and welcome to the United States International Trade Commission's Conference in connection with the Preliminary Phase of Antidumping Duty Investigation No. 731-TA-1446 concerning Sodium Sulfate Anhydrous from Canada.

My name is Douglas Corkran. I am a Supervisor in the Office of Investigations, and I will preside at this conference.

Among those present from the Commission staff are, to my far right, Ms. Keysha Martinez, the Investigator. To my left, Mr. Henry Smith, the Attorney/Advisor; Ms. Emily Burke, the Economist; Mr. David Boyland, the Accountant; and two of our Industry Analysts, Ms. Jennifer Catalano and Mr. Samuel Goodman.

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

of the Court Reporter. All witnesses must be sworn in before presenting testimony.

Are there any questions?

(No response.)

MR. CORKRAN: Mr. Secretary, are there any preliminary matters?

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

MR. CORKRAN: Thank you, Mr. Secretary. Will you please announce our Embassy witness.

MR. BISHOP: Our Embassy witness this morning is The Honorable Colin Bird, Minister-Counsellor of Economic and Trade with the Embassy of Canada.

MR. CORKRAN: Welcome, Mr. Bird. You may begin when you are ready.

STATEMENT OF THE HONORABLE COLIN BIRD

MINISTER BIRD: Thank you, Mr. Corkran. And on behalf of Canada, thank you for providing me with an opportunity to appear at this preliminary hearing.

At the outset, I note that I am appearing here today on behalf of Canada, voluntarily, to provide the staff conference with my government's views with respect to this matter. I also note that my appearance does not constitute an expressed or implied waiver by the Government of Canada

of any applicable diplomatic privileges or immunities.

This case involves imports of sodium sulfate anhydrous, SSA, from Canada, which represented $6 million U.S. dollars' worth of sales in 2018, according to the Petition. Saskatchewan Mining and Minerals, Incorporated, is the only Canadian exporter of this product to the United States.

This is not the first time that Canadian imports of this product are being subject to U.S. trade remedy proceedings. The U.S. industry, including two of the three Petitioners in the present case, had brought forward a similar claim of alleged dumping and material injury in 2000. At the time, your predecessors on the Commission found at the preliminary phase that there was no indication of material injury or threat thereof by imports of SSA from Canada. The case, therefore, ended.

We believe that the Commission should again terminate the inquiry at the preliminary phase. Any alleged injuries suffered by the U.S. domestic industry is not caused by Canadian imports, and we believe that there will be sufficient evidence of this fact on the record of your preliminary investigation.

In this regard, we encourage the Commission to examine closely the evidence submitted concerning the conditions of competition in the U.S. domestic industry.

In closing, I would like to underscore the importance of this case, despite the small amount of trade involved. The sole Canadian exporter, Saskatchewan Mining and Minerals, Incorporated, is a small company and, we understand, constitutes approximately 10 percent of the U.S. market.

Imposition of preliminary antidumping duties against this Canadian company when it is not the cause of injury to the Petitioners would be devastating to this company and its 70 employees.

Members of the Commission staff, we invite you to consider closely the evidence that will be brought forward to you by the responding party, Saskatchewan Mining and Minerals, and by some of its U.S. customers in these proceedings, and to make a negative determination.

Thank you, very much.

MR. CORKRAN: Mr. Bird, thank you very much. Let me turn to my colleagues to see if there are any questions?

(No response.)

MR. CORKRAN: No? With no further questions, thank you very much. This has been very helpful. We appreciate it.

MR. BISHOP: Mr. Chairman, we will now move to opening remarks. Opening remarks on behalf of those in support of Imposition will be given by Thomas J. Trendl of

Steptoe & Johnson. Mr. Trendl, you have five minutes.

STATEMENT OF THOMAS J. TRENDL

MR. TRENDL: Good morning, Mr. Corkran, staff. We appreciate your taking the time here.

My name is Tom Trendl. I am a partner with Steptoe & Johnson, and I am here this morning, along with my colleague, Luke Tillman, representing the Petitioners Cooper Natural Resources, Elementis, Searles Valley Minerals.

With me today are Joe Kane, President of Cooper Natural Resources; Micky Cortese of Elementis; Pamela Ford with Searles Valley Minerals; and Guy Wrenn, President of Giles Chemicals. Supporting us in economic analysis we will hear from today as well is Tom Rogers of Capital Trade.

As set forth in the Petition, and as our witnesses will testify this morning, the domestic sodium sulfate industry has experienced declines from 2016 to 2018, the time period in which, and a wide variety of factors that the Commission looks at in examining material injury. These declines came at a time, and were caused by an increase in subject imports, decreasing average unit values, and increasing market share by the Respondent.

In that regard, I now briefly outline the issues we're going to address today in our affirmative presentation. And of course we're happy to answer any questions you'll have.

Like Product: The like product should be coextensive with the scope of the investigation set forth in our Petition. I've not seen the department's Notice of Initiation, but I have every reason to think it will be the same. And to our knowledge, that covers all of the sodium sulfate imported from Canada.

The domestic industry is comprised of companies who produce SSA naturally, and those who produce it synthetically as a co-product with the production of another product. Witnesses today will cover each of these production methods.

Material Injury: I will avoid the adjective heavy hyperbole most petitioner opening statements seem to spout, and instead focus on a number of key facts which I believe must lead the Commission to an affirmative preliminary determination. So I'm just going to hit a few points.

Volume: Subject volume increased 42 percent from 2016 to 2018. Respondent's market share increased significantly over the POI. AUVs--this is based on official statistics--declined almost 17 percent over the POI.

The Financial Impact on U.S. Producers: On an aggregate level, gross profits, net income, and operating income, as well as other factors are all down from 2016 to 2018. And while the impact on each company is somewhat different, the overall negative impact on the domestic

industry is clear.

Workers: This industry provides great comparatively high-paying jobs in areas where such jobs are not easy to come by. The domestic producers have held tight to maintain these jobs but, make no mistake, these jobs are threatened by the unfairly traded imports by the Respondent. Pricing Data as currently reported shows both underselling and overselling. This is not unusual in a commodity market, but based on import values transportation costs and our client's direct reporting of what they are seeing at their customers, we anticipated that the low prices of subject imports would be more evident than the questionnaire responses. We think that there is either a data reporting issue or a selective interpretation of the Commission's instructions. While there is ample evidence of adverse price effects, it cost a lot to ship sodium sulfate from Saskatchewan deep into the U.S. market. We encourage additional examination of the pricing data to ensure that U.S. and imported prices are reported on a comparable basis.

Threat: The Commission's standard factors for assessing threat of material injury unambiguously leads to the conclusion that there's a threat in this investigation. Petitioners are vulnerable to the presence of Respondent's unfairly traded SSA, taking additional volume, depressing prices, preventing price increases. The threat posed by

subject imports can be seen in Respondent's increase in market share, aggressive pricing, and inventory.

And finally, as it was raised by the Minister, one last point I would like to focus on is the Commission's negative determination 19 years ago. As will be discussed in greater detail, a lot has changed since 2000.

With regard to the record in this investigation, that includes the import and market share trends, price depression and suppression, and importantly the financial performance of the domestic industry. Today's investigation bears little resemblance to the one 19 years ago.

For all these reasons, we encourage the Commission to reach an affirmative preliminary determination, and I look forward to speaking with you shortly. Thank you.

MR. BISHOP: Thank you, Mr. Trendl. Opening remarks on behalf of those in opposition to imposition will be given by Douglas J. Heffner of Drinker, Biddle and Reath. Mr. Heffner, you have five minutes.

OPENING STATEMENT OF DOUGLAS J. HEFFNER

MR. HEFFNER: Thank you and good morning Mr. Corkran and the entire Commission staff. My name is Douglas Heffner and I am counsel to Saskatchewan Mining and Minerals or SMMI. I'm here today with Richard Ferrin from Drinker,

Biddle and Reath. SMMI is the only Canadian producer of sodium sulfate anhydrous or for short sodium sulfate.

Back in 2000, an anti-dumping case was filed against the same product. In that case, the Commission issued a negative preliminary determination. Many of the same factors the Commission examined in the 2000 investigation likewise exist in this investigation.

First, oui will hear from SMMI witnesses today that the conditions of competition involving sodium sulfate only producers, as opposed to waste byproduct or co-product producers differ significantly. Unlike producers that are engaged in the production process that yields only sodium sulfate as a product, the market dynamics of producing sodium sulfate as a waste byproduct or co-product are driven almost exclusively by the production and marketing of the more valuable main or co-product.

The objective for these producers is to move the sodium sulfate quickly from the production plant at low prices so they do not interfere with the production of the more valuable main product, as most of those producers do not have facilities for long-term storage.

Moreover, production decisions for these manufacturers are driven exclusively or primarily by demand and price signals for the higher value main or co-products that they intend to produce. SMMI is not hypothesizing

about the role of those producers. As you will hear from our witnesses today, SMMI can speak from experience because they previously represented a U.S. waste byproduct producer, JCI as its selling agent in the United States.

In addition, SMMI was a U.S. customer of one of the petitioners, SMV. Finally, you will hear about the role of Saltex in the market as one of the primary drivers of low U.S. prices.

Concerning volume, SMMI's imports from Canada did increase from 2016 to 2017, but that was because SMMI experienced a huge shortfall of sodium sulfate production in Canada in 2015 and 2016, way below all other years in the past ten year period. This was due primarily to a very poor harvest of raw materials in the '14-'15 period, driven by unfavorable weather conditions.

To counter for the low Canadian production, SMMI actually purchased sodium sulfate from U.S. producers in 2015 and 2016, and used the U.S.-produced sodium sulfate to supplement U.S. sales. Looking at SMMI's total U.S. sales, however, the Commission will see that they actually fell by 24 percent over the period 2016 to 2018.

In fact, this is part of a longer-term trend for SMMI's U.S. shipments because since 2013, overall U.S. shipments have declined by 39 percent. Therefore, there has been no surge. Instead, SMMI's U.S. sales have been on a

steady downward decline. Concerning pricing, we expect that the Petitioners will claim today that SMMI drove prices down. That is simply not the case. SMMI has always been the responsible player in the U.S. market. In fact, SMMI actually refused to lower its price for one of the largest purchasers of sodium sulfate, Proctor and Gamble, and lost that business because of the extremely low prices of U.S. producers.

You will hear more about the domestic producers' aggressive pricing from SMMI witnesses and the fact that U.S. producers are the ones that have consistently lowered prices. Finally, we believe that customer questionnaire responses and quarterly pricing data will corroborate that SMMI is the high-priced producer in the U.S. market.

In conclusion, many of same factors that led the Commission to issue a negative preliminary determination in the 2000 investigation exist in this investigation. The volume of subject imports is not significant, and the prices of subject imports are not having any negative price effects. Just like the evidence before the Commission in the 2000 investigation, the record as a whole contains clear and convincing evidence that no material injury or threat of material injury exists by reason of imports from Canada.

Therefore, just as the Commission did in the 2000 investigation, SMMI respectfully urges the Commission

to issue a negative determination. Thank you.

MR. BISHOP: Thank you, Mr. Heffner. Would the panel in support of the imposition of the anti-dumping duty order please come forward and be seated. Mr. Chairman, this panel has 60 minutes for their direct testimony.

(Pause.)

MR. TRENDL: Good morning again. This is Tom Trendl from Steptoe. As I've explained to the witnesses and the company folks you're going to hear today, the staff, you guys want to hear from them more than you want to hear from me. That doesn't crush me, I understand it, and because I really want them to have a conversation with you.

So in that regard, I want to limit my beginning comments here. I will try to move things along, but we're starting now with Mr. Kane of CNR.

STATEMENT OF JOE KANE

MR. KANE: Good morning, and thank you for the opportunity to testify today. My name is Joe Kane. I'm the president of Cooper Natural Resources. I have been with CNR since 1998. With regard to the sodium sulfate business, I've been responsible for the overall financial performance of the business since I joined CNR.

Prior to CNR, I worked at Bayer and a company called Arkema in various capacities in chemical industry for over 18 years. CNR is a producer of sodium sulfate. It was

formed in 1996 with the acquisition of this sodium sulfate operation located in West Texas. The current sodium sulfate Cedar Lake operation began in the mid-1960's, extracting and refining sodium sulfate from a reservoir of brine water beneath the surface of Cedar Lake.

The facility extracts mineralized brine from an underground lake bed and chills the brine to drop out a hydrated form of sodium sulfate. Thereafter, the hydrated sulfate undergoes a process to remove the chemically combined water to product anhydrous sodium sulfate.

The material is then sized and separated for storage into silos or packaged into 15 pound bags or in various size super-sacks. Over the years, CNR has invested heavily in its sodium sulfate business. As a result, it has grown into one of the largest sodium sulfate producers in the United States. Sodium sulfate is principally used in the production of dry powder laundry detergents, dry powdered dish wash detergent, food starches, textiles, pulp and paper, glass and other applications.

Sodium sulfate is sold in both bulk and bag forms. The bulk is split into two categories, two shipping forms, hopper cars and hopper trucks. The bag form is shipped via over the road dry box trailers. CNR is proud to be a trusted source of high quality sodium sulfate through various customers located cross the U.S. and spanning a

variety of end uses.

Sodium sulfate is a fungible commodity product available from a limited number of domestic sources and primarily one Canadian manufacturer. Sodium sulfate from any source is completely substitutable. In fact, I cannot identify a single purchaser buying sodium sulfate based on the country of origin.

While quality and service are important purchasing factors, price is paramount in a commodity market. We expect no less. We are happy to compete on price in a healthy market against fairly traded sodium sulfate produced from any source. Unfortunately, the very existence of our business is now under attack from an ongoing surge of low-priced imports from Canada.

Typically in the beginning of fourth quarter, most large consumers begin negotiating with producers to satisfy their requirements for the following year or years. The presence of low-priced subject imports from Canada have taken a toll on those negotiations. Over the past three years, we have been forced to offer steeper and steeper discounts to hang onto our customers as a result of competition with the subject imports.

The price erosion the industry experienced over the Period of Investigation was devastating to our company, and does not make economic sense. To be clear, the low

prices from subject imports are offered despite the high transportation costs of sodium sulfate.

Saskatchewan Minerals facility is located in Chaplin, Saskatchewan. It is more than 200 miles from the nearest major port of entry, and is another 2,000 miles further from the southeast competition consumption region in the U.S. market. If Sask Min was selling product into the U.S. market fairly, the logistical disadvantages and costs associated would be insurmountable.

These ridiculous prices do not reflect a more efficient operation, better technology, better product and no better logistics costs on a per unit basis. Their motivation is clear. A dumped sale into the U.S. is better than no sale at all, as they can beat their variable costs -- as long as they can beat their variable cost.

Sodium sulfate production is a highly capital intensive business. The equipment we use to produce, store, package and ship the product is expensive and requires continuous investment or maintenance and repairs. As a result, the fixed cost of production sites and facilities, as well as the cooling facilities are significant.

To cover these costs and to remain a viable business, sodium sulfate producers must maintain capital utilization levels which must at a minimum allow for the recoupment of costs. However, the impact on our operations

and profitability has been significant.

If left unchecked, the adverse financial impact facing the domestic industry will cause plant closures and the reduction in U.S. capacity. CNR is a proud employer in the remote West Texas region. These are well-paying manufacturing jobs that help support a rural community.

At a time when prices should support reinvestment into our facilities and even expansion of operations, our production workers wages are down and the unfortunate business reality is that of Sask Min's pricing tactics are left unchecked, our workers' jobs are ultimately at risk. Thanks for time and listening to me on behalf of CNR. I'd be happy to answer any questions you may have.

MR. TRENDL: Thanks Joe, and now we turn to Mickey Cortese of Elementis.

STATEMENT OF MICHAEL CORTESE

MR. CORTESE: Good morning, and thank you for the opportunity to testify today. My name is Michael Cortese, and I am the Director of National Sales at Elementis. I have been with Elementis since 2002, and my primary responsibility has been the sales of co-product sodium sulfate in the marketplace.

Prior to joining Elementis, I worked in a similar capacity with Occidental Chemical in Dallas, Texas, and before that I was the vice president and general manager

for Prior Chemical, who was a marketer of sodium sulfate. All told, I have 25 years of experience in the sodium sulfate industry.

Our plant in Castle Hayne, North Carolina has a long history of producing co-product sodium sulfate dating back to 1972. At that time, we produced a low quality product, but the market was large enough for us to sell our product at acceptable margins.

In the 1990's, however, the market had declined and quality expectations were higher. So in 1997, at a cost of $20 million, we installed a purification plant to allow us to sell sodium sulfate for every end use application. This includes applications which require food chemical codex specifications. Our customers consider our quality to be second to none in the industry.

The manufacture of sodium sulfate as a co-product by reacting chrome and soda ash to make sodium chromate. We then react that with sulfuric acid to produce sodium dichromate and sodium sulfate. The sodium sulfate stream then goes through our purification plant, where impurities are removed, the product is crystallized and dried to make a high purity product.

This plant operates 24 hours a day, seven days a week, so it has to be well-maintained. The sodium sulfate is a commodity product. But our objective, just like our

other co-products, is to maximize profitability for the business. Therefore, price is an important component to our bottom line. From a business perspective, we treat this product the same as we do our other product groups, and in fact sodium sulfate contributes considerably to our bottom line profitability.

We do compete against domestic producers and marketers of sodium sulfate, as well as Saskatchewan Minerals. In the past few years, I have experienced increased pressure to reduce prices at select accounts due to lower price offerings by Sask Min. This is perplexing to me as well as my company.

As you will see in the data, this is a low value product and logistic costs contribute significantly to the total cost of the delivered product to the customer. In several cases involving our largest customers in the south and Midwest, the delivered price offered by Sask Min is below our delivered price. Sask Min's stated imported price at the border, plus their significant logistical costs from the border in Western Canada could not possibly result in a lower delivered price to the customer.

In addition, I'd like to point out that Sask Min has not always been successful at gaining business with these low prices, but they still have a profound impact to us, because customers have and will use these prices to

leverage a lower price from us. We hope you will consider this as a major factor in your determination.

This action has negatively impacted our profitability and the main reason we are here today. Again, thank you for the opportunity to speak, and I am happy to answer questions.

MR. TRENDL: Thank you, Mickey. We now turn to Pamela Ford of SVM.

STATEMENT OF PAMELA FORD

MS. FORD: Good morning. Pamela Ford, Searles Valley Minerals. My name is Pamela Ford, and I am the Vice President of Sales and Marketing for Searles Valley Minerals, also known as SVM. I've been with SVM for almost 29 years, and in this capacity 11 years, with 15 plus years of experience in the industry.

SVM has been in the sodium sulfate business for over 30 years, and our U.S. headquarters are located in Overland Park, Kansas. For perspective, our plant is located in California, Trona, California, and it's 177 miles outside of Los Angeles. We are the only U.S. producer in the west, and as I'll explain in a moment, we produce sodium sulfate naturally as a co-product to our production of soda ash, as well as other borax products.

This is a bit different from some of the other operations that you've heard from this morning. Our sodium

sulfate production method is what has been called in this investigation as naturally produced. More specifically, our minerals are recovered from the brine third process called fractional crystallization.

Brine is sent to the soda ash plant first, where the brine is reacted to carbon dioxide. The brine depleted from sodium carbonate values is then sent to our borax facility. The borax is recovered from the brine using what we call a filtration process. The borax is further processed into several sellable borax products.

The brine depleted from sodium carbonate and the borax values is then sent to our sodium sulfate facility. At this facility, the process produces the end use sodium sulfate product. At this point, all of the brine has been depleted from sodium sulfate sodium carbonate, as well as the sodium sulfate values, and we send that reserve back into the underground reserves.

We sell into all market segments within the various products we produce, and for example we sell into the glass market, which is half of the 64 million global soda ash market. In the glass industry, we also sell sodium sulfate. So we have opportunities to sell into several market segments that use our various products.

We have a geographical advantage in the west as we're located in California, but we do sell into the Midwest

and the northwest, where you do compete against U.S. producers and Sask Minerals. That said, logistics is a significant cost factor in delivering product, and due to our geographical location we have an advantage on logistics costs versus others in the region.

While we export a percentage of production, maximizing the price on our U.S. sales is very important to the company. And simply put, price does matter. When we compete, there are times we're not able to sell our product at a fair price in the United States, which obviously impacts our business.

I cannot say much in this public setting about the negative financial impact on SVM. If you look at our gross profits, our operating income and net income, I think you will see a clear picture of where we were during this period. I thank you for your time, and I'll be happy to answer any questions.

MR. TRENDL: Thank you Pamela, and now we're going to hear from Guy Wrenn of Giles Chemical.

STATEMENT OF GUY WRENN

MR. WRENN: Good morning and thank you for the opportunity to speak with you today. My name is Guy Wrenn and I am president of Giles Chemical Industries. I have served as president of Giles Chemical for three years, and have 12 years' experience with Giles in the sodium sulfate

industry, including jobs in customer service, logistics, marketing and sales.

I welcome the opportunity to speak with you today regarding Giles' perspective on the sodium sulfate market. Unlike the other companies here today, Giles is not a producer of sodium sulfate. But I feel our perspective will be just as valuable as the others sitting at this table.

Since 1994, Giles has acted as an exclusive marketing agent for several producers of co-product sodium sulfate. The agreements Giles has with these co-product producers gives Giles the right and obligation to sell 100 percent of those producers' materials, and we do so under the Saltex brand.

While Giles' position in the sodium sulfate market may not be the typical producer-seller position, Giles feels its viewpoint is very valuable for the following reasons: Giles acts as the effective sodium sulfate sales and marketing arms of the co-product producers it represents, and has a much more involved relationship with these producers than a buy-sell relationship. As a matter of fact, we do not consider ourselves a purchaser at all.

As mentioned, we are obligated to move 100 percent of the sodium sulfate produced at co-product

facilities we represent, and are financially liable if we fail to do so. Our agreement with our producers is that of a revenue-sharing, where our compensation is based on how high the average sales price is.

We are responsible for all sales and prices as well as directing where each ton of production is shipped as it leaves the co-production facilities, responsible for all rail car costs and lease, as well as other transportation costs. We have a fiduciary responsibility to our producers to move 100 percent of their production is a way that is best for them, and a large part of that is selling at the highest prices the market can support.

Our producers support this petition and desire to have Giles represent them and our interests. I want to emphasize several key points. First, our co-producers do not engage directly in the sodium sulfate market. They do not have any contact with customers and in fact have zero sodium sulfate selling activity.

Rather, Giles negotiates the pricing and terms for all sales of those companies' products. Giles' contract with each producer establishes the terms for Giles to arrange all aspects of transporting and selling the product.

While the contract terms may vary with producer and I am not sure how they reported their data to the

Commission, in general the sales data produced by our co-product producers is not going to be comparable with the sales data produced by the natural and other co-product producers here.

A number that is comparable to those numbers would be Giles' sales FOB producer's plant. Regardless of how they are reported to the Commission, the actual revenue of the co-product producer should follow the market pricing trends, even if they are not directly comparable.

As Giles was responsible for sales and marketing of our producers' product, we sometimes ship material to a bagging facility. There, we unload the material, bag it typically in one ton or 50 pound bags, store it, load in the dry van trucks and then ship it to the customer.

All these costs and/or selling expenses are significant. All these costs are deducted when determining the net return to the producer. While our sales are concentrated in the eastern half of the country, we face direct competition from Sask Min at key accounts, particularly in the midwest.

They compete with us on both bulk and bagged product. For bagged material, we understand Sask Min ships sodium sulfate to a bulk facility in the U.S. that engages in similar unloading, bagging, storing and transporting

activity. During marketing sodium sulfate under the Saltex brand, I can attest that natural and synthetic product are interchangeable in virtually every application and with few exceptions at every customer.

The Saltex brand covers both natural and co-product, and in many cases we ship both products to the same customers at the same price. Giles does not sell co-product sodium sulfate at a lower price, and indeed our objective for both our account and our producers is to obtain the highest price possible.

Nineteen years ago, a representative of Giles was a witness for the Respondent. However, as mentioned in previous testimony, this petition is different than it was 19 years ago, and so are the circumstances, as the fair market price for sodium sulfate has come under increasing pressure due to Sask Min's practices.

The negative impact is felt both at the Giles level for our producers, who do not in any way consider sodium sulfate a waste product, and in fact they consider valuable high quality product that has real and substantial costs. Thus, it is important for them to obtain a fair value.

I appreciate your time and I'm happy to answer any questions I can in this public setting.

MR. TRENDL: Thank you Guy. I now turn to Tom Rogers of Capital Trade for a presentation. Accompanying that presentation are slides or handouts, which I hope you all have. He'll be referring to those.

STATEMENT OF THOMAS ROGERS

MR. ROGERS: Good morning. Thomas Rogers of Capital Trade. As Mr. Trendl indicated, we have some slides or charts we'd like to go through with you. You just heard from the industry witnesses here today on the product, market trends and the impact of increasing imports on the domestic industry.

Much of the data in this preliminary phase is proprietary, so I'll refer to the record in general terms. In our brief, we'll address the economic issues and relevant data in greater detail. Today I'll focus on certain key issues related to conditions of competition, the volume effects, price effects and impact, that is the material injury caused by subject imports.

At the outset it's useful as we've heard, looking at Slide 3, it's useful to compare the market conditions in the current period of 2016 to 2018 to those prevailing when the Commission last looked at this industry. Many of the players are the same, but the main facts are very different and this is not the same case.

In 2000, as we've heard and we're all very much aware, the Commission issued a negative preliminary determination. The summary of key factors listed in Slide 3 shows that the current situation is very different. Now looking at the chart, it's kind of summarized the main factors in the case and Commission's decision.

Subject import volume. In 2000, the Commission found that imports declined substantially. In the current as we've seen, subject imports from Canada using U.S. Census data increased by 42 percent. Market share. In the 2000 period, in the POI related to the 2000 decision, subject import market share declined. In the current investigation period, you'll see in your data that the Canadian market share increased substantially.

Price depression and suppression. In the 2000 investigation, you found those factors were insignificant. In contrast in the current period, you'll declining AUVs for price depression and a deteriorating and indeed significantly deteriorating COGS to net sales ratio.

Finally looking at domestic industry performance, in the last case there was a mixed bag. This case, you'll see across the board declines in financial results, regardless of which sector of the market you look at. In other words, to summarize, unlike the prior case, there's a volume effect, price effects and a direct impact

on the domestic industry.

Now before examining specific details of the injury case, it is first useful to review the key conditions of competition in the sodium sulfate market. Now I'd like you to look at Slide 4. First, as we've heard, sodium sulfate is a commodity product. So what does this mean on the market? It means domestic and subject products are interchangeable, highly substitutable.

Competition is based largely on price, and that's price at the customer delivered. Third, imports compete directly with domestic producers at major accounts. Whether a specific sale is lost, the low price offer by subject imports causes serious harm.

Next factor I'm going to look at is sodium sulfate, as you've heard, has a low value to weight ratio. This has several implications for your analysis. First, sodium sulfate accounts for just a very low share of the cost of end use products. It's difficult for industry representatives to estimate that perhaps, but as a low value product some figures say it's under five percent or even under one percent of the cost of the final product.

Second, transportation and logistics costs, as you've heard from the industry representatives, account for

a significant share of the final delivered price. In some cases, the freight costs can exceed the value of the product. What does this mean? This means that valid price comparisons require that all terms be reported on a comparable basis.

Next, demand in this industry is relative inelastic. That means for your analysis lower prices do not spur additional demand. As Sask Min lowers the price, we're not going to somehow recover it by selling more product. Lower price has therefore generally reduced revenue and thus declining profitability for domestic producers, regardless of which segment they're in.

Finally, purchasers have significant buying power and annual contracts are common. The implications here is that a small number of firms account for the majority of U.S. consumption. Sask Min competes against domestic producers at key accounts, and customers use Sask Min offers to leverage down prices. So even a small volume sold or offered for sale can have a dramatic impact on domestic producers.

With these conditions as a basic reference point, I'm now going to discuss recent trends and the impact on domestic producers. Turning first to volume, the record will show significant volume effects. These are summarized in Slide 5. Again, subject imports, the volumes are

significant on an absolute basis. More than 55,000 short tons in 2018, and just looking at the first month of published data for 2016, we see an increase again. 2019, sorry.

Subject imports increased as we've heard by 42 percent from 2016 to 2018. They increased relative to domestic production, and they increased to consumption. Non-subject imports. Non-subject imports in contrast were flat over this period. Further, we believe that they're not a significant factor in the market. In fact, the high AUV suggests minimum if any overlap with U.S. or Canadian sodium sulfate.

So the conclusions here on volume effects. Volume effects cannot be attributed to non-subject imports, and subject imports captured market share at the direct expense of domestic producers. The absolute volume increase in illustrated in Slide 6.

I know you've heard these numbers already a couple of times, but looking at the main HTS subheading in the Census data, you see that subject imports increased by 42 percent, from 39,000 tons in 2016 to more than 55,000 tons in 2018. Total apparent consumption data are proprietary, but a subject import market share chart would show a similar upward trend.

Now let's look at pricing. Slide 7 summarizes the price effects. The main effects here on the chart, subject imports as we've noted have caused price depression, import AUVs and U.S. producers' prices declined over the period. Subject imports caused price suppression. U.S. producers' prices declined relative to their costs, and this is shown by the COGs to net sales ratio that I referenced earlier. Import pressure has prevented price increases.

Another underselling, another indicator of price effects is mixed, and in general we can't talk about the specific information at this point in the public hearing. But as Mr. Trendl referenced in his opening remarks, this is not surprising in a commodity market.

However, we also question the quarterly price comparisons that are currently available in the data. The questionnaires and other data suggest that U.S. and imported prices may be reported on different bases. The specific price declines in the period are shown in the next two slides.

On Slide 8, this looks at the AUV of imports from Canada on a quarterly basis, and we see that they fell 17 percent, from $126 per short ton in the first quarter of 2016 to $104 in the fourth quarter of 2017. Using indexed questionnaire data, Slide 9 demonstrates that domestic

prices for the four pricing products for U.S. producers followed a similar downward trend.

Now while establishing price leadership is not always clear for a commodity product, a combination of increasing import volume and declining import prices strongly suggest that the U.S. price decline was fueled by subject imports. These trends are confirmed by the price competition at key accounts.

A low price Sask Min offer may not be reflected in the pricing data, but U.S. producers had to cut their prices in order to maintain sales with those customers. Moreover, the quarterly AUV data clearly show the downward trend in Sask Min's export prices, and there is significant underselling. As I mentioned, we still have concerns about how the net pricing data was reported.

As I noted earlier, because transportation costs account for a large share of the delivered price, it is essential that the prices be evaluated on a comparable basis. If sales terms, shipping points and transport modes are not comparable, and all relevant costs including transloading are not accounted for, the price comparison will be unbalanced.

The Commission requested a breakdown of sales by delivery distance, and the responses show that there is a

large variation. Thus, if one company reported a lower delivered price but deducted only 50 miles of freight cost, while another had to ship the product 500 miles, a comparison of FOB prices at the two assumed U.S. shipment points would show a very different result.

In some cases, the cost of freight can exceed the cost of the product itself, so accounting for freight differences could completely flip the quarterly price comparison. Put another way, the petitioning U.S. producers, plus Giles and Saltex, reported all prices netted back to the producing factory.

If import prices were reported netted back only to a U.S. transloading and/or packaging facility, then the Commission would not be evaluated comparable transactions. A map on Sask Min's website illustrates the potential impact of transportation, logistics and costs. Data published by Statistics Canada show that most sodium sulfate is shipped by rail and we can see the specific U.S. states where that product goes.

The Canadian government confirmed that. From its plant in Saskatchewan well north of the border, Sask Min ships large volumes by rail to several U.S. distribution facilities. Given this extensive logistic chain, the Commission needs to determine whether all relevant costs are

being deducted. Otherwise, it may be comparing an import price that includes substantial U.S. inland freight to a domestic price netted of all freight and related expenses.

Now I want to turn to impact. As we're all learning, this industry presents interesting questions as to how to assess impact. Our panel today, for example, includes one primary natural producer, one natural co-product producer, a synthetic producer and a marketer of synthetic material. The Commission has collected data from all of these companies, as well as from synthetic producers that sell through Saltex. So you have extensive data on the domestic industry's condition.

So what do you do with this data? In the last case, the Commission relied on aggregate figures for some indicia such as employment. For financial performance, however, the Commission noted that a traditional P&L statement does not exist for byproduct producers. For those companies, the Commission focused on average price trends.

In this case, we expect that the questionnaire data will evidence downward trends in industry performance whether you assess the industry overall or examine individual producers or subsets of producers separately. As noted by Mr. Kane, his company, CNR, produces sodium sulfate as the primary product, just like Sask Min.

So as a first cut, it would be reasonable to look at CNR as the producer most likely to feel the impact of subject imports. At a second level, you can examine the aggregated results for the two natural producers, CNR and Searles Valley Minerals or SVM.

SVM, as you heard, produces sodium sulfate as a co-product, yet it faces the same pricing pressure and impact on its results. Third, you have complete data from Elementis, the largest synthetic producer. Finally, you have data from synthetic producers that sell through Saltex. These companies did not have direct contact with the market, and in fact do not even have selling expenses, so their net byproduct revenues may mask or lag some market trends.

Regardless of how you slice and combine the data, the increasing volume of subject imports' ever-lower price had a negative impact on all segments of the domestic industry. The results vary by company and the detailed data are confidential. But we expect you will find declining results across the board.

As show in Slide 10, gross profit, operating income, net income and net byproduct revenue declined absolutely on a per unit basis and as a percentage of sales. At the operating level, to date the industry has managed to maintain production and employment, but a continued decline

will likely result in shutdowns.

Such an event would be devastating for the rural and indeed remote communities that depend on these high-paying jobs. I expect you will hear from the other side, in fact we already did this morning, the typical allegation: it's not us, it's the other guys.

My response is that you will have data from all segments of the domestic industry, and however you slice and examine the domestic market, you'll see an adverse impact caused by the low priced imports. Finally, regardless of how you measure the performance of the synthetic producers, we note that historically synthetic sulfate accounts for roughly half the domestic market.

Because synthetic production hinges on the output of the producers' other co-products, they cannot simply adjust production of sodium sulfate in response to changes in prices or changes in demand. The U.S. market requires a substantial volume of natural sulfate. Assuming that the supply of synthetic material is relatively fixed, it is the natural producers that adjust production levels first, as they supply the balance of the market.

In other words, regardless of how Sask Min characterizes or attempts to explain away its increased shipments, the unfairly traded imports from Canada have been

and will continue to be at the direct expense of the domestic industry. While all U.S. producers feel the pain of lower prices, it is the natural producers that are the most vulnerable. Thank you.

MR. TRENDL: This is Tom Trendl from Steptoe. Thank you, Tom Rogers. We have presented how I think a basic testimony and happily it's a beautiful day and we are not going to fill an hour for no reason.

I do want to say in closing before we turn this over to your questions, which we very much encourage, in the opening statement by counsel for Respondent basically said "this is just like 2000." You heard today from Mr. Rogers and from the companies why this is not like 2000. The trends are different, the companies are different.

There is a company Giles sitting on this side of the table, this side of the room who previously in 2000 sat on the other side of the room. The way that the co-product material is sold and marketed is very different in addition to all the trends that Mr. Rogers went through. So if I were counsel for Respondent, I'd want this to be just like 2000. They won. It's not just like 2000.

With that, I will conclude our affirmative testimony and we welcome all of your questions.

MR.CORKRAN: Thank you very much, Mr. Trendl and thank you very much to the entire panel. We very much

appreciate your testimony today. It's been very helpful. I'm going to turn first to our Investigator Ms. Keysha Martinez for questioning.

MS. MARTINEZ: Good morning. Thank you very much for being here today. Your testimony has been very helpful. I will first start off with a few data set and data related questions and then we can move on to some of the things that you mentioned in your testimony.

Is there anyone major missing from the U.S. Producer/Importer or Foreign Producer data sets?

MR. TRENDL: No, there is nobody missing. What you have here at the table and the producers that are serviced by Giles and Saltex.

MR. ROGERS: I'm sorry the question referred to Foreign Producers and Importers.

MR. BISHOP: Could you state your name, please?

MR. ROGERS: Sorry, Tom Rogers.

MS. MARTINEZ: So U.S. Producers as well?

MR. ROGERS: To the best of our knowledge, all major U.S. Producers are represented in the -- Tom Rogers.

MR. TRENDL: And in addition, if you were asking about the Canadian side, you heard from the Minister that the only Respondent is here today.

MS. MARTINEZ: And the importers, you believe we have adequate import coverage?

MR. TRENDL: We believe that you've -- I'm sorry, my name is Tom Trendl. Yes, we believe that you have -- and I lectured these folks about doing it too -- yes we believe that you have coverage of the importers. Whether or not there is one or two here or there I can't say because I don't know but I believe you have coverage, yes.

MR. ROGERS: This is Tom Rogers. I'd just like to note that because the Canadian product is coming in over land we don't have access to Piers or Import Genius or some other service that allows us to identify who was importing product to the best of our knowledge. I think you have pretty good coverage just based on the data that is reported and how it correlates with the census data.

MS. MARTINEZ: Thank you. That's very helpful. Are official import statistics the most accurate measure for this product?

MR. ROGERS: This is Tom Rogers. We believe so. We believe that it's a reasonable representative that one category that I used in my charts. It appears to be a discrete category. There are several, three perhaps other categories that reference sodium sulfate in their description and obviously what importers, how they classify their product that they bring in. We have no control over that but based on the information that has been submitted both by Respondents and other parties as well as

comparing that to the census data I think the census data are reasonable. Non-Subject Imports as I pointed out, a little less confident of because the numbers there don't necessarily seem to correlate with what our company's perspective is in the market.

However the fact that I'd say imports are probably on the high side if anything that you're seeing in the data and we certainly have not seen any effect from that.

MS. MARTINEZ: So when you say official import statistics, you're pretty confident on the coverage, the mean HTS category and we should not really be considering too much the other three categories?

MR. ROGERS: Yes, we agree with that.

MS. MARTINEZ: Okay. And can you just elaborate a little bit on what you said about the non-Subject Imports trends not correlating.

MR. ROGERS: Tom Rogers. So if you look at the absolute numbers, the volume of non-Subject Imports I believe is around roughly 9,000 tons throughout the period.

MS. MARTINEZ: For the one HTS category?

MR. ROGERS: For the one HTS category. That volume sounds material but again we have not really seen that in the marketplace. I don't know if that's just because they're selling to completely different people or

it's a different product that may be misclassified.

I do note that the average unit values for those imports are quite high which seems inconsistent with what we know about the market.

MS. MARTINEZ: Thank you. Just going off of the average unit values, are there differences in product mix that would influence average unit values where for imports or U.S. Producer shipments?

MR. ROGERS: Tom Rogers. We don't think so. As you've heard this is a commodity product and certainly I think we heard from the Canadians this morning that there is one producer and exporter from Canada so there should be no product mix on that side.

On the U.S. side you've heard that sodium sulfate anhydrous is produced both naturally and as a co-product. The products are fungible in almost every single instance and are sold to the same customers and marketed concurrently.

MS. MARTINEZ: So there is no major differences in quality that would affect pricing in a significant way?

MR. ROGERS: To my experience and my knowledge, no. Welcome comment from one of the industry representatives who sells those products.

MR. KANE: Joe Kane, CNR. No, it's a really fungible product that has no distinction whether it's

co-product, synthetic material or natural material. The only distinction that we see in our industry is the kind of packaging that it's sold in, whether it's sold via bulk or a 50-pound or 2000-pound super-sack we will see some differential in pricing.

MS. MARTINEZ: Thank you. Are Global Trade Atlas Data accurate enough to portray global export trends specific to this product?

MR. ROGERS: Tom Rogers. We have no reason to question the GTA data. We looked at the export volumes from Canadian Data Statistics Canada to get a sense of whether Sassman was exporting to other markets. What we could see is that the volume was negligible which actually goes toward threat if you think about it because the Canadian market on a relative basis is smaller than the United States so this is clearly their primary market.

MS. MARTINEZ: How would you describe the composition of the U.S. SSA industry today compared to 2000 when the previous case was filed?

MR. KANE: Joe Kane, CNR. This is a commodity product and I think the same occurs with sodium sulfate or any commodity product. The rules of supply and demand are paramount here so in 2000, 20 years ago the whole supply side was very different than it is now and that the demand side certainly was different. It was completely different

20 years later.

Unfortunately both have declined. The supply side has declined. There's lots less byproduct production, there's less natural capacity and production available and unfortunately the consumption side has declined as well across all sectors.

The detergent industry is significantly different, textile industry is significantly different, pulp and paper industry is also significantly different.

MR. TRENDL: Ms. Martinez, you were asking about the composition of the industry, like the companies involved in producing and marketing?

MS. MARTINEZ: Yes, sure.

MR. TRENDL: Okay, that's what I thought the question was.

MR. ROGERS: Okay, as result of both the supply and demand chains the competition is the same. Basic supply and demand.

MS. MARTINEZ: So would you say that the composition so when you say supply I'm assuming you mean the number of U.S. Producers. Would you say that has been influences by the end-use industries?

MR. KANE: This is Joe Kane. With regard to destruction in demand, yes it has been influenced by less demand, if that's what you're asking.

MS. MARTINEZ: Would you say that demand for the end-use industry is driving demand for SSA?

MR. KANE: Yes.

MS. MARTINEZ: I believe in your testimony you mentioned the need to maintain relatively high capacity utilization rates due to SSA being highly capital intensive. Could you elaborate on that a little bit more? Do you run 24/7 continuous operations? What does that look like?

MR. TRENDL: I'll ask Mr. Kane to respond to that and I don't know if anyone else wants to as well.

MR. KANE: Our sodium sulfate plant in West Texas is a sodium sulfate only facility making on natural material. It is a 24/7, 350-day operation. From time to time, we will take some maintenance outages lasting one to two days, if the market allows. It is capital intensive. It is steel, water, and salt, so the corrosive dynamics of a facility as such requires lots of capital to continue its functions.

MS. MARTINEZ: Does anyone else have anything else to add?

MS. FORD: We also run a 24/7 operations, 350 days. We have planned maintenance schedules, et cetera.

MS. MARTINEZ: So, is the nature of -- oh, I'm sorry. Go ahead.

MR. MURPHY: I think you heard from the

testimony of Michael Cortese that in 1997 we invested twenty million dollars into this facility, so that confirms your assertion of very high capital investment. We also run our plant 24/7, 350 days a week -- I mean 350 a year. Thank you.

MS. MARTINEZ: So, I just want to make sure I understand the nature of SSA production is that it must be continuous.

MR. KANE: Yes, in our facility it must be continuous and I think in Elementis regard and SVM's regard, yes, the same thing. It has to be continuous. There's no option to batch produce sodium sulfate. To run, we shut off a week and come back on around about a week. Your fixed costs are just that, your fixed costs. Your variable costs are just that, they're variable. So, the equation in pretty simple. The more you produce on a per unit basis your fixed costs tend to go down because you're producing more product. And that's the challenge of a commodity-type product. If you can sell product for more than your variable costs, you're producing some margin. And from our perspective, I think that's exactly what's happening in our U.S. marketplace.

MS. MARTINEZ: Thanks. That's helpful.

Would you say that the SSA process has remained relatively unchanged since the last time the Commission

looked at this product or have there been efficiencies gained, things of that nature?

MR. KANE: The process has been consistent throughout the years and certainly the same since 2000. It's a very simple, physical type process, not a lot of dynamics to try to reduce costs in any material way. There's a significant energy component and then there's a labor component of which are pretty dynamic in our market -- in our facility, but the capital costs keep that facility operating. It's quite intensive.

MS. MARTINEZ: Thank you.

Mr. Rogers mentioned that natural producers are at the most vulnerable. Can you just go over this argument again. You know building off of that, what differences would you expect to see when comparing natural versus synthetic producers? I know that we're looking at one industry -- you know one that produces the domestic-like product, whether synthetically or naturally produced, so can you just go over that a little bit more?

MR. ROGERS: I'll leave like product for the lawyers, but it is, in my view, at least, it's certainly one like products. These products are competing directly for the same customers and same end users.

With respect to the market and output and demand, the synthetic producer and the co-product producers

they have complexes or facilities that produce several co-products and so their production decisions are driven by factoring in -- I'll let them speak as well, but their production decisions are factored -- you know consider all these products in their business-making decisions.

So, what that means is that the -- when there are supply issues and you have a company like SNR and Mr. Kane's operations they are the ones who kind of bear the first burnt of the decision-making in terms of if the market's going down do they adjust production. They have -- you know sodium sulfate is their sole product, so they face that decision first. That was what I was getting at there.

MS. MARTINEZ: And would you -- you know I'm sort of thinking of our Commission questionnaire, right? Would you expect to see different trends in trade or employment or anything like that?

MR. ROGERS: No, I mean they're all -- in terms of trade, you know they're all selling sodium sulfate into the market. They're all producing during your period -- and I'm trying to characterize the level, but you'll see it in the data. And to this point, as we mentioned in testimony, no significant facilities have been taken offline or shutdown, so we don't see a different trend on that basis.

Now, obviously, the companies have different economics in terms of how they're set up because they

produce the product differently and you'll see that in your data. It's sort of almost like the steel industry in that you'll have a mini-mill and you'll have an integrated facility. They'll have different costs, but they could be producing the same product.

MR. KANE: There's more to say here, but we'd like to say it in the post-conference hearing to fully answer your question.

MS. MARTINEZ: That would be great. Thank you.

Mr. Cortese, you say that you view production of SSA the same as your other products -- the production of your other products. Just from, as I'm learning about this industry, that doesn't seem to be sort of the view of other synthetic producers. Can you comment on that?

MR. CORTESE: Sure. Again, in the manufacturing of our chromium product, sodium dichromate, we also generate sodium sulfate. We then take that through a purification plant where we've got a lot of other added costs and expenses to purify that product and deliver the product to the customers, so we viewed this business just like the rest of our businesses based on profitability. So, by no means is any kind of co-product or byproduct that we're looking to just get rid of. That is far from the case.

MS. MARTINEZ: Would you just say your focus is on other primary products?

MR. CORTESE: Well, it's not -- no, actually, it's a significant piece of our business. I mean Elementis is a global producer of chromium chemicals. We sell to a multiple end use industries all over the world. Our production has been relatively consistent over the years. We try to operate at very high operating rates and the sodium sulfate is just another product that we make along with that portfolio that we have of our other chromium products.

MR. WRENN: I'd like to add a little bit to that kind of corroborating what Mr. Cortese said. The co-product facilities that we represent, they very much value the sodium sulfate that they produce and they are very much interested in getting a fair and good value for that. They invest a lot of capital and engineering into making a high-quality product that is saleable and they invest a lot of time in making sure everything they do helps contribute to the value of that product. And they all think of it as a product just as important as other things that they make because at the end of the day it is.

MS. MARTINEZ: Can you talk about environmental standards or -- you know what obligations do companies have to -- I don't know -- process this SSA purify -- I'm sorry. I don't know the proper term. Are there laws that require you to dispose of it in a certain way or to -- you

know as this byproduct to crystallize it or anything like that?

MR. MURPHY: I'm not aware that there are any environmental laws which dictate how we dispose it. We don't dispose of it. We sell it. I mean it's a co-product. I'm responsible for five product groups, right, and this product group is not treated any differently than the other four product groups. As a matter of fact, profit-wise, it is not the lowest profitability product group that I manage. And so, you know, my objective as the general manager of this business is to maximize overall profitability of the business. This is just another product. Alright, we don't treat it any differently and we certainly never consider any of our products that we must dispose of them.

The analogy I use when describing my plant or facility to someone who's not familiar with the chemical industry is to say it's kind of like a refining operation. You know you're bringing in crude oil. You're refining that and you're producing -- you know want to produce all gasoline, but you also produce diesel fuel and kerosene and asphalt and many other products. Well, they don't treat kerosene any differently than they do gasoline. They try to maximize the profitability of that. That's exactly how we treat sodium sulfate.

MS. MARTINEZ: I was just trying to figure out

of there were any environmental standards that would motivate companies to have SSA in a saleable form rather than -- you know especially you know from what I've observed not all byproduct or co-product producers have the same behavior as Elementis, so I was just trying to figure out why -- figure out any of the differences there.

MR. WRENN: You know I have exposure to a large breath of co-product producers of sodium sulfate and for one reason or another they may do whatever they do. In my experience, the ones that make sodium sulfate in a saleable form do so because it's in their best interest and they chose to do so.

MR. MURPHY: I'd also like to add that this is just not a domestic market. There's a very large international market for sodium sulfate, so this is not a bunch of people making sodium sulfate and trying to either make a decision to put it to waste treatment or to sell it somewhere. No, there are viable applications as used in the glass industry, in the detergent industry, in the textile industry, in the paper industry. They need our product. They want our product, right? And that's not just here; that's globally.

MS. MARTINEZ: Thank you. That's helpful.

MR. KANE: Frank, what I would maybe ask is you described to us yesterday that you had other options to

produce other products and you chose to produce sodium sulfate; is that correct? Right? Could you explain that, maybe?

MR. MURPHY: So, when we made the investment in a facility 20 years ago, 1997 -- a little over 20 years ago -- we had other options for the streams, right? Just like in a refinery, you know you can make kerosene or you can make you know benzene, right? So, you know you've got choices of what you can make. And we invested in this particular facility twenty million dollars because we thought for our product in the overall process, in the integration of our process, we decided to go in this direction and invest in this facility. It's not too dissimilar to the decisions that we made what to do with our sodium dichromate after we make that. So, we have competitors in the chromium industry that only make chromic acid, for example. Okay, well, we've decided to make chromic acid and basic chrome sulfate and chromic oxide. So, those are decisions that we made on how we were going to create our product portfolio and how we were going to maximize our process. That was the same sort of decision-making that we made with sodium sulfate when we made that twenty million dollar investment back in 1997.

MS. MARTINEZ: Thank you. I'm going to switch gears a little bit.

Mr. Wrenn, can you elaborate on the difference between Giles and Saltex? Are they separate entities? You seem to be, at times, using them interchangeably. Can you just untangle that for me?

MR. WRENN: Saltex is a joint venture between Giles Chemical and Cooper Natural Resources for the purposes better serving the domestic sodium sulfate market with co-product and natural. All the co-product material that Giles sells is sold under the Saltex name.

MR. KANE: I can elaborate further on that. Out of the natural material sold to the domestic industry from the Cedar Lake facility is sold also under the Saltex trademark. There have other things to say about this that are better dealt in the post-conference hearing that will help you understand more about what Saltex is relative to Giles and CNR.

MS. MARTINEZ: Yes, if you could please include that in your post-conference brief, it would be very helpful.

So, in the same vane, how is SSA sold to Giles Saltex by the co-product producers? What does that transaction look like?

MR. WRENN: From a functional standpoint, it's less of sale and more that they make it and we direct it and we do the invoicing of the customers because we have the

agreements with the customers and so they have production. We know what that's going to be, just like any facility, and we do the marketing for that. They're going to make "X" number of tons and we're going to move "X" number of tons as they make it. The only time we take possession of it is if we move to a bagging facility in which we'll bag it because these facilities don't have their own capability to do that.

MS. MARTINEZ: So, how do the co-product producers get paid? Do you pay them a commission? What does the pay structure look like?

MR. WRENN: I can address specifics in a post-conference hearing, but largely, they're revenue-sharing deals.

MS. MARTINEZ: Please include in the post-conference.

In the opening statements, Respondents argued that the marked increase in Canadian imports from 2016 to '17 is because imports were much lower prior to the POI. Can you respond to this argument?

MR. ROGER: In our experience, it unusual for the Commission to -- the Commission uses a three-year investigation period in virtually every case and the market is analyzed in that situation, looking at those dynamics. And if you look at that period, which is the focus of our analysis here, you'll see a dramatic increase in the subject

imports.

Regardless of what happened in prior years, the simple fact is that the imports from Canada increased markedly over this three-year period and Sask Min had a choice. Regardless of what happened previously, do they sell in the market and do they sell in the market at a very competitive price? And they made that decision, so we think that it is very appropriate to focus -- it's an interesting story, perhaps, to go back into their company history, but the purpose of the analysis is to see what happened during the investigation period. And we think they have made that concerted effort to increase their sales into the United States during this period.

MR. KANE: Let me add, depending on what period you're looking at, there were substantial imports into the United States from Canada. But if markets were different at any one particular time, if you look at the period what they exported, significantly more product than they do now, the markets were totally different. You can't base any judgment on, well, they exported 80,000 tons in a particular year. The markets were significantly different. The markets have been in significant decline, depending on what period you're looking at, so the impact is, of course, mitigated by that.

MR. TRENDL: And you'll see too, as Mr. Rogers

mentioned in his testimony, if you look at even -- I think it's the first two months of 2019 this hasn't stopped, so the increases has continued. There's not a lot of ambiguity there.

MS. MARTINEZ: Thank you.

How would you describe demand during the investigation period? When I'm looking at preliminary data, it seems like demand may have been relatively stable during '17 to '18.

MR. ROGERS: Looking at the same data you are, I'd agree with that assessment. I think there are several end use industries that purchase sodium sulfate for different applications and they may be trending in different directions, but overall, your aggregate data, I agree, show a relatively stable market during this period despite maybe long-term trends that Mr. Kane alluded to.

MS. MARTINEZ: Thank you. And I just have one more question.

To the best of your knowledge, are there any anti-dumping or countervailing duty Orders in third country markets?

MR. TRENDL: I'm not aware of any. No.

MS. MARTINEZ: Those are all my questions for now. Thank you very much.

MR. CORKRAN: Thank you very much, Ms. Martinez.

And now we'll turn to Mr. Smith.

MR. SMITH: Hello and thank you all for being here today. We really appreciate it.

I'd first like to start to talk a little bit about grades of SSA, so could you please tell me what grades exists in the market?

MR. KANE: There's typically just one grade of sodium sulfate. It is a fungible product, a commodity-type product that almost everybody can use. There are some customers that have some specific specifications that are assigned to one supplier or another. Sometimes they base their specification on a particular supply point and then write a specification associated with that. There's no magic in that whatsoever. There's rarely a case where any of our products can't be sold into the industry.

MR. SMITH: Could you elaborate a little more on the customers that have specific specifications.

MR. KANE: Well, from time to time, maybe a glass producer will require a certain particle size distribution. It's very rare, but it does occur. Sometimes there might be a Ph requirement from a particular customer. Because it's a relatively small market the impact on somebody who wants a Ph product that's between a particular range is typically immaterial.

MR. SMITH: Could you tell me what salt cake is?

MR. KANE: I imagine salt cake is a term that was mostly created by the paper industry. I think that's where it stems from. You folks can help me out here. So, it's synonymous with sodium sulfate. It's become to be known as a lower quality sodium sulfate. You could take a little bit more impurities with it, maybe the particle size could be different. There's nobody in the U.S. that uses a sodium sulfate that's termed salt cake. But if you talk to somebody in the paper industry, depending on who you speak with, they might refer to it as salt cake, but totally synonymous with sodium sulfate sold in the marketplace today.

MR. CORTESE: I agree with Joe Kane. Our product comes out consistently. It's basically one product and we do test for different things for select customers as well, but it's basically the same type of product. The term "salt cake" is used predominately by the pulp and paper industry. Some of them even call it "salt." We actually at Elementis call it "salt," but it is anhydrous sodium sulfate.

MR. SMITH: You mentioned pulp and paper, but what about detergent makers and textile makers who starches glass do they require any kind of different grades or do they just take SSA the same?

MR. CORTESE: They're pretty much all the same.

Most of our customers just take our specification sheet and use that, quite frankly, whether it's detergent, textile, glass. In the occasion of starch manufacturer, they do want a FCC product that meets the food chemical code specifications. So that would probably be one exception, I would think.

MR. SMITH: Okay. I think it might be helpful actually if you could add that specification sheet to the post-conference brief.

All right, switching gears a little bit. Mr. Wrenn, I think you mentioned that Giles and Saltex do some bagging for the producers of synthetics. Could you elaborate on that a little more?

MR. WRENN: Yeah, a certain segment of the sodium sulfate market requires sodium sulfate in palletized fifty-pound bags or 2,000 pound sacks, predominantly. And we have a facility and we contract on smaller volumes. The other facilities are in different parts of the country to do that bagging and warehousing so we can fulfill that portion of the market.

MR. SMITH: Okay. Does Giles and Saltex engage in any other production-related activities related to SSA?

MR. WRENN: Giles or Saltex doesn't produce any sodium sulfate. The only activity, the only hard assets that Giles has in the ground is a bagging facility for the

purposes of bagging and storing sodium sulfate.

MR. SMITH: Okay. Mr. Trendl, in your post-conference brief, would you mind addressing whether there are any domestic producer-related parties that should be excluded from the domestic industry in this case?

MR. TRENDL: Certainly will address that in our post-conference brief.

MR. SMITH: Okay, thank you. We talked about this a little bit more, but I'm curious to know whether there's any kind of disconnect between supply and demand in this market, mainly because the synthetic producers, there's potential that they could be producing SSA, not based on demand for SSA, but based on demand for the coproduct. So could you elaborate on that a little more? Maybe you, Mr. Rogers?

MR. ROGERS: As I noted, the industry is comprised of different producers with different structures. The market, though, at the end of the day is roughly half synthetic material. Roughly the other half is natural. So the producers, you know, they all face the same motivations in terms of getting the most they can from their product.

What I was indicating in my testimony is that the producers who are solely focused on sodium sulfate face the decision first in terms of how they're gonna operate their facility and run their facility. But there is no demand

difference among the producers.

MR. SMITH: Okay.

MR. MURPHY: I'd just like to add onto that, that we don't need to make a certain amount of sodium sulfate. I can reconfigure my production process to produce more or less of that. And so it's, in my case, it's like my other product groups. I'm constantly doing a balance within my plant to find the optimal production of all of my products. Which means, sometimes, I have to --

I always prefer to sell domestically for all of my products. But I also sell into fifty other countries in the world because, you know, once again, optimized production and then sometimes I have to find the markets. And sodium sulfate is that way as well. So if I needed to go international with sodium sulfate, I could certainly do that.

MR. SMITH: Okay. So is it possible that you would produce in excess of the amount you're seeing demand for sodium sulfate because you're seeing more demand in a coproduct? Is that -- I mean I know you're trying to optimize the product you produce, but I'm just curious to see if there's any kind of market there might be overproduction, for example, of sodium sulfate because there's a higher demand for the coproduct.

MR. MURPHY: You know, we really consider our

market area, geographical area, because there's such high transportation costs associated with the movement of the product and in many cases, the transportation costs can outweigh the value of the product, so you have to be very careful about where you're moving product and where you can be competitive.

So we really consider our market to be focused in and around the southeast of the United States and also in the Midwest. And in that market area, we do not believe there is a supply-demand imbalance. In other words, we could not produce more than that market could absorb. Us, alone. I can't speak for all the other manufacturers.

MR. SMITH: Mr. Murphy, do you keep sodium sulfate in inventory:

MR. MURPHY: We do keep some in inventory, but it's at maximum, two, three, we can do maybe a months' worth of production in inventory.

MR. SMITH: Okay. And what about --

MR. MURPHY: I'm sorry, but like most companies, we try and do our best to minimize that because there's a cost associated with carrying inventories.

MR. SMITH: Right. Okay. Did any of the industry participants notice or can discuss or elaborate on any irregularities with the supply in domestic market at the beginning of the POI?

Sorry, I'm curious to know if there are any regularities in the supply at the beginning of the POI, which would be 2016 in the domestic market.

And about what percent of U.S. shipments by domestic suppliers in 2018 were synthetic, as opposed to natural?

MR. ROGERS: You'd have to look for the specific information would be in the questionnaires. I noted in my testimony, we believe it's roughly half. You know, whether it's 45-55 or 50-50, I'm not sure. And there might be some variation. But I think that's a reasonable range.

MR. SMITH: Okay. Switching gears a little bit to price, and I won't go too deep into it, but the opening remarks of respondents, there's a mention of SMII losing business to P&G because it refused to lower prices? If you could elaborate a little what you know about this in your post-conference brief, I'd appreciate that.

MR. ROGERS: We'll do that. I think, at least one of the companies here today has direct knowledge of interactions with that customer.

MR. SMITH: Okay. And also on price, if Mr. Rogers, you've discussed this a little bit, but I'm not sure I totally understand. Could you elaborate again on your argument for, you know, how we need to take into account transportation costs when comparing the subject imports'

prices to domestic like product prices?

MR. ROGERS: That's a very good question. I'd say at the outset that the data you have reasonably reflect what's going on in the market on an aggregate basis, that is, when you look in terms of price trends. So you look at the AUVs and you look at those trends and the imports that are coming in, you see prices going down.

It's when you get to the specific quarterly comparisons that we start to wonder what the best way of looking at the information is. We'll say, at the outset, and certainly ever reliant, you have a robust data set in terms of number of participants and coverage that the -- you know, that's not the issue here.

The question then is, and the data you do have shows a picture of mixed underselling without going into the specifics. So I think you certainly have a reasonable basis for finding adverse price effects.

Going forward, the question is, do you need better handle -- does the industry need to provide better information to establish price comparisons at the point where these products are truly competing? You know, if somebody's bringing the product into Illinois and then only shipping it fifty miles and you've asked for the data U.S. point of shipment, and whereas somebody else is shipping it five hundred miles, then they're gonna have a very

different transportation costs.

And freight is really expensive in this industry. And freight is a factor of distance, it's a factor of mode, it's a factor of location. It costs a lot more to ship it in a urban environment as opposed to out in the plains of Kansas. There are a lot of factors going on.

So, you know, there are different ways of looking at this one is -- to do it on a "get delivered" pricing, which you've done in some cases involving cannon and involving heavy products such as this or lower-valued weight products. Another option, which might be easier to do, certainly at this stage of the proceeding is to just simply look at the price at the border, when looking at the import price.

Because I know from the U.S. side, all of the producers took their product all the way back to the factory gate. They took out all the costs. They took out the rail cost, they took out the truck cost, they took out the bagging costs, they took out the transloading costs if applicable. I'm not convinced that was done on the other side.

So, again, I think, going into a final phase, you'd certainly want to ask additional questions to try to get at the most accurate price comparisons, but you certainly have sufficient data in this, already compiled in

this proceeding to make a finding of adverse effects.

MR. SMITH: Okay, thank you. One more question with respect to pricing. In the 2000 case we looked at bid data. Should we be looking at bid data in the final phase here as well? Is this an industry that has bidding for contracts? And could you elaborate on that a little more?

MR. ROGERS: I wasn't involved in that case, so I can't comment specifically on what was done then. I know bid data are not used frequently by the Commission. There are issues there as well. But we can look at that and discuss it and get back to you in the post-conference brief.

MR. SMITH: Okay, thank you.

MR. TRENDL: You're right, Mr. Smith, that bid data was used. We were trying -- and I don't remember the gent -- I was around then and I'm trying to remember exactly how it came out. But it was going to the point of trying to make a comparison of things that are equal.

If a Sask Min is shipping something from Saskatchewan to a hub in Joliet, Illinois and then shipping that and that freight doesn't get included in their -- or is included, I should say in their price and then they just are deducting -- now trucks are something taking it from Joliet to a customer in the United States, where you have a U.S. manufacturer bringing it from somewhere further and incurring higher freight costs.

You know, bid data, in theory, although it's always complicated 'cuz all the bid terms are different, it's hard to equate them, you would then try to compare, like, well, what's the customer really paying for? And that, it's a way to do it. I mean it's frankly a pretty messy way to do it, and which is why the Commission doesn't often do it. I've been involved in a couple of cases. Uranium was another one where we got bid data and the bid process and for enriched uranium is crazy complicated.

But looking at it at the border is far cleaner and simpler way, particularly in this preliminary phase. But yes, we will address it further in our post-conference. But that's I think where bid data was coming from. It's not something that we're getting behind here. Because it's just complicated, frankly, and I don't know, every other companies might have different terms. It's maybe not the best way.

MR. SMITH: Okay. I know this will be in the questionnaires, but are annual contracts a big part of this industry?

MS. FORD: Most of our contracts are on annual basis.

MR. SMITH: Okay. And I assume you compete for those contracts every year with your competitors?

MS. FORD: Yes, we have some contracts, not so

much in sulfate, but we can go two to three years. It's not necessarily as common, but we have done contracts longer than one year. But in terms of our U.S. sales, we do have, just to be clear, on the end use, larger consumer side that's typically one-year contracts.

We have a large distributor network on the West where most of those are not -- some are under agreements for a year, but most of those are just -- I wouldn't consider them spot sales, because once you have the business, unless a competitor comes in and you have to react in that regard, but on the end use side, on the consumer side, those are annual contracts.

MR. SMITH: And the contracts set the price which shipments are made pursuant to the contract? Or orders are made? Is that accurate?

MS. FORD: Can you say that again, please?

MR. SMITH: The contract sets the price which orders are made for that year?

MS. FORD: That's correct. You negotiate and that price typically within the contract, the price is firm. Through the life of the contract.

MR. SMITH: Okay.

MR. CORTESE: Most of the customers, major customers, are typically asking for a one-year or two-year contract agreement. And so, yeah, the pricing is then

established for that period of time.

MR. SMITH: Okay. I have just two more questions right now. This is perhaps something that needs to be elaborated in post-conference brief, but my question is, should the Commission give any consideration to Giles and Saltex's financial performance in its analysis of the domestic industry's financial performance in that they do not appear to produce the sodium sulfate? If so, how should the Commission take into account their financial performance?

MR. WRENN: I believe you absolutely should. Our financial performance is directly tied to the health of the sodium sulfate market and in the United States. And so are the coproduct producers that we represent. Because, you know, the sales that we can generate are, you know, they feed directly down into the health of us financially, as well as our coproduct producers.

MR. KANE: Further to that, because we're not able to discuss how contracts apply to the marketing of sodium sulfate, there could be a disconnect between financial dynamics of Saltex and Giles and the health of the market. But certainly, in the questionnaire, you'll see evidence of the downward trend in the export's pricing related to the material that Giles, Saltex markets from.

MR. TRENDL: That's a good question, Mr. Smith,

because one thing to keep in mind, Giles is the company that's competing with the respondent. The coproduct producers, there is a level of competition there and Giles is marketing it, but Giles is setting the prices, Giles is finding customers, Giles is sometimes bagging, but Giles is doing that. So there is a role in here, and I think to ignore that would not be correct. But we will happily elaborate further in our post-conference brief as you suggested.

MR. SMITH: One last question. And we talked about this a little it already, but I just wanted to check -- with respect to nonsubject imports, do any of the industry participants have any idea what might be coming in as nonsubject that we're seeing as nonsubject with a higher AUV, what product that might be?

MR. TRENDL: Just so, maybe to elicit an answer if anyone knows. What Mr. Smith is asking, is stuff that's coming in not from Canada, but from some other source, as Mr. Rogers testified, it seemed to have a crazy-high AUV. Any idea what that might be? Is that a different characterization of your question?

MR. SMITH: Yeah, right. What product it might be.

MR. KANE: No, we do not know. We're fairly confident is it not sodium sulfate. Just because of this

AUV dynamic.

MR. CORTESE: I would have to agree with Joe Kane. I don't believe it's sodium sulfate.

MR. SMITH: Okay. Well, thank you all again. That's all my questions for now.

MR. CORKRAN: Thank you, Mr. Smith. And next we'll turn to Ms. Burke.

MS. BURKE: Good morning. So I just have first some questions based on the testimony this morning, and then based on questionnaire in the petition. So my first question is, Mr. Rogers mentioned that he believes that there's some discrepancies in the importer pricing data. Is it your opinion that there's no discrepancies in the producer pricing data?

MR. ROGERS: Well, with respect to the producer pricing data, I canvassed the members of the panel here and they all reported that they netted everything back to their factory gates. So I'm pretty confident that's what they've reported with respect to the imported material. And obviously I don't know exactly how they did their calculations.

But I just note that there's an extensive logistics chain in moving the product from Saskatchewan to the border on one line, moving it to another train in many cases, moving it to a facility, back, storing it, handling

it, bagging it perhaps, putting it on a truck and shipping it. There's a lot going on there. So I just don't know that they have taken all those costs into account.

MS. BURKE: Okay. You also mentioned that there is mixed underselling and overselling. I'm just gonna say on our end, we're not seeing that. So I would suggest counsel and the U.S. producers go back and look at the data that they provided to us. Okay.

So moving on. In the petition, I was just looking through it. I didn't see that you asked to get pricing on a delivered basis. And on page -- on the right page here, you do mention on Page 6 that prices are on a delivered basis, but also on FOB plant and Ex Works. So did you ask for pricing on a delivered basis in the petition for the questionnaires?

MR. ROGERS: No, we did not explicitly ask that question.

MS. BURKE: Okay. Some other questions. On Page 4 of the slides, it mentions that competition is based largely on price. Will we see that in the purchaser responses to the LSLR survey as major purchasing factors? And that they purchase based on the lowest priced product?

MR. ROGERS: Obviously I can't comment on specifics. I think, again, there are two issues here. One is the overall trends going on. And the second, when you

look at individual purchasers -- I don't have them memorized in terms of whether some said yes, some said no.

There's also a situation where, and we'll go into it in post-conference, and I think there was a reference to a particular customer, where they did not buy imported product perhaps, but they used that imported product as leverage to knock down the price offered by U.S. producers. So I don't think that question necessarily provides a complete answer as to what's going on in the market.

MS. BURKE: This is on Page 4 of the slides, and it's just a general question that we always ask obviously in our questionnaires. And also, I think it's on Page 7 of the petition where you list a number of end uses of SSA. We would appreciate receiving some cost-shares of these end uses that are attributable to SSA. If you can provide that in your post-conference brief, we'd really appreciate that.

MR. ROGERS: We will survey the members again. We have asked this question and everybody basically says, "How do we know what PNG's cost is?" for example. Or a glass producers' total cost. I mean how much sodium sulfate is part of that cost. We'll take a stab at it.

MS. BURKE: Great, thank you. Okay, so switching gears. On Page 10 of the petition, it states that producers utilize lake brine as the main raw material in SSA and that the costs are based on the mineral royalty costs of each

producer. Can you explain the mineral royalty -- like, how the mineral royalty rate is calculated? Because looking through the petition, it's a little confusing.

MR. KANE: We have our facility. We own some of the minerals associated with what we produce and some we lease from folks that own the mineral rights to it. So the mineral royalties associated with what comes into the facility are paid out to the mineral owners at a particular rate, based on various factors. We have several agreements that are distinct from each other.

MS. BURKE: Okay. And so if it's based on these leases and the different minerals that you have in-house and that you have to lease, would these royalty costs be different for U.S. and Canadian producers?

MR. KANE: Joe Kane, CNR. When you said "different minerals," I'd like to be clear. We only have mineralized sodium sulfate available to us. So it's really only one mineral. I don't know the mineral royalties associated with the facility in Chaplin. I'm not able to comment on that.

MS. BURKE: Okay. So then these leases, the leases you just mentioned, are they generally on like an annual contract basis? Do you ever -- is there ever an agreement in a spot sale situation?

MR. KANE: Joe Kane, CNR. No. They're

typically -- they've been historically paid out at a particular rate. The facility has been operating for decades and decades and decades. Unfortunately what's happened is you're out in a very remote area in West Texas. The land holders of that or the mineral rights owners of that facility, most of them have passed away and now have brought down the rights to a host of individuals.

There are hundreds and hundreds and hundreds of mineral royalty checks written to various members of families who own a particular portion of a lease. You can imagine a grandfather had eight percent of our minerals and he passed away, and now he had four kids and that family tree continues. So we write very small checks based on agreements that were had in the 60's.

There are some that are based on some other factors that are more concrete to the industry itself. But generally speaking, as you can see demonstrated in the questionnaire, it's a minor component of our cost.

MS. BURKE: And so I don't know if it's -- it might not be, but are any of these costs publicly available? Like are there any price indices for this mineral that we can look at for our analysis?

MR. KANE: Joe Kane, CNR. From a mineral royalty perspective, there are no markets or indices that you can refer to.

MS. BURKE: So it's mentioned in the petition that SSA is interchangeable, regardless of what country it was produced in. But in Mr. Wrenn's testimony, he says it's interchangeable in virtually every application and with few exceptions at every customer. So what applications is it not interchangeable in, and what customers are those? Like what are the customers that are the exceptions?

MR. WRENN: Guy Wrenn, Giles Chemical. I was -- I was speaking about natural versus synthetic. Each facility has different quirks, different, minute differences in the product they make, and every once in a while a customer, and this is definitely not something that is a major factor in anything, but every once in a while a customer for whatever reason will prefer one quirk versus another.

MS. BURKE: Okay. So --

MR. KANE: Joe Kane, CNR. Let me add something to that. Like I mentioned previously, there are very few customers that you can't sell most of the product to, virtually all of them. The difference between virtually and all it's so minor that it's immaterial. There could be some glass facility that will prefer one product versus another, but that preference is mostly based on historical trends.

I'm going to approve one particular supply point. It has this kind of chemistry and this kind of

particle size distribution, so that's what I'd like. But supply to that particular, say it's a glass account, will -- and pricing associated with it will dwarf any chemical or physical properties of it. They'll change if the market dictates they change, if pricing dictates they change.

MS. BURKE: Okay. So does this, and maybe this, but does that have to do with the purity argument that was in the petition, about that some customers preferred lower impurities? I wasn't sure where -- that was in -- there's a mention of purity and impurities in the petition, and I'm trying to get a better handle on what that would mean.

MR. MURPHY: Frank Murphy, Elementis. I think we mentioned that in Michael Cortese's opening statement, that back during the 90's, the quality demands of the industry increased. And as a result, we made the investment in the purification unit which stands today. So that was -- I believe in the past there were applications that could utilize a lower quality material. But the remaining applications do require a certain quality standard for the industry, and just about everyone in the industry meets those standards today, yeah.

MS. BURKE: So what are the major factors that purchasers consider when purchasing SSA, and I know we've kind of touched on this. But I just want to get on the

record what qualities or characteristics other than price are important to the end users?

MR. KANE: Joe Kane, CNR. Other than price, there are two other legs to the stool that I think maybe most of you would agree with, and it's service and quality. Quality is everybody demands good quality and we think we all produce an acceptable, fungible type product to virtually the entire customer base.

On a service perspective depending on what we're talking about, whether it's a hopper truck location that's 25 miles away and what their expectations are on the delivery time. That's a meaningful decision point that lots of customers make. And then there's rail car dynamics. Rail cars come in various sizes and shapes, and maintenance capabilities. That's another component, especially when you sell to large customers who take rail car quantities.

MR. CORTESE: Michael Cortese with Elementis. Yeah, in addition to that, I think just the relationship you have with that particular account. You build up trust over time and if you've delivered when they needed it and you took care of them in times of need. So there's a lot of trust that's been built up, and I would hope as a sales guy that, you know, I would get the benefit of the doubt, all things being equal because of that.

MS. FORD: I agree. Pamela Ford, Searles Valley

Minerals. I think Mr. Kane hit on it. Outside of price, certainly lead time and a transportation factor is a qualifier for a supplier, because reliability is very important in this industry. Sulfate and certainly other products that I sell, it can shut down a facility if they don't have the product. So it's important to them.

MS. BURKE: Okay, and so going to quality, is there a difference in quality of U.S.-produced SSA and that of Canadian-produced SSA?

MR. KANE: CNR, Joe Kane. No, there is none.

MR. CORTESE: Michael Cortese. I agree. They're the same product.

MS. BURKE: So moving to demand, what indicators would be the most useful for predicting future demand of SSA?

MR. KANE: Joe Kane, CNR. This is a fairly small market. So it's hard to point to anything as a leading indicator whatsoever. So it's really much customer-based. We know the market and we know the customers, and there's not a lot of them. So when we look to see what we think demand's going to look like, we can't read an industry and say the paper industry, are they going to produce more crap paper? No. There's no dynamic or tie-in to any kind of an indices in any market as far as we can tell.

The detergent industry worldwide is very significant relative to the use for the application of sodium sulfate. There's no worldwide industry or measurement of that. But some of us guessed that it might be 90 to 95 percent of the total worldwide consumption for dry powder laundry detergent. So we look at that.

In developed countries, we use a lot of liquid detergents versus dry powder, but you can't go -- you can't see that anywhere. You might read an article relative to P&G's position on liquid versus dry powder. But it's very much a local issue. There's -- we know, everybody knows P&G's position.

Everybody knows the dry powder laundry detergent business over the last 20 years. We know where it had all gone, and there's virtual -- there are a few that are left. But there's no indices to go look at and try to measure what the market's going to look like.

MR. CORTESE: Michael Cortese. You know, this is a mature industry. There aren't any new applications for sodium sulfate out there that I know of, that would, you know, increase demand. So you know, overall the trend has been downward and I don't see it increasing significantly by any means. I think it's going to be flat, to continue to maybe slowly decline.

MS. BURKE: Okay. Are there any substitutes

for SSA?

MR. KANE: Joe Kane, CNR. There's no perfect substitutes. Depending on what industry you're speaking of, yes, there could be. If you want to elaborate we can. So I would say in the dry powder laundry business, there really isn't. They can, they can change formulation to use more or less sodium sulfate.

We do try to understand how that works. But typically these large players aren't very forthcoming so it's a bit of a mystery. That's why it's a challenge when you asked the question how much sodium sulfate goes into the final product. We ask that all the time and it's -- that's a little bit of a selling pitch for us.

What do you care what sodium sulfate sells for? Whether it's $10 a ton more, it's .1 percent of your total cost. We would love to get to a number like that. But it's a challenge. In the textile industry, depending on what customer you're talking to, it's used as a dyeing agent, and depending on what kind of stainless you're using in their particular cast, they can maybe switch to sodium chloride or back and forth.

But it's an imperfect substitution. There's drawbacks with using sodium chloride. Same in the detergent industry. There have been some folks that use sodium chloride in detergent, but it's a lousy substitute. It

makes an inferior product. Pulp and paper industry, they have some other options. They're a challenge, they have their drawbacks.

Logistics, as you've heard over and again here, is a big component of how we look at the industry. But the pulp and paper guys they can use an emulsified sulfur with a caustic soda. But there's issues with that. It depends on what, how they're contracted now with caustic, what their balances are in the facilities. It's a pretty complicated market to understand how they trade the product, their liquid swaps and all.

There's no correlation between the price of let's say their alternatives, which is gnash and a combination of caustic soda, an emulsified sulfur and sodium sulfate. There's no real perfect analysis that you can make. It's a very complicated situation.

Do they have the handling capabilities at a pulp and paper facility? Do they have enough recovery boiler capacity? Even if sodium sulfate was free, would they use it? It depends on what capabilities they have at the facility.

MS. FORD: Pamela Ford, SVM. Just to add onto pulp and paper and probably in other cases, it's not necessarily the facilities were built to use substitutes. Some are turnkey where they could use sulfate or they could

use caustic. Some were built long enough ago that their process only allows them to use caustic or only allows them to use sulfate. So although there may be some alternatives or substitutes, the facility also has a lot to do if there's -- they have that option.

MS. BURKE: Thank you. Have there been any availability issues or supply disruptions during the Period of Investigation for any of the U.S. producers.

MR. CORTESE: Michael Cortese with Elementis. Yes, our company in October of 2018 was caught in the middle of Hurricane Florence, which doused I think something like 24 inches of rain over a two-day period. So there was severe flooding that took place.

What basically happened is the railroad declared force majeure, so we could not get raw materials in, nor could we get finished product out. So we in turn had to declare force majeure as well, and that was for about a three week period where we were able to ship our bag customers from inventory because we had inventory in stock.

We did ship some of our bulk accounts because we had inventory in the silo. But there were some periods there where we could not sell the customer. So our competitors, I think, took over at that point and filled the gap. But in terms of total tons of our production, it was relatively small and compared to the total market it was

really insignificant.

MS. BURKE: Thank you. I think I know the answer, but I'll just ask. Are there any available public pricing, publicly -- price data that's publicly available for SSA that is also largely recognized by the industry?

MR. TRENDL: I'll answer this. This is Tom Trendl. Boy, I wish, and as you can imagine, we looked hard for it. We looked all over the place for it, you know. From an import point of view, you know, the HTS data is fairly useful.

But there's not. You might have for, you know, a steel product, you know. You've got it all broken down and all that. That does not exist as far as I'm aware, and if someone says yes now, you should have told me that months ago.

MS. BURKE: So and this goes to coverage and I know it was mentioned, but how representative are our pricing products? Is SSA sold in any other quantities? I know we've talked about the 50 pound bags and then the 2,000 bags and then by rail. Is there any other way that it's sold that we might not be capturing with the current pricing products?

MR. ROGERS: This is Tom Rogers. I'll jump in first and then let the industry representatives pick up the pieces. If you look at their total shipments and compare it

to the total quantities in the pricing products, I think you'll see pretty complete coverage there. So to my understanding, there's very little other forms of the product, or other forms in which it's sold.

MR. CORTESE: Well Michael Cortese. Again, it's primarily a bulk rail car, a bulk truck, and then 50 pound bags and shipper sacks.

MS. BURKE: I think that's it for me. Thank you.

MR. CORKRAN: Thank you, Ms. Burke and now I'll turn to Mr. Boyland.

MR. BOYLAND: Good morning. Thank you for your testimony. First a question, and this is probably an accountant would only be interested in, the distinction between co-product and byproduct. But throughout the testimony I've heard this interchangeably used, and it is actually pretty important.

Our questionnaire was structured to collect byproduct data from byproduct producers, and co-product producers were presumably only natural producers. So at this point, I guess what I'd like to ask is where are we on this, because my general understanding was everybody except the natural producers were byproduct producers.

It's an accounting distinction, so I guess for Elementis, if your company treats this as a co-product for

accounting purposes, that's important and I think, you know, we might need to re-think the way we asked for the information. So I guess I'm asking you that. Is it a co-product from an accounting standpoint?

MR. MURPHY: Frank Murphy. I'm sorry, I'm not an accountant. So I don't know if there is, you know a fiduciary distinction that would -- somehow has been made, you know, where you account for a byproduct one way and a co-product another. I don't know that. I just know that we have, we have a cost center set up for it like all of our other products, and we, you know, we generate profitability on that product like we do everything else.

MR. BOYLAND: And I guess that's a question for your accountants. But I take your point, and to the extent that you do have a cost center and you're treating this as a co-product for all practical purposes, I think we would want to re-evaluate the way the information was submitted, because essentially the byproduct information, the byproduct P&L was intended to collect a net byproduct revenue.

If what you're saying is we have a P&L for this co-product, and that's really what we should have been collecting. MR. MURPHY: This is Frank Murphy. I'd just like to say that we don't go do a full P&L, P&L meaning going all the way down to net income, right. We don't go down to a full P&L for any of our

product groups. We only go down to the gross profit level, and then all -- we treat all production costs, all our fixed costs separately.

So we've got a variable cost built into the gross profit, and then we've got a fixed cost, manufacturing costs and then our GS&A is all below the gross profit level. Then we come up with an operating profit for the business. So we treat that business unit like -- that product group like every other in that. So we don't go down to a strict P&L.

MR. BOYLAND: Yeah, no, I was -- P&L in the sense that you're, you know, costing it out and you're actually, you know, presenting a gross margin on a product-specific basis.

MR. MURPHY: Yes, we are.

MR. BOYLAND: It sounds a lot like it's a co-product, and I think at least for presentation purposes, we would want to have a more complete P&L, which you may have actually provided the components already. It would be simply going back and breaking out the manufacturing costs into raw material directly or overhead.

So to essentially mirror what we requested from the natural producers, the primary and co-product natural producers, who were requested to submit a complete P&L. So I guess I'd kind of throw that out to counsel, if you could

--

MR. ROGERS: Sure. This is Tom Rogers. Your point is well-taken. Obviously for the questionnaire, the company filed the format as specified. When we prepared the data for the petition, however, we did have -- the company did break out the information that way you are indicating. So it should not be a significant issue to put it into that form.

MR. BOYLAND: Okay. That would be great. I appreciate that. And I guess, you know, sort of along the same lines we have other producers out there, and to the extent they've submitted information it would appear they consider themselves byproduct producers. So testimony has sort of referred to them as co-product producers. You know, I guess I would like to hear from you, I mean they're basically calling themselves byproduct producers. You're referring to them as co-product producers. Is this a distinction that's really relevant to you or --

MR. MURPHY: It is to me, I guess that's my point. It's important to me.

MR. WRENN: Guy Wrenn, Giles Chemical. I'm not sure what you guys consider co-product versus byproduct or the semantics in between. I can explain to you what I would and how I think they look at it. I'm certainly not an accountant, nor do I know their accounting and how they

account for all this stuff because I'm sure it's more complicated than I want to know.

But you know, a co-product is a product, as I think of it and as I know our co-product producers think of it, is a valuable product. It's something that they do. It's something that they put energy in. It's something that they put money into. It's something they want to do well, and they see tons of value in.

You know, I would -- and while you can get into a matter of semantics, a byproduct is thought of as more of a waste, I think. So they don't think of it as a byproduct because it's something that's very important to them to do and do well, and it's something that they want to get a lot of value for. So that is why I'm referring to everything as a co-product.

YY I think we're on the same sheet of music. From an accounting standpoint, a distinction between byproduct and co-product is essentially how you're going to -- are they going to have costs assigned to them specifically? I think in this instance, your point is well-taken. It is a product they care about, etcetera. That doesn't mean it's not a byproduct from an accounting standpoint.

So I think we're okay on that. I just kind of wanted to make sure we were on the same sheet of music

because we are going to be presenting the data in a way that categorizes producers.

MR. CORTESE: Yeah. This is Michael Cortese. Just as I guess a point of clarification, on the questionnaire it stated natural and co-product or just natural, and then it had byproduct/synthetic.

MR. BOYLAND: Yes, and that was my mistake.

MR. CORTESE: So that -- so we haven't checked the synthetic box.

MR. BOYLAND: I think in the future, well I made an assumption so point well-taken. I think the distinction between synthetic and natural is pretty much accepted so okay. Moving on. A question kind of in general. The U.S. producers are reporting revenue in their income statements. Could you confirm that freight was deducted from the revenue that was reported?

I believe for CNR and SVM, it would be Table III-10. For byproduct it would have been III-13. Essentially did the revenue strip out?

MR. ROGERS: This is Tom Rogers. Yes, that is my understanding, that is -- that the pricing data were prepared on the same basis as the trade revenue data, FOB point of shipment per the instructions.

MR. BOYLAND: So freight is -- okay.

MR. ROGERS: It's not necessarily how the

product is sold.

MR. BOYLAND: Correct, I understand. But for our purposes that's the way we asked for it. Just with respect to the natural producers, we were discussing the mineral rights and the brine. Is there a difference between the brine being used by CNR versus SVM? I mean it sounds like maybe there's more minerals to deal with at the SVM level versus CNR?

MR. KANE: Joe Kane, CNR. We have other products, other minerals in the mineralized deposits, but they're not economical to pull out. We have some sorting chloride in the material, but the cost to associate it, to pull it out and make it a saleable product is significantly -- it's significant and you look at where the site is located, the major application for sodium chloride is in deicing.

So not many people out that way, so it's just not economical, versus your SVM's mineralized deposit, they have economical components that makes sense to pull out.

MR. BOYLAND: Okay.

MS. FORD: Pamela Ford, SVM. Yes, Mr. Kane's right. We have several mineral deposits in our service like beds that have been developed over many, many years. This used to be an all Kerr-McGee facility. That may sound familiar, that name. So we have been around a very long

time. We've commercialed the products that we sell today for a very long time.

So it's a very geographical, intense, engineering intense, injection well intense process. So yes, it would be maybe similar in the sense of deposits, but very different in terms of the way that we utilize the brine.

MR. BOYLAND: Thank you, and this is kind of more of a data-related question for SVM. On Table III-10, the cost of goods sold information is broken out into raw material, direct labor, other factory costs. One of those elements is not reported, and I would request for post-hearing you could update the questionnaire to include that item, or explain why it's not included.

MS. FORD: Sure. Pamela Ford, SVM. We'll look at that. I think we did circle back around that, Mr. Boyland.

MR. BOYLAND: If it's been corrected, I haven't seen it yet.

MS. FORD: Okay. We'll address it in the post-conference for sure.

MR. BOYLAND: Thank you. Oh yeah, and I guess along the same lines as Mr. Kane was describing the mineral rights, raw material, would it be similar for SVM, mineral rights, royalties, etcetera?

MS. FORD: Yes. Pamela Ford, SVM. We do lease a portion. I don't in the public hearing want to get into too much specifics. But we do lease property from the BLM, Bureau of Land Management, have for many, many years. It's an evergreen situation. We're grandfathered in, but we do pay -- we do pay royalties to the government.

MR. BOYLAND: Okay, thank you. Previous testimony described the operations as 24-7. I believe everybody is essentially indicating that. During the Period, were there any changes in that? I believe CNR in your questionnaire, you indicated that that may not have been the case for the entire period, in I think response to Question II-2. You provided some narrative about the company's operations.

MR. KANE: Joe Kane, CNR. If you want further detail on it, we'll need to do that in a post-conference hearing.

MR. BOYLAND: Okay. I think the question, again I'm trying to tiptoe around the BPI part of this. But it would be more you've narratively described it, and I would like to know how that impacted the costs of the company. I mean I can sort of gather what happened, but it would be good to get your perspective.

MR. KANE: Joe Kane, CNR. Well, when you make less product and your fixed costs are that fixed, then your

unit for fixed cost goes up. So it hurts. Obviously, the employment situation out in West Texas is such that I believe there's only a pool available to you. So it's hard to rationalize out labor on a basis where you could not operate on such.

So labor stays fixed throughout the period, regardless of if you're producing at the particular time.

MR. BOYLAND: Okay fair enough, and again that helps, because I think the idea was it's better to have the company official describe the impact, as opposed to me just sort of interpreting, okay, that's what must have happened. So I appreciate that.

I guess sort of circling back to the minerals themselves. For SVM, your description of the production process indicated that SSA is produced at the tail end of the process, after all the other minerals have been extracted. Is that correct?

MS. FORD: Pamela Ford, SVM. Vice President of Sales for a reason. From a production perspective seriously speaking, it's a little more complicated than that. I have -- I can provide on post-conference a diagram to further explain the process if that would be helpful. I guess we've provided a 30,000 foot view.

MR. BOYLAND: And I appreciate that.

MS. FORD: We have what we call a sack process,

where actually the brine is separated between soda ash and sulfate, and in the interim borax. So that was maybe a little bit more of a simplistic. Do you have a particular --

MR. BOYLAND: Yeah. I think my question was, you know, to what extent SSA in the production process is not emphasized because these other products are more value-added, they're more, you know --

(Simultaneous speaking.)

MS. FORD: I don't think the supply chain within the -- the supply chain within the manufacturing process signifies a priority of the products that we produce. It's just the way that the brine is brought in and the injection wells and the service wells to bring into the product into the finishing process.

MR. BOYLAND: And sort of along the lines of I think previous questions about how SSA production could be modulated, can SVM modulate production? I mean it has all these other products it's producing too. But to what extent does SSA just sort of follow the overall trend?

MS. FORD: We produce sodium -- Pamela Ford, SVM. We produce sodium sulfate in a facility called, what we call West End, which it's the same facility we produce pentahydrate through the same stream. So through the pentahydrate process, as well as parallel to the sodium

sulfate process. I'm not going to sit here and say -- we don't have a key that we can put in and say "turn sulfate off," no.

There are a lot of other factors that affects other processes. So it's not something we consider as an on and off switch.

MR. BOYLAND: Okay, thank you. And I guess for Elementis, that was a question that was raised too, the extent that, you know, looking at one of the tables where you had outlined the percentage of SSA relative to other products. It would appear that there are other products that are more substantial, that looking at that I would sort of assume that those other products are driving SSA as opposed to, you know, given the relative size of SSA compared to these other products.

MR. MURPHY: Frank Murphy, Elementis. When you say "relative size," you mean on a volume basis or revenue basis --

MR. BOYLAND: Well, share of sales, and I'm assuming that was on a value basis. Percentage could have been on it.

MR. MURPHY: Oh, it was on a value basis?

MR. BOYLAND: Yeah.

MR. MURPHY: I would say that that, sales of those products are the five product categories that I

manage. I would say it's maybe third or fourth in the, you know, in the value of the sales for the total business. So it's certainly not insignificant.

MR. BOYLAND: Correct, and you know I guess the points was mainly just the extent to which -- well, let me ask another question. The $20 million investment that you referred to in the 90's, was that specific to the purification or for the overall facility?

MR. MURPHY: Specific to the purification of that particular stream.

MR. BOYLAND: Okay, to get to --

(Simultaneous speaking.)

MR. MURPHY: To so we could sell this particular product.

MR. BOYLAND: Okay, thank you. Okay. That helps, all right. And again, I think that goes back to the point about how many co-product is a more, you know for us anyway, that's the way we should be looking at it, because obviously you don't -- 20 million would be a lot to spend on something that really is a byproduct literally. So okay.

MR. MURPHY: Frank Murphy, Elementis. Yeah, we have -- we have other product groups that we have since put capital investments in, and almost all of them have been less than that $20 million amount.

MR. BOYLAND: Okay, thank you. Just sort of a

general question, and I think this is more for the natural producers, CNR and SVM. Have the level of exports during the period been normal? I mean based on the information that's submitted, they're not insubstantial. I'm not getting into BPI, but the pattern that's being reported, could you comment on that? Is this like normal or the historical trend for exports?

MR. KANE: Joe Kane, CNR. It's normal. It depends on what kind of period you're looking at. If you're looking at a three year period versus another three year period, it could be distinct. But if you look at it across the trend of that facility over 20 years, it's very normal.

MR. BOYLAND: For SVM, how would you characterize exports?

MS. FORD: Sure. Pamela Ford, SVM and just to clarify exports, shipping? Products shipping out of the U.S. into export markets? Is that your question? I just want to make sure I'm --

MR. BOYLAND: Yeah. I'm looking for trade information that you submitted.

MS. FORD: Yes, yeah. I will be glad to elaborate in post-conference. I don't want to get into strategies or any specifics. But based on the data, yes.

MR. BOYLAND: Okay. I appreciate that, and I guess for post-conference, to the extent that both companies

could comment on or describe the factors driving the period to period changes in exports and U.S. shipments? So sort of looking at them, the income statement combines it, so we look at one number, but the trade data has it separate.

So to the extent that we're seeing trends that aren't necessarily in lock step, it would be good to understand why for each.

Thank you. This is a question for SVM, Ms. Ford. The branch financial results submitted by the company, could you comment and I know this is probably a post-conference question to be answered, but could you describe the extent to which this is the level of detail that the company normally considers.

When it's looking for financial results for SSA, is post-profit an important measure? Is it contribution margin? Is it something else? It'd be very useful to kind of get a handle on the way the company is actually looking at this. MS. FORD: Sure. Pamela Ford, SVM. I'll address that in post conference.

MR. BOYLAND: Thank you. Sorry, again this is an SVM question. Question 320 of the U.S. Producer questionnaire has a question and you responded to it and the response that you gave is essentially if it's affirmative it's requesting a narrative response and there is no narrative response. Maybe there is one and I couldn't see

it but if you could update the questionnaire? MR. TRENDL: Whatever it is, this is Tom Trendl, we'll confirm it.

MR. BOYLAND: I'd appreciate it.

MR. TRENDL: Whether or not it was answered, if not, we will answer it.

MR. BOYLAND: Okay, thank you. This is just a general question, and why I asked whether freight was deducted or not. When I'm unitizing the sales values I wouldn't necessarily expect them to be all the same in every period for each producer.

I wouldn't expect that but there are some differences and I'm wondering if it's a fungible product and you know it's the same essentially, why would I be seeing differences from company to company in terms of the average sales value in 2016 is this for one company, it's that for another company and in some instances it's not an insubstantial difference.

So and I'm treating you guys' shipments too, not an average of everything so is there, could you comment on that? Why that would be? Is it a customer issue?

MR. MURPHY: Frank Murphy, Elementis. I can't really speak as to, we're talking about net sales price?

MR. BOYLAND: Yes, that's correct. Again it's just my -- I take the total net sales divided by the total

volume, I come up with an average.

MR. MURPHY: So for us, you know more of on a micro-level it's you know the closer the customer is to our facility obviously the net price is going to be higher. The transportation cost could be double the cost of the product much further from us and the net sales price would be much less.

MR. BOYLAND: I guess that's the question, I'm wondering because it's like well once you back out the freight you think well then it's the same. I mean the customer would have to get it to point A --

MR. MURPHY: No, it's closer to my plant but I'm competing with someone who is shipping from Canada or from Texas.

MR. BOYLAND: Okay, I see what you're saying.

MR. MURPHY: But it's in North Carolina. My net sales price is going to be imported to get

MR. BOYLAND: That sale.

MR. MURPHY: It's going to be much higher than either one of them because they've got to deduct a very large freight rate. I think it's important that we're all on an apples to apples.

MR. BOYLAND: I hear you.

MR. CORTESE: Michael Cortese, I might add to that with Elementis. It's certainly a function in the case

of the railroad. Okay, our rail carrier may be different than the other guys rail carrier so whatever we negotiate with our railroad could be different than what they're negotiating with. It also could be multiple railroads involved, depending on the whole -- usually if there's one railroad the rate is going to be higher because each railroad company wants to get their piece of the pie so those are extenuating factors that could cause the differences.

MR. BOYLAND: I mean, so is that sort of the issue here, it's essentially the freight? I wouldn't be looking at oh someone's selling a particle size that's different or --

MR. KANE: Joe Kane. I think because the industry is small in nature, any impact from one customer has a big impact on what the results look like. Not in addition to any particular quarter or a particular month, most customers do use product on a continuous basis but some don't.

So if you're selling to a higher net-back company for two months and then the low net-back company comes in the month after you might see some material changes. I'm not sure what in total you're implying to but I think our data is such at least across the years that it's pretty consistent. I don't know what material it is.

Certainly if we sell more bags in one quarter typically the selling prices are higher for bags versus bulk so you could see some differentials there causing for this.

MR. BOYLAND: Okay, that's good. I mean I think the question about product mix was raised and from your standpoint it sounds like product mix could be as much of a function of how it's packaged, how it's saturated. It's not a product mix in the physical sense of underlying chemical or whatever. It's essentially how's this thing being delivered to the customer.

So, changes in that could impact the average sales value. I guess the other question would be did it or has the profile changed or is it pretty much the same?

MR. KANE: Joe Kane, CNR. I would have to look at the data on this for product mix that we've provided in the application from quarter to quarter. Just so it's clear, there are net-backs associated with each customer account and one, even though it's a big account, the net-back could be lower than a truck account. There's no normal rule for that. So it's not entirely to do with product mix, there is some customer mix dynamics.

MR. BOYLAND: Gotcha.

MR. KANE: That could impact --

MR. BOYLAND: What they actually get, what the negotiate?

MR. KANE: What they actually get, yes.

MR. MURPHY: Frank Murphy Elementis. I think there's another component in all of this and it's the regional nature of the sales. I think Elementis is well-positioned in the largest consuming market which is in the southeast of the United States. You know, our net-back is going to be higher than people who have to ship long distances in order to reach those customers. I think that's the same for Seals Valley. They are in the unique position, located in the northwest. I would never ship product that far because I would not make any money on it. that would be ridiculous for me to try to compete in that market. So you know being physically located in a region could give you an advantage and as a result superior effects.

MR. BOYLAND: Thank you. I guess the question kind of certainly backed why am I seeing these differences? It might be something that if counsel could look and maybe get perspectives that each company can't look to see well you're different because of this, because of that. That would be helpful. So I guess that's kind of where --

MR. ROGERS: Tom Rogers. We'll do that.

MR. BOYLAND: Thank you. This is a question for Mr. Wrenn, also from Saltex. The question about sales and what we're actually looking at, is Saltex purchasing the

product from the byproduct producers? Is it taking title? It sounded like maybe it's only taking title in certain instances. If you could maybe reelaborate on that maybe just a little bit.

MR. WRENN: Largely, we do take title but that's really more of just a formality. As I kind of said in my testimony the way to think about this in my opinion and our co-producer's opinion is we are their marketing arm. You know, their big a lot of times multinational global companies and they need boxes checked.

You take title here, but we with them, their product, we can trace it back to them. They are aware of the steps in the process. They stand behind their product even though we take title of it and they stand behind it with us as part of how we service the customers.

MR. BOYLAND: Okay, and I guess the question was more an accounting question in terms of like who's recognized in revenue, at what level is revenue recognized and it sounds like the byproduct, coproduct, however you want to describe them -- they are recognized on revenue and it would be what you would describe as a profit-sharing or a fee or what would that, how would you describe the --

MR. WRENN: I can kind of loosely touch on it. I'm happy to explain to the nines in post-conference. That's very central to the health of my customers.

MR. BOYLAND: That's fair. I don't want you to start getting into things you're not able to.

MR. WRENN: I'd love to talk about that post-conference.

MR. BOYLAND: Again, the idea is just to really make sure we understand what level we're looking at and so I appreciate your time doing that.

MR. ROGERS: Sorry, this is Tom Rogers. I just wanted to note that we looked at the data from one of the companies that was in the release from one of the companies that Mr. Wrenn markets and they put in a flat amount for revenue on a per ton basis per year which we understand is not reflective of what they are actually receiving.

MR. BOYLAND: Okay, that's a good point and I did see that and I think that's kind of why I, you could interpret that different ways and if it's wrong then it's wrong.

MR. ROGERS: I mean, we don't have control over that but it's my understanding that it's not been applied properly.

MR. BOYLAND: Okay, well if you could --

MR. ROGERS: We will try to get as much information on it as we can.

MR. BOYLAND: I appreciate that. I guess just maybe this one final question. The producers like Guy from

Saltex they are getting product from, does it vary? Does the product itself, do some companies require further processing? Is it all coming out pretty much the same way for you? When you look at it, when you receive the product?

MR. WRENN: Guy Wrenn, Giles Chemical. It all largely ends up the same thing. They arrive at it in many different -- they arrive at the same point from different avenues.

So as mentioned you look at the co-product material that we market and it's largely all fungible and it's all very, very similar. I can pour it out three different producers on this table and you couldn't tell me the difference, nor could you test the difference between them unless you knew some really specific thing to look for.

MR. BOYLAND: The reason I'm asking is that when you broke it out by company, I mean we had specific information from you by company it looked like each one had a different requirement for processing because you had manufacturing and SGNA. So companies look higher and some a little lower so that's I guess what I was asking from company to company. Are some more intensive in terms of what you need to do?

MR. WRENN: Guy Wrenn, Giles Chemical. I think I know what you're talking about and what I did I basically as

a percentage of what we market I took one number and allotted that.

MR. BOYLAND: Okay, so it's really not something I should take to be okay, this is being really specific and it's going to be interpreted as higher conversion to get the customer from producer A versus volume?

MR. WRENN: Guy Wrenn, Giles Chemical. What you saw from my reporting with regards to cost would only be Giles' basically SGNA and the hard cost would be rail cars, leases and fixing them and all that kind of stuff. The former is allotted just generally based on a percentage and the latter is easier to place in a facility and that's generally what I did.

MR. ROGERS: Mr. Boyland, just to confirm, Giles does not do any processing of the product. No physical manufacturing.

MR. BOYLAND: I'm using that term loosely. I meant more processing in terms of getting it from whatever raw form is showing up into a bagged form.

MR. WRENN: That would be all in a -- broken out in per ton basis. There's certain cost to move it from "A" to "B," to put it from loose to bulk, and those costs are largely fixed and they run across the board.

We have another facility operated on another set of books, but those costs are pretty -- they're in there and

they're reflective of what they actually are.

MR. BOYLAND: Okay, thank you.

You know there was a previous question, and Mr. Kane you indicated -- I think you were going to provide more detail about the relationship between Saltex, Giles, CNR. And I guess maybe the issue here -- I would just be interested in confirming that the CRN revenue that's being reported who actually made that? You said it's branded under Saltex, so I guess the question would be are they actually making the sale?

MR. KANE: The responses we gave to the natural sodium sulfate facility is reflective of only the sodium sulfate made at the Cedar Lake plant. There's no synthetic co-product sales or any costs in the data we provided you in the questionnaire.

MR. BOYLAND: Okay, thank you. I have no further questions. Thank you for your time.

MR. CORKRAN: Thank you, Mr. Boyland. Next, we'll turn to Ms. Catalano.

MS. CATALANO: Good afternoon. The question that I'm going to start with has to do with the way that these products are classified under the HTS. So, in the petition there were four 10-digit level HTS numbers that were referenced and want to kind of just give a little bit of a summary so that we all can talk about and communicate

about what these different products might be. And I realize there might be some uncertainty, but I hope to get some clarification.

So, the category at the 6-digit level is 2833.11, which is disodium sulfate and under that category at the 10-digit level we have salt cake and then we have two others, which are disodium sulfate anhydrous and disodium sulfate other. The petition also references the 2833.19.0000, which is "other/other." And the petition talks about how some of the products might be misclassified.

So, I'm going to start asking you a couple questions. So, we did talk about earlier that there was salt cake and sodium sulfate anhydrous and that these two products should be synonymous, with the exception of the salt cake having a little bit of a dirtier prep and maybe there being some impurities. Could anyone talk about what some of those salt cake impurities might be that could differentiate them from the sodium sulfate anhydrous category because in the HTS they are mapped out differently and they have different tariff rates for crossing the border. So, I'm kind of wondering from a chemical standpoint how might we differentiate these two categories.

MR. KANE: Salt cake it's an old term and however those numbers got established if you were to

reestablish them now you would not provide for a salt cake HTS number. It's, in my perspective, it's meaningless. Nobody makes a salt cake product. There is no such thing as a salt cake product. It's difficult -- it's a pejorative type way of saying sodium sulfate, but it is anhydrous sodium sulfate. Typically referred to, as we testified previously, in the paper industry. But nobody -- there is no such thing as salt cake that differentiates itself from 2833.1100 or 500.

MS. CATALANO: So, do you think it would be fair if there were imports under salt cake and imports under sodium sulfate anhydrous to add those two numbers from those two categories? Because there are some imports, according to Data Web, that are coming in under salt cake. It's not a majority. It's a minority. And I sort of wondered if you had an opinion on that.

MR. KANE: Well, not knowing how that's being classified and who's doing it and what that product is, it's hard to comment on. But if you look at the 6-digit number that we reference with the Canadian imports and marry it up to the stats Canada 6-digit number virtually all of it is 2833.11.

MR. ROGERS: I would just note that it was confirmed by the other side today that Sask Min is the primarily, if not sole, exporter of product from Canada.

So, I think if you match up their data with census data that's probably a good indication of where you should go.

MS. CATALANO: Thank you.

And in the petition it also mentions that there are 2,502 short tons recorded as entering the United States from Canada under 2833.19.0000, which is the sodium sulfate other, and I'm going to give Canada -- I'll ask Canada about this later, but do you think this is misclassified or what do you think this might be? I'll ask them.

MR. KANE: I have a guess and it's come recently. Sodium sulfate other is not sodium sulfate anhydrous that we're all talking about. There is a product called sodium bisulfate. It's very dissimilar to sodium sulfate. It's a different kind of chemistry, totally different applications. None of us players provide any product into that market. Know about that market, but I've come to learn maybe 2833.19 is sodium sulfate. I'm not sure, but it could be. But certainly, there is no anhydrous sodium sulfate associated with what we're discussing attributed to 19.

MS. CATALANO: Okay, thank you.

My next question is for the natural product producers. And I heard Mr. Heffner say earlier that there was a short fall due to poor harvest of raw material and that some of these things could be related to weather or

other conditions and I understand. I didn't hear any product supply disruptions coming from the natural product producers, but could you give me an idea of if you have a lake and you're getting product out of that lake what are some of the weather or other major things that could happen to disrupt what is going on in production?

MS. FORD: Again, we process off of a surface lake that's many, many years old. We have injection wells that go through the surface down several hundred feet, depending on the reserve and we bring the brine in through isolated pipes. Rain does not affect our production. We're out in the middle of the Mojave Desert, so we don't really have to worry about a lot of rain affects relative to production.

Our production, like any facility, there could be unplanned down time for a boiler trip or some other issue, but we have contingency plans. We have people -- a large staff of maintenance people and we keep a number of tons in inventory for that reason. And we also, like all other facilities, have planned outages. Ours is every 18 months. We plan for that. We know when they're going to occur. We make sure that we have inventories to manage our customer base accordingly. So, for our facility, to your question there's really not a large exposure to elements affecting our production.

MR. KANE: Our mineralized deposits think of it as a hydrologically dead area where no fresh water can get into. The reason sodium sulfate deposits are located in the arid regions they are when you do get rains you do get these mineralized deposits over geological time and because no fresh water can get to them they crystallize out. So, ours, like SVM's, its underground. Most of our wells operate at about 80 to 90 feet. We pump out "X" amount of gallons per day into a pipe, so above ground weather has no impact on it.

Cedar Lake is a historic term used out in West Texas for some time. It's a dry lake bed. When it does rain, you might get two, three, four inches of topical water on it, but that's all. It evaporates off.

MS. CATALANO: My next question is for Elementis. And in 1997 there was the twenty million investment for the purification plant. And I'm wondering what were the impurities that were unwanted that you were purifying out.

MR. CONTESE: Sure. Well, the main impurity was chromium. We were making a product that had about 400 ppm. Chromium and so that was the main driving force, but it also removed other metals and impurities as well.

MS. CATALANO: And I wanted to ask Elementis if the chromium demand in the U.S. went down would that affect

production of SSA?

MR. MURPHY: We ship to over 50 countries worldwide, our current products. So, the fact that the U.S. market goes down would not have a significant impact. If the chromium demand around the world significantly went down, which in the last -- as far as I've looked back -- 20, 30 years it's grown according to the global economy -- the GDP of the global economy, so it would be very unlikely, but U.S. going down would not affect it. Yes.

MS. CATALANO: And I'm sitting here thinking you've got this natural product over here from the lake that might have some interesting metals or minerals in it and here you've spent all this money to purify out chromium and other metals. Do you think that because you're a synthetic company and you've purified everything so you really kind of know what you got that you have an advantage in the U.S. marketplace over the natural suppliers?

MR. MURPHY: We think we have the best product in the world. I don't know if my competitors would agree with that, but we think we have a pretty darn good product. I don't think any customers are paying a premium for it, though.

MS. CATALANO: Oh, I'm sorry to hear that.

MR. CORTESE: I would just add that the process that was installed makes an extremely consistent product.

We very, very rarely have any quality issues since this plant was put in place.

MS. CATALANO: And would the natural product producers say the same thing, you have a very consistent product or is that something that might change over time due to whatever factors.

MR. KANE: It's a very consistent product. The deposits are the kind of deposits that sodium sulfate comes from. They're very consistent. It's a closed process. There's no other chemicals associated with our process. It's a purely physical process. There's no chemistry involved in anything. And then there's a crystallization process and typically in a crystallization process you purify things, but there's really nothing to purify. The main components that are detrimental to the market, typically, would be heavy metals and the deposit has no heavy metals and hasn't had any and there won't be any.

MS. CATALANO: Okay, my last question is about the end users. So, I'm reading in your petition that there are detergents, pulp and paper, glass, textile, starch, carpet deodorizers, and livestock mineral feed. And what I begin to form in my mind is a pie chart of, well, what percentage of these are going to livestock feed versus pulp and paper. Could you just comment on in terms of the end users would you say it's divided evenly in the pie chart in

my mind or is it 1 percent of this and 99 percent of the other?

MR. KANE: We did provide data on our market share percentages. I'm not sure if you have seen those and I don't know if we've collected them and categorized them in total, but animal feed is an insignificant portion the total demand.

MS. CATALANO: Thank you. Those are all my questions.

MR. CORKRAN: Thank you, Ms. Catalano. Next, we'll turn to Mr. Goodman.

MR. GOODMAN: Alright, thank you.

So, first question for Elementis, do you also generate and recover SSA from your chromic oxide manufacturing?

MR. MURPHY: The answer is no.

MR. GOODMAN: Oh, just the dichromate?

MR. MURPHY: That's correct.

MR. GOODMAN: Okay, thank you for clarifying.

Turning to the subject imports per year, so started the increase from 2016, 2017 to 2018, but that second year, the 2017 to 2018 was relatively consistent with only about a 2 percent change. Do you foresee that the levels of imports will remain at about that level? And I'll ask the Canadian producer as well whether they anticipate

that as well.

MR. ROGERS: I can't speculate as to -- or I can't speculate, but I can't answer definitively what's going to happen with Canada. That's obviously their business decision. What we do know is that just looking at January of 2019 the volume is up over the prior year or the earlier period and I think you have something in the questionnaire about arranged imports. So, I think if you look at those -- the information you do have available it will give you some indication of where things could go.

MR. GOODMAN: Good. Thank you.

MR. TRENDL: I mean in one area is frankly the reason we're sitting here to the extent this has an impact on anyone's activities it's a little hard to project forward. That's up to them.

MR. GOODMAN: I guess I'm wondering if there is a sustained impact why would the year-over-year be the same for '17 and '18 or very close rather than continuing to increase? If there's a significant driver for taking additional market share for domestic producers, I'm just curious what your take on that is.

MR. TRENDL: I think our take on that is they're producing product up in Canada. Canada is a small market for them. This is their market as they product this product and this is where they're going to sell it. And if they

have to dump to do it, they're going to dump to do it. So, to the extent their production increasing you know it's coming here and it's affecting everyone at this table.

Again, as you just heard, January data shows an increase. I don't know what's going to happen with February and March. I don't know if this action is going to impact them at all. I can't tell at this point.

MR. CONTESE: If I could comment, I think some of the actions we took from year-to-year precluded them from gaining share, so it was part of some of our actions that didn't allow them to import more product. Certainly, you look at the economics associated with how that impacted us it's significant.

MR. MURPHY: I was basically going to say what Mr. Kane said. You know we had to make adjustments, particularly, in pricing to be able to maintain our business and our customer base.

MR. GOODMAN: Okay, thank you.

Probably something handled in post-conference because can't quote the numbers here, but on page 25 of the petition, paragraph two, line two, you quote a number of lost revenue. And then on page 26, paragraph two, line two, you quote numbers about change in profit and I was wondering if you could square those numbers for me.

MR. ROGERS: I'm sorry; could you repeat the

numbers and we'll address it in post-conference.

MR. GOODMAN: Yes, so it's page 25, paragraph two, line two and then page 26, paragraph two, line two.

MR. ROGERS: We'll take a look at that.

MR. GOODMAN: Thank you.

One final question, so on the CNR website there was a letter posted dated October 24, 2014 from a Christina Kurland (ph) Muldoon, National Sales Manager of Saltex, LLC, directed to purchasers of Saltex SSA stating "Effectively immediately or as permissible by contract, Saltex, LLC is increasing prices for all grades of sodium sulfate anhydrous by $30 per short ton. This increase applies to both bulk and packaged product. The price increase reflects market conditions, such as increasing demand in new and existing sectors, coupled with a significant decrease in supply with over 50,000 tons of sodium sulfate capacity removed from the marketplace."

Was this price increase affected for all Saltex customers over the period and did domestic and foreign producers not affiliated with Saltex also have similar price increases?

MR. KANE: We'll look into that. I can comment that happened in 2014 at this hearing, but I'll comment on it when I look at the data.

MR. GOODMAN: Thank you. That's my last

question.

MR. CORKRAN: Thank you very much, Mr. Goodman. And I want to thank the panel very much. Your testimony and your responses to our numerous questions have been extremely helpful. As for myself, I don't believe I have any questions, but I am going to survey the panel to see if there are any additional questions.

We have two staff members who will have additional questions. We'll turn first to Mr. Smith.

MR. SMITH: Yes, I just wanted to -- I heard from Respondent's counsel this morning another argument, which was that Saltex is the primary driver of lower prices and I just wanted to make sure that was addressed in any post-conference brief, including in the context of whether there are other factors that have an impact on the domestic industry, such as intra-industry competition.

MR. TRENDL: Mr. Smith, we'll happily address that in post-conference brief. And as you can imagine, we disagree fully with the conclusion that the Respondent presented.

MR. SMITH: Thank you.

MR. BOYLAND: This is, basically, just a couple of follow-up questions and requests for information in the post-conference brief. Could the U.S. producers report what is included in raw material costs? In 310, we have the cost

of goods sold broken out. Raw material cost is a primary part of that. To the extent Elementis updates its questionnaire to conform to the product code product PNL, that would be ideal if you could complete that, but also report, once it's completed, what is the raw material?

And the other item would be other factory costs. If you could describe the primary categories included in that as well as if there were any notable changes in those. I mean significant increases in maintenance, other items that you think might be important to be aware of. So again, sort of a description of what's included and if there were any significant changes because right now I'm just looking at one number and I know other factory costs is multiple cost centers, et cetera. So, your help understanding what's included there would be appreciated.

MR. ROGERS: Just to clarify, are you referring to just Elementis or to all the panelists?

MR. BOYLAND: I'm sorry. I wasn't picking on you guys, but all the U.S. producers.

MR. ROGERS: Okay. And are you looking for a narrative description for those only or are you looking for a breakout?

MR. BOYLAND: You know a breakout would be -- if it's easier to do. I mean I think I would defer to the company if they feel -- but I'm looking for primary

categories. I realize this could probably go hundreds of lines if you got into like a lot of detail, so I'm really interested in just what you'd consider primary categories of other factory costs.

And final question, energy, if you could describe when you refer to energy what form is that. Is it natural gas, et cetera? So, if you could indicate what I should be looking at there and confirm that energy is concluded in other factory. So, if you listed it as a separate, primary category within other factory costs that would help understand where it's being report.

MR. ROGERS: Okay. Just to clarify, we can provide that information in a separate appendix or table or are you asking to amend the response and submit a new --

MR. BOYLAND: Oh, no, this is really just informational, so an appendix would be fine.

MR. ROGERS: Got it.

MR. BOYLAND: Thank you, appreciate it.

MR. CORKRAN: Thank you. And with that, we will conclude the morning/early afternoon panel. We are going to take a break at this point. I think given the time we will break until 1:45. We will return at 1:45 to begin with the afternoon panel.

So, with our thanks, thank you very much for your presentations today.

(Whereupon a lunch recess was taken to reconvene this same day at 1:45 p.m.)

A F T E R N O O N S E S S I O N

MR. BISHOP: Will the room please come to order. Mr. Chairman, the panel in opposition to the imposition of the anti-dumping duty order has been seated. This panel has 60 minutes for their direct testimony.

MR. HEFFNER: Good afternoon, Doug Heffner for Saskatchewan Mines and Minerals. I'd like to introduce our panel here, and I'll go from right to left. Rod McCann. He's the CEO and Brent Hironaka and John Kearney, and to my left it is Brent Avery and Richard Ferrin and Ruby Cozart. We'd like to just go ahead and proceed with the customer witnesses. Thank you. We'll start with Rod McCann.

STATEMENT OF RODNEY J. McCANN

MR. McCANN: Thank you. Good afternoon Commission staff. My name is Rod McCann, and I'm the president of Saskatchewan Mining and Minerals, or for short SMMI. I've been president of SMMI since 2005, when we purchased the predecessor company, which was called Saskatchewan Minerals, a division of GoldCorp.

In 2013, we went through a name change and now go by, as I had mentioned, Saskatchewan Mining and Minerals, Inc. As a bit of background, the company did begin operations in Chaplin, Saskatchewan in 1948, and in my testimony I have it down as a small salt cake plant. Because we talked about salt cake earlier, I will say that

it was a lower grade of anhydrous sodium sulfate. But over the years, Sask Min installed equipment and shifted from production of salt cake to a higher detergent grade sodium sulfate, the product that we continue to produce today. That equipment not only allowed the Chaplin plant to produce high grade sodium sulfate, but also to do so more efficiently and more economically.

SMMI produces only sodium sulfate from our plant in Chaplin. We utilize ten square miles of saline lake in a semi-arid part of Canada. SMMI has only one plant in Chaplin, Saskatchewan, and we produce and sell only one product, sodium sulfate. We produce no other co-products and we produce no other byproducts as part of our process.

Our process is fairly simple. We harvest what's known as glauber salt from a brine we created or we create by diverting fresh water into our main brining areas during the spring and early summer. Glauber salt is basically sodium sulfate with water in its crystallized form.

As the summer heats up, the warm, windy weather continuously moves the brine over our brining areas, creating a strong, concentrated salt brine. When the brine is of sufficient strength, we then pump it into five reservoirs and where it continues to concentrate through natural water evaporation in the heat of the summer.

In the fall, as the weather cools, the glauber

salt precipitates out of the brine and settles on the floor of each of the reservoirs. Excess water is then drained back into the brining areas for use in subsequent seasons. By December, the layer of glauber salt in the reservoir floors is then windrowed utilizing high volume excavators. And then from late December to early March, we utilize larger 40-ton rock trucks that bring the glauber salt from the reservoir bottoms into our -- into our stockpile, excuse me.

That stockpile then is what we have to feed our plant for the next 12 months. Each year's production volume is directly tied to the weather conditions during that period, the period that we use as our brining season. So once we have the glauber salt up in the stockpile, it is fed into our plant, where we simply add water to melt the glauber salt and filter out some sands, dirt and other impurities via settling, natural settling and some chemical addition.

This now clean saturated brine is fed through multi-effect evaporators to remove the bulk of the water and create solids, which are then fed to centrifuge. From there it is fed into a rotary dryer to remove the remaining moisture. The finished sodium sulfate is inventoried into one of three finished product storage bins.

As I had mentioned, from year to year the volume

of SMMI's harvest of glauber salt from the brine is dependent on the ambient air temperature at certain times of year, and the volume and timing of precipitation throughout the year. Although these conditions tend to be fairly steady in most years, occasionally there are years that are quite wet and cool at the wrong times, which can significantly reduce SMMI's harvest of glauber salt which, as I've mentioned, is what we utilize to make the finished sodium sulfate product.

Also very important for this Commission to note is that on a long term basis, SMMI has been depleting the naturally-occurring reserves of glauber salt. We have experienced a slow decline in the average harvest volumes, which has resulted in a limitation of our overall production capacity.

SMMI experienced poor harvests in the 2014 and 2015 period, due to some abnormal weather conditions. This dramatically reduced the amount of sodium sulfate that SMMI could produce in 2015 and 2016. In addition, during 2014 and '15, we were working on a new project, evaluating the possibility of producing sodium hydroxide, which has another chemical name of caustic soda from our sodium sulfate.

As a result, SMMI had slowly depleted the sodium sulfate reserves at Chaplin, in order to build reserves for the caustic soda project. As a result of these two events,

SMMI approached one of the Petitioners, Searles Valley Minerals or SVM, to quote for purchase of sodium sulfate to meet our shortfalls and to enable us to continue to supply our U.S. customers at historical levels.

SMMI reached agreement to purchase substantial quantities, excuse me, from SVM, particularly in 2015 and 2016 at very attractive pricing. As a result, we were able to resell the SVM-produced sodium sulfate to our long term U.S. customers without interruption and at a significant profit. In almost all cases, deliveries were directly from SVM's plant to SMMI's customers.

The reason I've highlighted these issues is that these events during the 2014 to 2016 time period are critical to understanding the trends in imports of sodium sulfate from Canada over the period 2015 through 2018, which will be explained in further detail by one of my colleagues.

Now I would like to also touch on the effect of byproduct and co-product producers in the U.S. market. In the Commission's 2000 investigation of sodium sulfate from Canada, the Commission recognized that the U.S. market for sodium sulfate was influenced heavily by synthetically produced byproduct. The same situation exists today.

It is important to note that the synthetic producers are not in the sodium sulfate business, but instead are in the business of producing something else.

The sodium sulfate is a byproduct, and in some cases even a waste product that these producers must get rid of. This is also true for SVM, which makes sodium sulfate as a low value co-product as part of its soda ash and borax production processes.

Generally, these byproduct and co-product producers make production decisions based on supply and demand of their primary products. They cannot and do not vary the quantity of their output, sodium sulfate based on market conditions in the sodium sulfate market.

It was interesting to hear this morning from Elementis that they value their sodium sulfate in the same manner as their other products. I think that as an example, in spite of a very stable sodium sulfate market in 2008 and 2009, petitioner Elementis disregarded the sodium sulfate market when it chose to cease production of its main product, chromium, in response to the declining demand for chromium in the automobile industry in the United States.

As a result of this, Elementis did not produce sodium sulfate and was not able to meet its customer commitments in the sodium sulfate markets, all despite a very robust sodium sulfate market at the time. In addition, byproduct and co-product producers usually do not have significant long term storage facilities for sodium sulfate.

This means that the byproduct and co-product

producers have to have a big incentive to drop their sodium sulfate prices as low as necessary, because they have to get rid of their sodium sulfate quickly. This was also true in the 2000 investigation. In reviewing the findings of that investigation, it appears that one of the most important factors in the Commission's unanimous negative preliminary determination was that the U.S. synthetic producers were in fact the low price leaders.

It was not sodium sulfate imports from Canada. You're going to find the same thing here. Based on our deep understanding of the markets, we believe this is true today as well. One important difference between 2000 and now is that most of the byproduct producers are now organized by Saltex, which was a joint venture between Giles Chemical and the petitioner Cooper Natural Resources or CNR.

We understand that Saltex itself does not produce sodium sulfate, but instead is the marketing and distribution agent for several byproduct manufacturers. We also understand that sales representatives employed by CNR actually represent both CNR and Saltex in marketing calls, and do identify as both interchangeably.

By virtue of Saltex aggregating and organizing the byproduct producers in the U.S. market, Saltex has served to drive down prices even further. The reason for this is that Saltex has developed a very robust marketing,

distribution and customer channel which greatly assists the byproduct producers in their primary need to move product from their facilities as quick as possible.

Saltex is able to negotiate very low purchase pricing from these producers, in order to gain access to Saltex's network. Byproduct and co-product producers are eager to join, as their greatest fear is not having the channels to get the sodium sulfate away from their facilities.

SMMI has some firsthand knowledge of the byproduct end of the market. In 2013, Johnson Controls, Inc. announced production of approximately 30,000 tons of sodium sulfate per year as a byproduct of recycling batteries at their plant in Florence, North Carolina.

From 2013 through 2016, SMMI purchased JCI's sodium sulfate byproduct and distributed it to SMMI's customers in the United States and in Canada. In 2016, Saltex took over the marketing and distribution of JCI material, winning the business through an online tender process conducted by JCI. This meant that Saltex had an additional 30,000 tons to sell in 2017.

In order to move the additional product, Saltex aggressively pursued multi-year contracts at a dramatically reduced price. Eventually, Saltex expanded its geographic reach of the JCI product to include some of the territories

of Elementis, which results in a price war between Elementis and the JCI material that was being marketed through Saltex, which eventually resulted in a further downward pressure on overall pricing.

Thank you very much for your time and for your attention. This does conclude my portion of the presentation, and I was now wanting to turn the microphone over to one of my colleagues, Brent Hironaka.

MR. HEFFNER: I just want to mention I handed out an attachment or an exhibit that John is going to be referring to. It was actually in our confidential questionnaire response, but we decided to make it public and to -- okay, sorry. Brent is going to go first.

STATEMENT OF BRENT HIRONAKA

MR. HIRONAKA: Good afternoon to the Commission staff. My name's Brent Hironaka. I'm the Chief Financial Officer of Saskatchewan Mining and Minerals. I've been the CFO since it was acquired in 2005. I've been a certified public accountant, chartered accountant in Canada since 1985. Thank you for the opportunity to address the Commission today.

I'd like to specifically address the pricing data question and the pricing data that was provided by us in our questionnaire. I'd like to just confirm to the Commission that SSMI has presented the data in the pricing

series in the questionnaire that directly followed the instructions of the Commission and present our price to the customer, less all costs incurred for freight, storage, transload, bagging and final shipment to the customers. In other words, we followed the exact methodology requested in the questionnaire.

I trust that this clarifies for the Commission that our pricing data is, in fact consistent with the "X" works pricing presented by the Petitioners.

Thank you again for your time. I'll pass it over to John.

MR. HEFFNER: Now John is going to talk.

STATEMENT OF JOHN KEARNEY

MR. KEARNEY: Thank you. Good afternoon Commission staff. I am John Kearney. I'm a director of Saskatchewan Mining and Minerals. I have been a director and advisor to SMI since 2005. I would like to discuss the issue of volume of SMI sales of sodium sulfate in the U.S. market.

The principal use of sodium sulfate is in the manufacture of powder detergents, laundry detergent. And as you've heard this morning, the U.S. market for sodium sulfate has been gradually declining over many years; primarily, as a result of a decline in the demand for powder detergents in the U.S. where liquid laundry detergents and

pods have increased in popularity, thus reducing the production of powder detergents. And neither the liquids or the pods use sodium sulfate.

So, primarily, as a result of the decline in demand for powder detergents, U.S. consumption of sodium sulfate has generally decreased over the past 10 years. But at the same time, consumption of sodium sulfate in other emerging markets has actually increased because of the growing use of laundry detergents, which in those countries is generally in powder form.

In the United States, at the same time, most of the other uses of sodium sulfate in the U.S. market are in the long term a downward trend as well. So, there's no disagreement between the Petitioners and the Respondent with regard to the general state of the market for sodium sulfate in the U.S. or in its declining demand.

Now, the Petitioners argue in their petition that the imports from Canada surged during the 2016 to 2018 period. This is simply not correct. There was no surge from SSMI. As shown in Attachment 1 to the importers' questionnaire and on the exhibit which we have just distributed today, SSMI's imports into the U.S. market have generally followed a steady decline since 2010. This exhibit shows the total SSMI sales into the U.S. have declined from about the 80,000 ton per year range in the

years 2010 to 2013 to 70,000 ton range per year in 2015 and 16 and further declined to the 50,000 tons per year range in 2017 and 2018.

Now, Mr. Rogers for the Petitioners called this an interesting story and he implied that it was not relevant, but it's highly important to a proper understanding of its impact on the period under investigation. And we submit that the long-term trend is very, very relevant. Yes, there was as temporary drop in SSMI imports in years 2015 and '16, but not in our sales. Yes, in 2015 and '16, SSMI's imports dropped from 77,000 tons in 2014 to 23,000 tons in '15 and 38,000 tons in '16 before resuming back up in 2017 to more traditional levels, consistent with the historical, but declining pattern.

Now, the explanation for the reduction in our U.S. imports in 2015, as you've heard from Mr. McCann, is that during 2014 we experienced a bad harvest and due to unfavorable weather conditions and that poor harvest occurred again in 2015, both of which impacted our production in '15 and '16. And at the same time, we needed to build up our rubber source as part of a pilot program we were examining the production of sodium hydroxide or caustic soda.

However, not withstanding the result of those two factors, our production of sodium sulfate in

Saskatchewan in '15 and '16 declined. There was no similar drop in our U.S. sales because, as Mr. McCann mentioned, SSMI made up the shortfall in production by purchasing a substantial tonnage from Petitioners Searles Valley in both of those years, 47,728 tons in 2015 and 38,125 tons in 2016. So, the apparent big change in imports from Canada in 2017, which the Petitioners seem to rely on to support their argument that SSMI has caused a price drop by introducing new product into the market is by no stretch of the imagination a surge of imports from Canada.

SSMI was in the market in both of those years, 2015 and '16, with the same customers, the same market share, admittedly declining, overall by demand. So, the anomaly is not in the surge what occurred. The anomaly is in the decline which occurred in the previous year as a result of the unusual conditions in the base year where our production was reduced.

We did supplement our Canadian production with the purchase of U.S. product from SVM in order to maintain our customers, not chase new customers, maintain our customers at the historic levels which, as we were admitting, is in decline.

In 2016, our harvest improved over the previous year, which meant that we now had additional -- more product available to sell in 2017 from Saskatchewan. And at that

particular year, as it happens, Searles Valley and SSMI we were not able to reach agreement under renewed terms and volumes for the purchase of their product in 2017, so we ceased to purchase the product from SVM. And by the same year, 2017, SSMI, we were no longer representing JCI, which conversely meant that Saltex was now representing JCI, who was then moving an additional 30,000 tons of material from the JCI into the U.S. market.

So, at Saskatchewan Minerals, we believe that Saltex need to move the additional JCI product lead Saltex to pursue aggressive multi-year contracts with some of its purchasers and in so doing dramatically reducing the price and causing a ripple effect on the entire market. As a result, SSMI's overall sales volume in the U.S. declined significantly in 2017 from approximately 70,000 tons in 2016 to approximately 50,000 tons in 2017 because Saskatchewan Minerals was unwilling to match the low prices offered by our competitors and specifically by the Petitioners, including Saltex, which is in a joint venture with Cooper Natural.

Overall, Saskatchewan Mineral's U.S. sales declined by approximately 24 percent from 2016 to 2018. In fact, just as one example, which has been mentioned, in 2017 SSMI lost its sales to Proctor and Gamble, which is the single largest producer in the United States -- purchaser,

sorry -- the single largest purchaser of sodium sulfate in the United States and a long-term, 10 year customer of SSMI. We lost that sale when we declined to drop our price. We did not want to lose Proctor and Gamble, but we lost them.

So, contrary to the surge argument advanced by the Petitioners and its alleged impact on price, SSMI's total shipments to the U.S. market have been on a significant, long-term downward trajectory. And as you can see from the exhibit which we have handed out, when you examine it from the standpoint of SSMI's overall U.S. shipments rather than just imports from Canada, SSMI's overall U.S. shipments have declined significantly from historical levels.

So, contrary to the argument that the surge is causing the problem, it's actually -- I'm sorry -- causing the problem by introducing more product into the market, we are actually introducing less product into the market. And this is not a small decline. As we show on the exhibit, SSMI's total overall shipments, both imports from Canada and U.S. purchases, declined by over 30,000 tons. That's over 40 percent since 2013.

Now, that reduction in Saskatchewan Minerals' sales volume is, by our estimate, the equivalent to about 70 percent of the reduction in demand in volume in the United States over the same period. So, in other words,

notwithstanding that we believe we only represent about 10 percent of the market share, the percentage of our reduction in sales in the period of '17 and '18 was equivalent to the bulk of the reduction in demand in the U.S. market.

And finally, taking a look at Exhibit 1, we would like to make one other point about the data. Specifically, I would like to point out, as you'll see, in 2018, the last year, we increased our sales significantly in Canada. That's because we secured a new customer in Canada that switched from the production of salt ash to sodium sulfate. And this new customer purchased a significant quantity of sodium sulfate from us in Canada, 20,000 tons in 2018. Such that, for the year of 2018, our sales volume in Canada were up and our sales volume in the United States were down, both compared to historical levels.

Thank you very much. I will now hand the presentation over to our General Manager, Brent Avery.

STATEMENT OF BRENT AVERY

MR. AVERY: Good afternoon, Commissioner staff. I am Brent Avery. I am the General Manager of Saskatchewan Mining and Minerals. I have been with them since 2006. I would like to take this opportunity to discuss pricing patterns in the U.S. market. SMMI has always tried to maintain as high a price as possible within the U.S. market. Unlike the many U.S. byproduct or coproduct producers, it is

vitally important to SMMI's future to hold the line on the prices in the U.S.

Because sodium sulfate is all that we make. And the U.S. market has been very important to us since our entrance into it some seventy years ago. The petitioners have alleged that SMMI used low prices to rapidly increase the volume of subject imports and capture market share over the period of investigation.

Nothing could be further from the truth. In fact, SMMI reduced its overall sales in the U.S. market because SMMI was unwilling to match the low prices offered by competitors. I would like to walk you through an example of negotiations with one of our long-term customers who I will refer to as Purchaser A.

MR. HEFFNER: And, just for the record, we'll provide the names in post-conference to these customers.

MR. AVERY: We entered into a three-year contract with them from 2012 through 2014, with a 1% increase in the first year and 2% increases in the following two years. After that contract, our next three-year contract covered 2015 through 2017. The contract provided for a 6% increase in the first year, 4% increases in the second two years. In April of '17 we made the decision to approach some of our long-term customers to sign contracts early. Feedback from other customers suggested our competition was lowering

prices in the marketplace.

Purchaser A was one of those customers. We began with a strategy of going in with very little or no price increase. The buyer for Purchaser A delayed our overtures, saying he would need to get back pricing from the marketplace before pursuing forward. The buyer came back to us in August of '17 saying he had an offer for a price far below what we had offered them.

Our first proposal in response to that was for a two-year contract starting with a delivered price, $4 per ton lower than our 2017 contract year. Then increasing by $2 for the second year. The buyer rejected our offer very quickly, saying that we were still very high versus the current offer he had in his hand from our competitor. We attempted to sell our history with this customer, the strengths that we bring to the table and emphasizing that this was a distressed price from a U.S. producer trying to buy cash flow.

The buyer for Purchaser A said that SMMI was not even close to the offer he had. Which he said was 20 to 25% below what we were offering. In September of '17, on a conference call, we offered the buyer a two-year contract with a price $25 per ton below our August 2017 offer with a $5 per ton increase for the second year. The $5 ton increase may not sound like much, but it was important for

us to set the tone for the next contract negotiations so that the buyer would realize that our expectations are that prices would rise.

The buyer accepted that proposal. We provided that contract to the buyer in November of '17, and at that time, the buyer stated he had a price from Saltex that was still $20 per ton lower than the contract we just settled for. He flatly stated, "Keep us competitive and you'll retain our business." We held our negotiated price and was able to secure that business for the next two years. I would like now to have my colleague, Ruby Cozart discuss our history with two other large U.S. customers.

STATEMENT OF RUBY COZART

MS. COZART: Good afternoon, Commission staff. I am Ruby Cozart, Regional Accounts and Logistics Manager of Saskatchewan Mining and Minerals. I have been with SMMI since September of 2013. I will discuss SMMI's sales history with another customer that we'll refer to as Customer B, which we believe is one of the five higher-volume purchasers in the United States.

I need to take you back to September of 2015. We submitted a bid proposal with Customer B for 2016 through 2018 with separate quotes for shipments to their Northwest and Midwest plants. Our price quote for Customer B's main plants in the Midwest provided for a single fixed price for

2016 and 2017 and approximately a $2.50 per ton increase for 2018.

For the quote to the Midwest plant, Customer B's buyer told us the price where we needed at to be competitive was approximately $30 per ton below what we had just initially quoted them for 2016 and 2017. We were shocked at how low the other suppliers had quoted.

We could've still made money at this price, but we chose not to pursue the business as we felt that the low price Customer B was quoted by the other suppliers was lower than the current sodium sulfate market value. Ultimately, we lost out on this long-term contract.

In general discussions with Customer B in January of 2018, the Customer B buyer told us that they had a meet-or-release clause in the contract they had with the current suppliers who secured the contract for 2016 through '18. Customer B was willing to entertain a price quote from us in light of this meet-or-release clause with the incumbents.

The Customer B buyer supplied us with a price range that we would need to meet for their Midwest plant. Customer B would have then provided our quote to the incumbent supplier and they would have had the opportunity to match. We evaluated that pricing opportunity and decided not to put an offer in to Customer B, due to the fact that

we would need to meet that low $30 per ton drop from the initial September, 2015 bid proposal by the incumbents.

Then in September of 2018, Customer B contacted us, stating that they were having supply issues with their current suppliers and asked SMMI for our assistance to provide material. We offered pricing for product shipped to their Midwest plants by railcars at a price approximately 15% higher than the price we had initially quoted them in 2016 and '17. We also requested tighter payment terms, which Customer B agreed to.

We could've taken advantage of Customer B's current supply issue, but our ethical focus was to supply customer service and maintain market value, which we feel we are prided for from our customer base.

Another example, who we will call Customer C, trialed our product in January, 2014, and we successfully qualified. We submitted RFP pricing in January, 2014 and in February, Customer C requested a discount to this price, which we politely declined. Customer C awarded us a portion of their volume for one year on our quoted price. In February, 2015, we quoted a price again for the period, April 2015 to March 2016. We went through back-and-forth negotiations with a final quote approximately $5 per ton lower than our original February 2015 quote with extended payment terms. We were unsuccessful and did not receive any

volume.

In November, 2016, Customer C issued an RFP for the 2017 calendar year. We presented a price, we were told we were too high, went back and forth with negotiations and eventually settled on a price. We were awarded the business in December, 2016. Now, prior to that contract being signed, Customer C received a much lower bid from Saltex.

In past contracts with other suppliers, Customer C always had a meet-or-release clause in their contract. At this point, SMMI had not fully discussed all the contract terms with Customer C, but we have most certainly attempted to remove any meet-or-release clause because it is against SMMI's policy to agree to any such term.

Saltex then went around the buyer, through the back door, to the procurement director of Customer C and quoted a dramatically lower offer. It was enough savings that Customer C could not ignore, regardless of our verbal agreement. We made another counteroffer which was still $6 above the Saltex low-ball offer. Customer C accepted our new offer, stating that they were still leaving considerable savings on the table from the Saltex back-door bid.

We eventually reached a two-year contract with Customer C, although they did insist on retaining the meet-or-release clause in their contract. In February, 2018, Customer C received an unsolicited offer from Saltex

at another significant price drop of approximately 18% from the 2017 offer. We countered and eventually settled on a renewed two-year contract with again $6 per ton above the Saltex offer. But only on condition that that meet-or-release clause be removed from the contract, which this was agreed to by Customer C.

This speaks directly to how it is the domestic producers, specifically Saltex, that are lowering the market value of sodium sulfate in the United States. Now I will turn it back to my colleague, Brent Avery, for additional information.

STATEMENT OF BRENT AVERY (CONTINUED)

MR. AVERY: Good afternoon, again. I'm Brent Avery. I wanna discuss one more customer, which I'll call Customer D. Historically, SMMI has been a large supplier of sodium sulfate to Customer D, ranging between 20,000 metric tons up to 30,000 metric tons. However, in 2014, SMMI attempted to increase its price by approximately 12%. Although Customer D agreed to the higher price, it slashed our volume commitment by approximately 66%, awarding the remainder of our former volume to a U.S. producer that offered lower prices.

For 2015, we lowered our price by $1 per metric ton. And essentially was awarded the same volume commitment as the prior year with the remainder of the volume going to

a lower-priced U.S. producer. For 2016 supply, we again were forced to lower our price, but was awarded even less volume because of the lower price yet offered by U.S. producers. For 2017 we, again, bid on the business for Customer D's Midwest facility. We were told the U.S. producer prices were double-digits lower than the price we offered. And that the price gap was widening.

Customer D told us they were not sure that they wanted to keep SMMI on as an approved supplier if we could not be responsive to their pricing needs. The purchaser tried to have us lower our price so that we were competitive with the price provided by the U.S. producers. We had significant internal discussions involving all levels of personnel within our organization. We debated what was best for the long-term.

It was an important decision as we could potentially go from 30,000 metric tons to 0 metric tons with this one customer over a three and a half-year period. Not a decision to be taken lightly. In the end we decided it was time to take a stand and decline to lower our price any further. Consequently, Customer D refused to award us any business for 2017, despite the fact we were the incumbent supplier.

In 2018, the RFP for Customer D was received by SMMI for one of their locations in the Southeast. Based on

our past evidence, the fact that we lost business in 2017, we decided to revisit our price and dropped it by about 7%. In our estimation, the 7% was at the upper end of where the buyer for Customer D suggested we needed to be. Although we did receive the business, the amount of the business was very small, less than 1,000 tons.

In late 2018, SMMI was asked to provide a quote on the Midwest business. SMMI supplied a quote, but at a 11% increase over the last year's quote, a quote for which we did not receive any business. Although we weren't expecting to receive any business, we were surprised when we were awarded that business.

In conclusion, quite plainly our history with Customer D clearly demonstrates that we are not willing to go down to the rock bottom prices offered by the domestic producers. Instead, we would rather walk away from business rather than drive the market price lower. It also shows that we're always trying to increase prices and be a market leader.

In addition to SMMI just walking away from business because of the extremely aggressive pricing by domestic producers, we have provided examples of where we had to lower prices to retain business due to these extreme low prices.

I want to take this opportunity to share one

other example. In 2017 we saw byproducts show up in Western Canada for the first time in more than fifteen years. At a price dramatically lower than SMMI's. Saltex won this business with a byproduct material at a delivered price that is so low, we estimate it to be well below the Canadian cost of production. And certainly not a profit-maker for Saltex. This clearly demonstrates their motivation to move product regardless of profit.

We know that we are the most responsible company when it comes to pricing. We believe that our customers will support us in this regard. Even when we have to lower our price to keep business, we still try to stay on the high side of the market. We believe that our customers will tell you that it is the domestic producers that have led pricing down and not SMMI. In fact, we believe, and the data will support it, that we have the overall highest U.S. market prices. Thank you.

MR. HEFFNER: Thank you. That's the end of our direct testimony. We'd be glad to take any questions that you have, and I'm sure you have a lot.

MR. CORKRAN: Thank you very much. Thank you very much for coming today and for your very helpful presentation. I'm gonna turn questions over to my colleagues in just a moment. But with the caveat that I'm probably the lease knowledgeable among the staff at the

table on the players in this market. I would like to ask one question about the information in Exhibit 1. There was earlier testimony about JCI, Johnson Controls. Where, if at all, do they show up on that Exhibit?

MR. KEARNEY: I'll ask our chief financial officer, Brent Hironaka to deal with that question.

MR. HIRONAKA: Johnson Controls, Inc. was actually supplied by a U.S. subsidiary, so it does not appear in these numbers.

MR. CORKRAN: Okay. Thank you very much. With that, I'm gonna turn the questioning over to our investigator, Ms. Keysha Martinez.

MS. MARTINEZ: Good afternoon. Thank you very much for appearing here today. Your testimony is very, very helpful. I apologize in advance. I'm probably gonna be skipping around a lot as I try to make sense of everything. I just wanna make sure I understand the timing of the events in terms of the supply shortfall, when that occurred, why that occurred, and the role of SVM and, yeah, if you could just kind of untangle that for me. I know you've discussed it a little bit.

MR. AVERY: The harvest in 2014, 2015, as was reported, we harvest one time per year. Both those years it was below normal because of abnormal weather conditions in Saskatchewan. Our lake is a large flat alkali lake and we

require a certain amount of water, a certain amount of heat, certain amount of cold, kind of at the right times of the year.

Those two years, we had excess moisture, which caused a significant reduction in our raw material harvest. So that, of course, affected our production. At the same time, we were beginning to, or exploring, or doing a pilot project to produce caustic soda. So we were trying to build our raw material reserves to satisfy that as well. I believe it was end of '15 we started purchasing from SVM to satisfy our U.S. market contracts and that continued through 2016.

MR. HIRONAKA: So if I could just add very quickly to what Brent was saying, the weather conditions in '14 and '15 were poor, which contributed -- the weather conditions impacted the production levels for the following year. Our harvest happens generally in the December through February period.

So the weather conditions in '14 meant we had less raw material in '15, and the weather conditions in '15 meant we had less raw material in '16 to put through our plant. And so that's why the purchasers from SVM actually started at the end of '14 when it appears that our harvest for that year was going to not be as good, and then continued through '15 and '16.

MS. MARTINEZ: So would those purchases from SVM -- how would that be reflected if anywhere in the questionnaires? Would that be an export from SVM to Saskatchewan Minerals? Or -- did they supply the end users directly and --

MR. HEFFNER: It was a sale directly from SVM in the United States to a U.S. customer.

MS. MARTINEZ: I'm sure you're already planning to, but for the post-conference brief, if you could just provide as much information and documentation on that as possible, it'd be very helpful.

MR. HEFFNER: Yes, we will.

MS. MARTINEZ: So this might be obvious, but the domestic industry, in their testimony, they mentioned that weather disruptions to production are not very common at all in their operations. This might be obvious, but can you just explain why, in your production, that's different and environmental event affect your production a lot more?

MR. AVERY: Again, the weather that affects us is really in the harvest part which is our raw material feedstock. So we have a large flat, alkali lake that the salt deposit runs six, seven feet deep. And what happens is the Glauber percolates up through the soil to the surface and it's absorbed by lower levels of water. So when it heats up in the summer, it creates a concentrated brine.

What happened in 2014, 2015, we had excess moisture, which is fresh water, and that brine would not concentrate to such a level that would allow us to produce a normal amount of Glauber salt in our harvest. That happened two years in a row.

MS. MARTINEZ: Thank you.

MR. MCCANN: I just wanted to add, one of the unique features of our facility in Chaplin is that we truly can utilize the energy of the environment. So in the spring when we are diverting water in to flood our brining areas, the moisture from the previous winter and whatnot, the spring runoff really impacts that. It allows us to really regulate the amount of water that we bring into our lakes.

And if we have a hot, dry spring and summer, that creates extra evaporation and so, if you can imagine, as the water evaporates, it draws more salt out of the ground, so if we can flood the brining areas and get evaporation early, we can then flood again and draw more salt out, so again, increasing our brine conditions. So wind and heat and low moisture conditions in the spring and early summer--well, throughout the summer--are very important to us.

The other unique aspect of being in Canada is you get some nice cold winters. And we certainly utilize the cooling temperatures through the fall and the wintertime to take the energy out of the reservoirs, to take the heat out

of the water. And what that does in prime conditions, is, as the weather cools without getting so cold as to create ice on the top, it just slowly drops -- as the brine temperatures cool, it drops more and more Glauber salt out of the water and it precipitates and sits at the bottom of our reservoirs.

Excuse me. So at that stage, we've used, if it's wet during that period -- I'm sorry, that's what I meant to get to -- if it's wet during that period, you can imagine every time the rain falls, you end up reducing the concentration that's in your reservoirs. So if we get a lot of rain through the summertime and not a lot of heat, our concentrations go down significantly.

Subsequently, in the fall and winter, often we'll get warmer temperatures and it just doesn't draw as much salt out, so a couple of times throughout the year, it can really have a significant impact. If we're cold and wet in the early sessions and we're warmer in the fall and winter, both of those can have very significant impact on our salt harvest.

MS. MARTINEZ: Thank you. Going back to Saltex, I guess, why would Saltex drive down prices as in your testimony, you claim, if it would negatively affect the petitioner, CNR, who is, you know, they're in the joint venture.

MR. MCCANN: I don't know if I can specifically speak to the interaction between Cooper and Saltex and Giles. But what we do know is that, as a stand-alone, Saltex does have the ability through their network to be able to create a significant selling feature to the byproduct side of the market.

And by utilization of their marketing distribution and customer channels, they can secure lower pricing from the purchase side, from the producers, and also, in our opinion and my contention, a higher sales price. So I can only speak to the way they generate their margin. I don't understand -- I don't know the attraction between Cooper and Saltex.

MS. COZART: I'd just like to add to that. Most of these biproduct facilities do not have any storage ability, or very minimal, so they need to move this product as quickly as possible. So, they're looking for a very quick sale, so that's arranging a lower price with the customers that they're after.

Because if they're going to have to store it, they're going to incur additional costs. So, they need to get it off of the manufacturer's premises and either ship it direct to the customer or incur storage costs.

MS. MARTINEZ: Thank you. Earlier this morning the domestic industry has asserted there is no market for

SSA in Canada, how do you respond?

MR. HIRONAKA: That's not true. Brent Hironaka, we have been in business in Canada, installed sodium sulfate in Canada for 70 years. We've always had a market in Canada, the market has fluctuated somewhat. It is growing and it has grown in the past few years.

We've weathered some significant changes in the Canadian market over time, but it has always remained relatively steady over the last 10-15 years until the last year where we picked up this new customer that switched over from using soda ash in their product process to using sodium sulfate.

We protect, we support our Canadian market. We like to -- obviously, we have a bit of an advantage in our Canadian market without question. As the Petitioner stated this morning, mostly from a logistics standpoint, so yeah, we've always had a Canadian market. It's definitely smaller than the U.S. market, but there is a Canadian market that we are part of.

MR. HEFFNER: Doug Heffner, if I can just say if you look at Chart 1 here you can see the growth in Canadian sales, and we want to point that out to you. And if you look at our projections too, you will see that that customer is really providing a lot of growth in Canada, thank you.

MS. MARTINEZ: So, in your testimony you

mentioned that, at least from what I understood, there's a lot of business being lost due to this lower-priced sulfate product. Where is that product going? Is that being sold in Canada or is that being exported to other markets?

MR. AVERY: My name is Brent Avery. The specific customers that I talked about, one of them is one of ours for long-term that we've had for 30-some years. And because of the aggressive pricing policies of competitors, that particular customer took a lot of revenue out of the sodium sulfate market.

The other large term, a large customer, the one that was 30,000 metric tons -- basically we've been reducing our U.S. exports to make up for the difference.

MS. MARTINEZ: So, it's not necessarily -- the product is still going to your customers, it's just at much lower prices or you're not signing these contracts and you have excess product?

MR. HIRONAKA: Brent Hironaka, sorry we don't have excess product production. I think as Rod stated earlier, we have been experiencing a longer-term decline in our natural reserves, so our production capacity has in fact been declining somewhat.

That combined with the increase in Canadian sales that we've experienced and that we anticipate continuing through experience have actually -- is what's made up for

the drop in our U.S. exports and our U.S. sales. It's been a combination of declining production and increasing Canadian sales.

MS. MARTINEZ: Can you describe your role as the U.S. importer of record? Are you always the importer of record for any product that's brought to the United States and do you have affiliated entities in the United States that receive this product? Can you just go over that please?

MS. COZART: Ruby Cozart, yes, we are the importer of record, always on all of the products that we import from Canada into the United States, so there's no product from Saskatchewan Minerals that's being brought into the U.S. by other U.S. importers. You're always acting as importer of record, that is correct.

MS. MARTINEZ: And do you have affiliated entities in the United States?

MR. HIRONAKA: Brent Hironaka, we have a holding on subsidiary that is currently inactive. It was responsible for the distribution of the JCI product when we were distributing the JCI product.

MS. MARTINEZ: So, once the product comes into the United States, it does go directly to the buyer or does it go to a distributor that then --

MS. COZART: Ruby Cozart, depending on who's

purchasing the product, whether it's going direct to the customer or it could be going to one of our transload facilities where it is possibly getting bagged out or held for bulk truck distribution to smaller end customers, so it's --

MS. MARTINEZ: A mix of both?

MS. COZART: Yes.

MR. HIRONAKA: Brent Hironaka, just to add very quickly, I know in the questionnaire there is a section that talks about end channel. We do sell to third party distributors that take our product in bulk and redistribute it on their own behalf and under their own brand to their end customer, that's what we defined in our questionnaire as distributors.

MR. AVERY: Just to add something, Brent Avery, it's not always bulk, it could be bags or super sacks to those distributors.

MS. MARTINEZ: I'm going to ask the same question that I asked the panel this morning regarding official import statistics. Do you agree that this is the most accurate measure of the product using that one HTS category?

MS. COZART: Yes, we do agree.

MS. MARTINEZ: And do you have any idea of, you know, Petitioner mentioned non-subject imports, they were not very sure because average unit values were higher. Do

you have any idea as to why that may be?

MS. COZARD: We do not, we use one harmonized tariff schedule code, so anything else would not be affiliated to SMMI.

MS. MARTINEZ: Thank you.

MR. HEFFNER: But in answer to your -- Doug Heffner, in answer to the question, we don't know what the other stuff is.

MS. MARTINEZ: Okay. Thank you very much, that concludes my questions for now.

MR. CORKRAN: Thank you Miss Martinez, now we'll turn to Mr. Smith?

MR. SMITH: Thank you all for being here this afternoon, I really appreciate it. My first question is for you Mr. Heffner, do you agree with the Petitioner's definition of a domestic-like product is a single-like product all extensive of the scope?

MR. HEFFNER: For purposes of the preliminary determination we have no objection, we reserve the right to contest it if there is a final investigation.

MR. SMITH: Okay. Are there any other producers of sodium sulfate in Canada?

MR. AVERY: Brent Avery, there is a small by-product in Ontario which I'm not even sure what the volume is, but for these purposes we are the only producer

in Canada.

MR. SMITH: And what is the name of that by-product producer?

MR. AVERY: Toda.

MR. SMITH: I believe it was Mr. McCann, in your testimony you mentioned something about how the conditions of competition, particular supply and demand conditions are affected by synthetic producers in the U.S. market. Can you elaborate on that a little more?

MR. MCCANN: Rod McCann, it's our contention that the by-product and to a large extent the co-product producers are forced by virtue of their main higher value product to not regulate the SOP or excuse me, the sodium sulfate based upon the current supply or the current demand for that and that it's all driven -- it's almost exclusively driven by the supply and demand curves that drive their more high-value co-products or main product.

MR. HEFFNER: This is Doug Heffner, I don't know if you caught the story what Rob was talking about earlier but in -- I believe it was 2008, during the financial crisis when Elementis was -- it was Elementis, right?

It was Elementis that was -- they are big producers for the automotive market for chrome. They ended up, because of the financial crisis there weren't a lot of automobiles being produced, so they ended up closing down

some of their production and even though the market for sodium sulfate was very strong at that point in time, they closed down the market for sodium sulfate.

They didn't sell anything for a while, so that proves our point and we'll be glad to give you information on that if you would like in the post-conference.

MR. SMITH: Yeah, I would actually, and I'm interested too to see whether demand for those co-products has had any impact on the domestic industry as well.

I heard at one point that Giles, I guess there was a representative from Giles in the 2000 case that was on the Respondent's side, and now we're seeing a representative on the Petitioner side. Do you have any -- know why that might be? Was that -- did SMMI ever supply Giles Saltex?

MR. HEFFNER: Okay, this is Doug Heffner, I'm going to admit I was involved in that case back then just like Tom was, but my memory is short. I'm telling you the truth.

MR. SMITH: I really just curious about that. Okay.

MR. FERRIN: This is Richard Ferrin, one thing that is obviously different now is the situation that then, I mean now you've got this Saltex joint venture, so basically the operation for purposes of this case, the interest in Giles with due respect to this case, is they've

got ownership in common with TNR and that's a big difference why they're sitting on a different side of the table now I believe.

MR. SMITH: Okay, you talked about this a little bit already, but I'd like to probe a little more and get a little more information on what exactly SMMI's presence is in the United States? Do they have some sort of subsidiary here or do they have production facilities in the United States, packaging facilities?

MR. HIRONAKA: Brent Hironaka, we are an exporter or the importer of record. We utility third party warehouses and bagging facilities for short-term temporary storage and trans-loading, basically from rail to truck and while we were doing and representing the JCI product, we did that through a U.S. subsidiary. We have no permanent facilities in the United States.

MR. SMITH: And when did you stop handling the JCI product?

MR. HIRONAKA: Mid-2016.

MR. SMITH: Does SMI, SMMI package any of this product in the United States or is that handled by third parties?

MR. HIRONAKA: All of that is handled by third parties.

MR. SMITH: Okay. So, we heard a little bit from

Petitioners this morning about how the price comparisons that we're making may have laws related to the fact that transportation is such a huge part of the cost to get it to the port of entry. Do you have any comments on how we should look at subject import prices compared to domestic-like product prices?

MR. HIRONAKA: Brent Hironaka, as I stated earlier, our response to the questionnaire, there's a question in the questionnaire was to provide pricing at the point of entry, so we did remove the U.S. logistics costs from our final customer price to get back to a net at the point of entry.

So, I believe that our prices at point of entry are comparable to the Petitioners prices at their plants.

MR. SMITH: I asked Petitioners this question as well, but in the prior 2000 case we collected bid information. I'm curious to see what your opinion is on whether we should be analyzing bid information for any final phase?

MR. HIRONAKA: I think, sorry Brent Hironaka, we provided some examples of our sales process. I believe, we believe that in the customer questionnaires that have been sent in or will be sent in, that the -- with the stories and the facts that we presented will bear themselves out and it prevents what is driving the prices down and it is the

pricing of our competitors and not the prices of imports.

MR. HEFFNER: Doug Heffner, In answering your question though concerning whether you should be collecting bid prices, you know, I guess we can look at that a little later but I mean I would say right now we believe that there's no underpricing and we think that this should be a negative preliminary determination.

MR. SMITH: Okay, Mr. Heffner, I think it would be helpful since a large part of the argument here is that there's no surge of imports from Canada. When you consider years prior to the typical, to the Commission typically since there's a three-year period of investigation, three full years.

So, I think it would be helpful if in your post conference brief you can provide some prior Commission cases where the Commission has gone outside of it's GOI, so in particular to find whether the volume or the increase in volume is significant, so if you can provide some Commission cases that would be very helpful.

MR. HEFFNER: Doug Heffner, we'll be glad to do that, but I think the point though is just showing a long-term decline. It's not necessarily that you shouldn't look at the period of investigation, it's just showing over a historical period what is actually happening and also understanding why the '16 period was a low period and

unrepresentative, but we will endeavor to do that anyway, provide some information, thank you.

MR. SMITH: Sure. Another thing that I would like some more information on in the post-conference would be, I'm sure it's, you know, I can elaborate here to as well but in the opening you discussed a lost business that SMMI lost in business to Proctor and Gamble, it was a large part, if we could get some more detail on that it would be helpful.

MR. HEFFNER: Doug Heffner, we'll be glad to provide that.

MR. SMITH: Okay. Last question, are you aware of any third country anti-dumping or countervailing duty orders on sodium sulfate anhydrous from Canada?

MR. HEFFNER: Doug Heffner, no we are not.

MR. SMITH: Okay.

MR. HEFFNER: Aware of any.

MR. SMITH: That's all my questions, thank you very much again.

MR. CORKRAN: Thank you Mr. Smith, now we'll turn to Miss Burke?

MS. BURKE: Good afternoon. Okay, so I'm trying to get a better understanding of Saltex, and how they act within the market and any of this could be post-conference for Respondents and for Petitioners.

Because my understanding in the way I'm understanding this is that because they don't produce the product, they are a purchaser who then distributes within the market. So, how was that relationship different than the third party distributors that you mentioned you sell to within the United States who then -- from what I just heard, sells under their own brand and may repackage the product that you had sold to them.

Or maybe I'm misunderstanding. I'm just trying to understand what's the difference -- why should we be looking at pricing from Saltex if we're not also going to be looking at pricing from the third-party distributor that you mentioned you sell to?

MR. HEFFNER: Doug Heffner. I agree, I don't think you should. I think Saltex is not part of the domestic industry. They're just like anybody who we're selling to as far as a distributor and they resell the product. So, I agree with you there.

MS. BURKE: So, then I would ask in post-conference brief whatever information you have from your customers, that is including the pricing that they're receiving from Saltex, if you can provide that to us so we can see that, I mean whatever you have.

Okay, and then I guess another question I have is do you ever compete for business with the third-party

distributor that you're selling to in the United States?

MR. HIRONAKA: This is Brent Hironaka. No, we don't because if we did that we wouldn't be selling to them anymore.

MS. BURKE: I just wanted to get it on -- okay. So, you mentioned that in your exhibit the new customer between 2017 and 2018 in Canada, so from what I'm hearing it sounds like demand at least with this customer is increasing in Canada for the same market. Are similar changes being seen in the U.S. market?

Do you see potential new customers that would increase demand on the U.S. side for similar product switch?

MR. HIRONAKA: Brent Hironaka, the customer in question is actually a mining operation and we don't see similar opportunities in the United States at this time.

MS. BURKE: Earlier you mentioned that in the spring of 2017 you were going to customers with new contracts, to negotiate new contracts. Was that based only on the lower prices you were seeing from the U.S. side or was there another reason that you were going to these customers?

MR. AVERY: My name is Brent Avery. No, it was in direct response to information we received in the marketplace that found price competitiveness in the market.

MS. BURKE: Okay. So, I'm going to ask you

similar questions that I asked earlier this morning. I'm still trying to wrap my head around the raw materials and I'm not, so how do the raw material costs for you differ from what we heard this morning in terms of these leases and yeah?

MR. HIRONAKA: Okay, Brent Hironaka, our material costs -- we do, we do pay a provincial alkali royalty to the government to Saskatchewan, but what we consider to be our raw materials costs are all of the costs to harvest our material and get it on to our stockpile ready to be fed to the plant.

So, that would include when Rod went through the costs associated with moving water around on the lake to absorb the salt, pumping into the reservoirs, draining the reservoirs, labor to drain the reservoirs, and then the costs that are paid to -- for the heavy equipment and the labor to move all of the salt that is in the bottom of the reservoirs up onto the stockpile.

MS. BURKE: Okay, and the price that you were mentioning that you paid to the Canadian government, is that publicly available?

MR. HIRONAKA: No, I don't believe that it is.

MS. BURKE: Okay. If you have the information on the cost shares for the end users, that would be very helpful.

MR. HIRONAKA: This is Brent Hironaka, can you clarify -- I'm not certain I understand.

MS. BURKE: Okay, so earlier I had mentioned that in the petition on page 7, there's a number -- quite a number of end users for SSA that are mentioned and we're interested in finding out to the extent that you know what the cost shares for those end uses for as many of them as you can, not just what you put in your questionnaire -- we're looking for all of, for as many end users that were in the petition on page 7 that you can provide cost shares for, I understand that might not be possible now, but in post-conference briefs.

We did receive some in the questionnaires but we're looking for as many as we can get.

MR. HEFFNER: Doug Heffner, we'll endeavor to do that.

MR. HIRONAKA: Brent Hironaka, we'll say that the costs of our customers will be by definition estimates, we're not fully aware of the costs for the end user.

MS. BURKE: And this was brought up earlier, but is SSA from Canada and the United States interchangeable in your opinion?

MR. AVERY: My name is Brent Avery. On an overall basis it is. There are certain customers that request natural product for their particular use related to

some of the standards that they interpret. For example, we do have a fairly large customer that sticks with us because of our naturally-produced product.

But in general, it's true that it's basically interchangeable.

MS. BURKE: Okay. What would you say are the major factors, purchasing factors for your customers and what qualities -- and this question I asked earlier, what qualities or characteristics other than price are important to them?

MR. AVERY: Brent Avery, it's similar to the Complainant this morning talking about it's reliability, the inability -- we hear that a lot from our customers and it's one of our largest selling points is that we produce the product on purpose so that we can manage your ups and downs in supply better than other people can and quality, quality is another thing. We certainly sell our facility on that and there are again, certain customers that specify our product based on that. We are the only ISO certified company that produces sodium sulfate.

MS. BURKE: Okay. And, again, this is from this morning, but in post-conference briefs or any indicators that would be helpful for predicting future demand of SSA, both within the United States and globally would be appreciate.

Something that I was hearing more in your testimony than I did this morning, that it sounds like your contracts are longer term, compared to this morning, we were hearing that there are more annual contracts. Is that correct?

MR. AVERY: In general, our contracts are yearly. We do have a few that either are two-year or three-year in length.

MS. BURKE: That's it. That's all I have. Thank you.

MR. CORKRAN: Thank you, Ms. Burke. And now, we'll turn to Mr. Boyland.

MR. BOYLAND: Good afternoon. Thank you for your testimony. I just have a quick question about the Exhibit 1 and the pattern of exports. In 2015, it's a large volume, 2016, somewhat smaller. And I -- I guess I have two questions. One, I'm curious, why? Where did all this volume come from? I mean, prior to that, volumes have been very low to Mexico, if not--there was none in several years. So, what was going on? I mean it's an interesting pattern. I wanted to ask.

MR. HIRONAKA: I'm looking and I think as John stated early, our total U.S. shipments show a relatively steady decline over the period on Exhibit 1. The ones that show the significant change that I think you're talking

about, are the shipments, the purchases that we made from SVM in 2014, '15 and '16.

MR. BOYLAND: And these are purchases to basically supplement production that you essentially weren't able to meet this obligation?

MR. HIRONAKA: Correct. There was purchases directly from SVM to be shipped to our customers in the United States.

MR. BOYLAND: In the United States?

MR. HIRONAKA: Yes.

MR. BOYLAND: Okay. So maybe I'm misunderstanding. It says SMMI total Mexican shipments.

MR. HIRONAKA: Oh, I'm sorry. We also did purchase -- we purchased material from SVM to ship into Mexico. In 2013 and 2014, the shipments to Mexico came from our Chaplin plant. There was a supply disruption, I think, to the major sodium sulfate producer in Mexico and at a very significant cost to the purchaser. That's why the volumes are quite small, but it was a very significant cost to the purchaser to move material from Chaplin all the way to Mexico City.

MR. BOYLAND: Okay. But it's again, a must, even higher volume in 2015. Again, you're purchasing this from SVM to sell to a customer in Mexico?

MR. HIRONAKA: Yes. Those were purchased from

SVM and shipped to customers in Mexico.

MR. BOYLAND: Okay. And then in 2017, not --

MR. HIRONAKA: 2017, as John stated, we weren't able to reach the supply agreement with SVM, so we weren't able to supply that customer any longer.

MR. BOYLAND: Okay.

MR. HIRONAKA: We certainly able to do it from our Chaplin --

MR. BOYLAND: Exactly. So essentially, it wouldn't've been feasible to try to do it from --

MR. HIRONAKA: That's --

MR. BOYLAND: -- Canada?

MR. HIRONAKA: That's correct.

MR. BOYLAND: Okay, thank you. I have no further questions.

MR. CORKRAN: Thank you, Mr. Boyland. Now, we'll turn to Ms. Catalano.

MS. CATALANO: Good afternoon. I would like to ask questions about how things are classified in the HTS. The petition has four HTS numbers and I'm just gonna read one of the sentences from the petition and ask you to comment and see what you think.

This is from Page 9 of the petition and it says, "Some SSA may also have been classified and entered though incorrectly under 2833.19.00.00, which is sodium sulfates

other. All sodium sulfate is disodium sulfate. There are no mono- or trisodium sulfates. As such, it does not exist chemically, yet, 2,502 short tons are recorded as entering the United States from Canada under this subheading, 2016 through 2018."

So I'm gonna kind of ask, do you know what this material is that's coming in under this HTS?

MS. COZART: We do not know. It is not coming from our facility, from SMMI, so we are not aware of any information regarding this.

MS. CATALANO: That's very helpful. Thank you.

MR. HEFFNER: In fact, we only use one code. And if you'd like to know the code, she can provide it for you.

MS. CATALANO: My next question has to do with production processes. And so, this morning I heard there are the synthetic producers and the natural producers, and it sounds like the natural producers have all these pipes going under the lake and that sounds very complex in terms of engineering and whatnot. And then when I'm listening to what sounds like a third methodology, the wind is coming, the rain is coming, and we're letting it air out, and too bad if the weather's not good, we're not getting anywhere.

So it sounds like there are three separate processes going on. And I'm kind of curious if you would agree with that characterization of manufacturing. Or is

your process very similar to the U.S. process? The U.S. producers that you heard this morning that do natural production? And do you think there's a cost differential in these manufacturing processes?

MR. AVERY: I would agree that there kind of three different ways that each producer gathers their raw material. It's hard for me to comment on the costs for the respondents in regards to what their raw material is. I know ours, we use Mother Nature a lot. So ours is quite cost-effective in gathering the raw material.

MR. HIRONAKA: I'd just like to follow up a little bit. I think that all of it, the complexities that you're hearing and the processes, I think once it gets to raw material, I believe that, in general, we're starting with a similar raw material. Probably including the byproduct people. And then the purification and evaporation processes become similar.

Where it does differ is in the collection of raw materials. Where we're able to use Mother Nature for heat and for cooling, I think Cooper Natural Resources uses mechanical means for both heat and cooling. So certainly in our opinion, we believe that we have a classic advantage because we're using solar in the summer and--I don't know what the opposite of solar is--in the winter.

MS. CATALANO: Sure. Mother Nature sounds cheap.

But I'm thinking, what a complexity that must present for our economists trying to figure out Mother Nature's cost structure.

MR. HIRONAKA: Yes. And we consider ourselves Saskatchewan farmers of salt.

MR. MCCANN: I would just like to add on a little bit. I think that one of the difficulties you may have, we certainly would have, would be trying to define the cost structure on the byproduct or coproduct and how costs are allocated amongst numerous product lines. As much as we do have benefit and value from Mother Nature, she's also very expensive sometimes, too, to us.

And there are many other costs as Brent had identified, too, that I want to make sure that are recognized in our pumping and just in allocation of water, moving water, moving large, large volumes of water from our lakes into our system.

MS. CATALANO: And I did want to ask about this flooding. And I'm picturing, I don't know, the Red Sea parking or something. How much water are we talking about here?

MR. AVERY: I need my engineer here, quite frankly.

MS. CATALANO: In general. A billion gallons or a gallon? Is it as much as the lake?

MR. AVERY: Again, it's ten square miles.
MS. CATALANO: Okay. That puts it in --
MR. AVERY: There's a lot of water.
MS. CATALANO: -- perspective.
MR. MCCANN: Ten square miles at about two to five or six inches in depth. So it's not big deep lake.
MS. CATALANO: Okay. But that helps put it in perspective. Okay. I heard Mr. Avery. I heard you say that you are the only ISO certified company on the market. And I was wondering, I know the ISO usually has certain different protocols and I was wondering if you had a certain protocol that certified you. And would you say that that ISO certification gives you a credibility with your customers and gives you're a market advantage?
MR. AVERY: Absolutely. ISO is very rigid in how you run your operations and what you look at in your manufacturing process. It deals with quality. It deals with how you ship everything out of your facility. It runs the whole gamut. And you don't successfully maintain your ISO certification unless you have buy-in from the bottom all the way through the top. So it kind of permeates through the organization. Everybody's aware of it. Everybody's proud of it. And it certainly helps us produce a quality product all the time.
MS. CATALANO: So in hearing what I heard this

morning about maybe some impurities or heavy metals getting into the product, I would imagine that, because you have this rigid quality certification, you might be able to demand a higher price. And I was wondering about your perspective. Do you think that their product might be a little downgraded because they don't, and they could get a cheaper price?

MR. AVERY: Certainly in a complete package we like to think that we could get a premium on top. But it still boils down to reliability, serviceability and quality. And then, I'm certainly not going to sit here and tell you that the other suppliers don't have a quality product. I just feel like we provide the whole package which allows us to get slightly premium prices.

MS. CATALANO: Thank you. Those are all my questions.

MR. CORKRAN: Thank you very much, Ms. Catalano. Next we turn to Mr. Goodman.

MR. GOODMAN: Thank you. I was wondering if you could comment on different grades of SSA. So we've encountered references to potentially optical grade for glass-making or ACS-grade for chemical applications. But they all seem to be about the same standard of greater than or equal to 99% purity. Is that about right? And do you see any segregation in grades throughout the market for your

customer base?

MR. AVERY: I would agree with Mr. Kane's description. There is no real discernification of grades between sodium sulfate.

MR. GOODMAN: Okay.

Thank you. I had a question about your process, make sure I understood it because I'm not really seeing where the energy savings come in for you. So you've taken your saturated lake brine, you let that precipitate over the winter. Then you take that solid, redissolve it to create another saturated solution and filter off any entrained solids. And then you remove the water from that to create your SSA. Is that correct?

MR. AVERY: That is correct.

MR. GOODMAN: I'm just curious from a chemical engineering standpoint why you don't just filter it first and then just remove the water instead of the intermediate precipitation step?

MR. HIRONAKA: I'm not an engineer. I'm definitely not a chemical engineer. But the preliminary form of the crystal it precipitates is a Glauber salt which does have water molecules chemically imbedded in the crystal. So the first step in our process -- what we sell is anhydrous sodium sulfate, and what the market requires is anhydrous sodium sulfate, so our first step in the, kind of

the redissolving, is actually, it's more of a melting process. And it's breaking the bond with those water molecules that are molecularly chemically bonded to the sodium sulfate molecule.

And then the rest of the process is to remove the impurities and then again to evaporate the water and remove the water. I believe that from any brine source, the crystal that's going to be derived from the brine source is going to be Glauber salt, so it's going to be a similar process.

MR. GOODMAN: Right. So you just use the water hydration then as the solvent? So you just heat up the crystalized Glauber salt. It remelts and then you're able to filter that off, and then you just remove that water? You don't actually add more water to redissolve the crystals?

MR. HIRONAKA: Yes, we do add a small amount of water. We do add some water to the process. Most of it is recycled. And in fact we use the waste heat of evaporation to provide heat to our melters.

MR. GOODMAN: Okay, I got you now. Thank you for clarifying. Let's see. So you mentioned that you're running into potential problems with your reserves and the amount that's extractable. So I ask this question to the petitioners as well. Do you believe that the present level

of imports represent what's economically viable for you to extract? So, for example, if there was an economic incentive, would you even be able to increase your capacity?

MR. HIRONAKA: Our capacity is limited by what we can harvest from the lake. So I believe if the economic opportunity existed, we would not be able to significantly increase our imports into the U.S. on a long-term basis.

MR. GOODMAN: So would it be fair to say that you're capital-limited in what you're able to extract at this point?

MR. HIRONAKA: No, I don't believe -- it's not a capital limitation. It's a limitation of reservoir capacity and of the amount of salt that we can actually withdraw from the lake. As Brent stated earlier, the Glauber salt is in the lakebed and by flooding the lakebed, it actually draws the salt out of the muds, and there's a limited amount that we can draw out on an annual basis. We have a relatively short harvest season, a relatively short season where we can do that. And we only get one shot at it per year because of the weather conditions and the way the weather patterns work.

MR. KEARNEY: Just to add there, that is it is a declining asset. And that eventually it will be all evaporated and gone. So it is like any mine, any natural,

like a quarry or any mine, its reserves decline. Look back over the years, our country reserves or resources in the ground are declining and it's very hard to estimate the declining curve for that, but in the long-term, which isn't necessarily that long, it will stop. There'll be no more. It's not a self-generating or self-perpetuating process.

MR. AVERY: Just to add a little bit more to that. The nature of the deposit doesn't allow you, for example, to dredge the material up, to increase the amount that you have. It's relatively shallow and it's widespread. So you're only allowed to kind of withdraw a certain amount per year.

MR. GOODMAN: So agitating the lake bed would not necessarily help you?

MR. AVERY: No, it would not.

MR. GOODMAN: Okay, thank you. One final question. Could you describe your efforts to start a sodium hydroxide process? What exactly were you trying to, what kind of reactions are you trying to do there?

MR. HEFFNER: We'll answer to that in confidential post-hearing brief, post-conference brief.

MR. GOODMAN: Okay, thank you. That's all my questions.

MR. CORKRAN: Thank you, Mr. Goodman. In just a minute, I'll turn to my colleagues here. I have one or two

questions or mainly clarifications. One of the things I was wondering, looking at Exhibit 1, is there any way that you can provide--and I hope I'm getting the terminology right--but the harvest data that's associated with each year's sales, which I believe from the testimony would be the previous years' harvest, right? And where I'm going with that is, you point to and you emphasize shipment volumes in 2015 and '16 and the impact of the '14 and '15 harvest. So presumably it means that your 2018 harvest is a pretty good predictor of the volume that you will have available for 2019 sales? And they apparently go mostly just to Canada and to the United States. So harvest data for, particularly for 2018, would be helpful. But having it in the series would put that into context. The other question I have --

MR. KEARNEY: Just to clarify, in my presentation, when I used the previous year, I did that in a general sense, so that what was been explained by some of my colleagues, the harvest actually is in the period of November, December, January, February, but it's created in the period leading up to November, December.

So for, not to have so many dates, I just used the previous year, but just it is not a calendar year. It actually slots over into January and February. But it is the previous year, it's the previous season perhaps is a

better way to describe it.

MR. CORKRAN: Thank you, no, that helps a lot. And it sounds like then, you have just finished the -- you've just completed the most recent harvest, is that correct?

MR. KEARNEY: That is correct.

MR. CORKRAN: Or recently completed?

MR. KEARNEY: Yes, that is correct.

MR. CORKRAN: Thank you very much. And the other is just a clarification question to sort of understand the process a little bit better. With your process, are you primarily holding reserves of the precursor material? Or do you hold actual stocks of SSA? Or does it just depend what part of the year and what part of the cycle you're in? How do you hold your inventory?

MR. AVERY: We hold both inventories, so we have a raw feedstock as John just explained. We just finished harvesting, so by, call it February of each year, we've got that inventory of raw stock to feed the plant. On top of that, as we're producing sodium sulfate, we have three finished bins on site where we store that, as well as, we have various transload locations within the U.S. where we would hold a small amount of inventory as well.

MR. CORKRAN: And are you producing the sodium sulfate twelve months a year? Or is it only a limited

period during the year when you're actually at that stage of production, as opposed to harvesting and other activities?

MR. AVERY: We harvest once a year. Production is continuous throughout the year.

MR. CORKRAN: Thank you very much. That is very helpful. And those are the questions that I have. But let me turn to my colleagues to see if there are additional questions. Any others? Yes?

MR. SMITH: Thank you. I just wanted to ask a few more questions about these purchases from the SVM in 2014 through 2016. I guess I'm trying to understand why, why didn't the domestic industry supply these U.S. customers? Are they established customers? Is there some certain been going on with transportation costs?

MR. AVERY: Those would be customers that we had current contracts with.

MR. SMITH: Okay.

MR. AVERY: So they weren't really available to the domestic producer.

MR. SMITH: Okay. So these are three-year contract customers?

MR. AVERY: Not necessarily three-year. They could've been one-year, they could've been two-year.

MR. SMITH: Okay. And maybe in post-conference, if you could comment on whether SMMI was making money on

these sales or the purchases from SVM and their sales to the customers, what was going on profit- and loss-wise?

MR. HEFFNER: We'll be glad to do so.

MR. SMITH: Okay, thank you. That's all I have.

MR. CORKRAN: Well, with that, I would like to very much express our appreciation for your presence here today and for your testimony. It's been very helpful. We'll dismiss this panel and take about five minutes to gather our thoughts and then begin with closing statements. Thank you very much.

MS. BELLAMY: Will the room please come to order? Closing remarks on behalf of Petitioners in support of imposition is Tom J. Trendl, Steptoe & Johnson, LLP.

Mr. Trendl, you have 10 minutes.

CLOSING STATEMENT OF THOMAS J. TRENDL

MR. TRENDL: Thank you very much. Also, with me in closing here are Luke Tillman and Tom Rogers. Ten minutes is a short time. I forgot you didn't get to save up your time from earlier. So, I'm going to through -- it won't be in order -- but I want to go through some rebuttal comments.

The Respondent continues to call byproduct and co-product material waste material. You heard this morning it's the furthest thing from it. It's a cost center. It's something that they care about. It's something one company

invested twenty million dollars on. This is not waste material.

Let's look at volume for a second, despite their Exhibit 1. Now, volume is measured in two different ways. I mean the consideration is different. In evaluating the volume of imports of merchandise the Commission shall consider whether or not the volume of imports of the merchandise or increase in that volume is significant. And frankly, even using their data, which we have some issues with, no one can dispute that the volume is not significant. And even using their chart, not touching it about anything else, it even went up over 4 percent from '17 to '18 and it looks like it's going up in '19 as well.

Some other factors to look at here. I remind you the financials for the domestic industry are down. AUVs are down. You heard a lot today, this afternoon, about the purchases by Searles Valley, that Respondent made from Searles Valley Minerals. You heard something very key at the end. I think it was in response to you, Mr. Corkran. That was still a U.S. sale. Sask Min made that sale. Sask Min had that customer. Sask Min set that price. When Sask Min said they didn't have the material, they got SVM to supply it for them. They also implied that SVM was billing the U.S. customer. They were not. SVM was billing Sask Min.

Mr. McCann said today that co-product producers are not in the sodium sulfate business. I think you can imagine that that would be quite a shock to the -- you know take Elements, for example, and anyone else in this business. It is absolutely a business.

We continue to hear that this is, you know, like the year 2000. These are not much -- it's like 2000. Tom Rogers went through a whole list of things that were different. In addition, as Mr. Smith pointed out, you've got parties that were on one side that are now on the other side. And importantly, what was going on in 2000 was how synthetic material was handled in the marketplace. It is now sold entirely differently. And Mr. McCann said, in fact -- and I wish I had this quote and I will have it by our brief -- you know Saltex is there to raise prices that the byproduct and co-product people might've been selling for. Saltex raised prices.

They told a story about Customer A about all of these pricing offers and how difficult it was and they were getting beaten back and forth. Anyone on the Petitioners panel can exactly that same story. It's a commodity product. That's what customers do.

We also heard about Customers B, C, and D. You know that they lost all these sales, that it was significant amounts of volumes, and all of that. Assuming it's all

true, and they said they walked away from business, but yet, looking at their own chart you see their volumes went up. Again, ignore '16 if you want to, it's still substantial business in '17 and '18 and it went up. So, if they lost all of these sales that they complained about where did it go? What did they do with it? How did they increase sales? They sold it to other people in the United States at low prices.

Saltex and Giles, boy, they had fun with that. Now, they stated that the byproduct and co-product producers -- accounting term or not -- that they have to get rid of it. They have to sell it in the market right away. They can't store it. Well, that's not true. Giles stores stuff. They can store quite a bit of it. You have it in your questionnaire response.

They also -- I find interesting on this chart, thanks to Mr. Tillman and the beauty of Google Maps -- you'll see a drop off when SMMI was no longer purchasing from SVM to sell into Mexico. And they said why -- you guys asked -- somebody asked the question why aren't you doing that anymore and they said, well, geez, that really far away. You know it's prohibitive. Well, according to Google Maps, Chapel to Mexico City is 2500 miles. Chapel to Raleigh is 2,000 miles. That's just Raleigh. So, if it's so prohibitive to go to Mexico, it's not that many more

miles. You know it says what they're willing to do in the U.S. market.

And on that, I'm going to turn it over to Mr. Rogers while my light is still green. I did leave you with a yellow light.

CLOSING STATEMENT OF THOMAS ROGERS

MR. ROGERS: So, I'm just going to follow up on a couple of points, made notes on. You know regarding the volume and what happened in '17 and '18, let's remember that Sask Min made the choice and decided to export more to the United States and they did so at a certain price level. Petitioners have faced the impact of those volumes and those prices.

Regarding the story at P&G, we're not going to go into the proprietary details of that point on that customer. Needless to say, our clients have a different view of that story. Regarding the Canadian market, there might've been an misinterpretation of what we said this morning regarding the Canadian market. I don't think we said that it was nonexistent or negligible. I think our point was simply that it's a much smaller market than the U.S. and that therefore Sask Min has a strong incentive to sell to the U.S. and I think they made that point this afternoon as well.

The final issue I want to raise is you know if I

heard correctly part of their argument about the synthetic production is that the synthetic producers of sodium sulfate are driven by the -- production is driven by the production of co-products and that the greater demand for these products means more production of sodium sulfate. And that, therefore, because of that the synthetic producers are dropping the price to move that product.

I think the data on the record is going to show a different story and you'll see that the production and supply of synthetic sodium sulfate did not increase during the period. It was relatively flat. So, their theory just simply falls apart.

Instead, what we have seen is that the volume that did increase was the volume of subject imports. Thank you.

MR. TRENDL: For the record, the light's still green and our rebuttal testimony is concluded. Thank you. Thank you very much for your time and we really do appreciate it on a beautiful day. Thanks.

MS. BELLAMY: Closing remarks for those in opposition to imposition is Richard B. Ferrin, Drinker, Biddle & Reath, LLP. You have 10 minutes.

CLOSING STATEMENT OF RICHARD P. FERRIN

MR. FERRIN: Just taking a moment to look at the overall picture, what do we have? You have to analyze the

volume of imports, the price effects of imports, impact on the domestic industry.

With respect to the volume of subject imports, the whole point that we are making is that you have to take into account -- you know when you look at the trends for a three-year period, you've got exactly three data point. You need to have some context in which to examine the data point.

So, for example, there've been lots of cases where you may have a producer that starts in the first year with zero and then goes to, say, you know 10 tons in the second year and then 15 tons or 12 tons in the third year. Well, you could make the argument that, oh, this shows that they had an infinite increase from the first year to the second year.

No, that's not the way the ITC analyzes it. The statute that he quoted and the way the ITC always analyzes is it is you have to take into account the volume in context, the significance of the volume. Did MSSI sell nothing during the period? Of course, not. We did sell during the period, but the point is that there was no surge like the Petitioners want to portray. All that happened was in 2015 and 2016 the imports were unusually low. They weren't part of the normal level of imports because of the factors that we already described. What we did was we

supplied the same customers by having SVM do this.

Now, they talk about saying, well, SVM is still a U.S. sale, not a Canadian sale and that SVM billed Sask Min. You know that might be an interesting debate point, but it's really entirely irrelevant to what the point is. The point is not that we are trying to say that this an import -- that this is import that went from SVM to our U.S. sales, but the point is is there a reason that our imports look like there's a big shift upwards from 2016 compared to 2017 and leveling off in 2018.

And is it because there's a surge in imports? No, it's not because there's a surge of imports. It's because there was an unusually low amount in them original base period and that's the only reason that we're bringing that up.

Now, they say that the Elementis is in the sodium sulfate business. Well, you know, yes, Elementis and these other byproduct producers they do produce it; but there's no question as to what is leading the direction. Elementis doesn't say, oh, we've got a low amount of low prices for sodium sulfate, so let's shut down all of our production because we're not getting enough money from sodium. If you look at the relative value of sodium versus chromium that's in their own questionnaire response, you'll know that that's preposterous.

The converse, however, is true and was empirically true in 2008/2009. During that time period there was a huge drop in the demand for chromium because it wasn't being needed by U.S. automobiles. So, what did Elementis do? They said, oh, we'll continue running our chromium plant because, by golly, we can get those good prices on sodium sulfate. No, they didn't. they shutdown the plant. If the situation is reversed, they wouldn't shutdown the plant. They wouldn't shutdown the plant if one year the prices were low for sodium sulfate, even though they were high for chromium. This is just common sense.

Now, there is a claim made by the other side about what the role of Saltex. It was to drive down prices. And this was the testimony from Rod earlier. All Rod meant to say was that Saltex was there to drive down the prices and to increase the margin, not to increase the prices.

Now, they talk about lost sales. Mr. Trendl said, well, we're talking about -- that we talk a lot about lost sales, yet, their volumes went up. Where did the sales go? Well, what happens when you lose some big accounts you have to replace them with a lot of smaller accounts if you possibly can. And certainly, in some situations we tried to supplement with smaller accounts when we lost the big accounts to the U.S. producers.

But when we're talking about what the lost sales

and what the lost revenue is, the Commission always has a very standard way of examining it. They look at the lost sale/lost revenue questionnaire responses. You can take a look at that and draw your own conclusions. That's confidential, but we're certainly confident that the conclusion you'll draw doesn't support the Petitioners' case.

And then when you take a look the other way, you can take a look at the price effects, has to do with just simply doing the quarterly pricing comparisons like the Commission does in every single case. And what'd you have there? You don't have a mixed pattern. I don't know where he gets that from. The data I'm looking at -- and I suspect the data the Commission is looking at is showing no underselling.

Think about that. How many times does the Commission decide that there are significant adverse price effects when there's no underselling? You know it's beyond belief. So, they also made a comment about saying, well, that it's 2500 miles to Mexico versus 2,000 miles to Raleigh. Well, you know I don't think that's terribly relevant here. In any given situation, the ability for us to make a sale is going to depend on a number of factors and transportation is one of them.

It is simply impractical for us to send things

all the way from Canada all the way down to Mexico City. And I don't really understand what the point of his reference is to 2,000 miles to Mexico versus to 2,000 miles to Raleigh. But in the end, what it all comes back down to is volume and price. There's no volume effects in this case because there is no surge in imports. There's been a steady, long-term decline in imports from Canada and there have been a couple of exceptional years and that was the situation that was -- and that includes the base year here when there was a very poor harvest in Canada and when SMMI was attempting to build up its reserves for its caustic soda project, so there's no volume effects here, no significant volume effects.

In terms of price effects, I don't know what else the Commission needs at this point to issue an immediate negative determination. I know it's a preliminary determination, but my God, look at the data. And for those reasons, I think the result for the Commission in this case should be just like it was in 2000. Thank you.

MR. CORKRAN: On behalf of the Commission and the staff, I'd like to thank the witnesses who came here today and the counsel who came here today for helping us gain a better understanding of the product and the conditions of competition in the sodium sulfate anhydrous industry.

Before concluding, please let me mention a few dates to keep in mind. The deadline for submission of corrections to the transcript and for submission of post-conference briefs is Tuesday, April 23. If briefs contain business proprietary information, a public version is due on Wednesday, April 24.

The Commission has tentatively scheduled its vote on these investigations for Friday, May 10, and it will report its determinations to the Secretary of the Department of Commerce on Monday, May 13. Commissioners' opinions will be issued on Monday, May 20.

Thank you all for coming. This conference is adjourned.

(Whereupon the hearing was adjourned at 4:01 p.m.)

CERTIFICATE OF REPORTER

TITLE: In The Matter Of: Sodium Sulfate Anhydrous from Canada

INVESTIGATION NOS.: 731-TA-1446

HEARING DATE: 4-18-19

LOCATION: Washington, D.C.

NATURE OF HEARING: Preliminary

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

DATE: 4-18-19

SIGNED: Mark A. Jagan

Signature of the Contractor or the Authorized Contractor's Representative

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

SIGNED: Duane Rice
Proofreader

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

SIGNED: Gaynell Catherine
Court Reporter