United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510–6250

July 18, 2018

President Donald J. Trump
The White House
Washington, D.C. 20500

Dear Mr. President:

On Monday, I held a roundtable discussion in Milwaukee on trade and tariffs. Fifteen Wisconsin businesses attended representing a broad range of sectors including farming, food processing, and small, medium and large manufacturing. I have enclosed a one page synopsis that each business prepared prior to the roundtable.

I truly hope you and your trade negotiators will take a few minutes to read these brief descriptions of how the trade war and tariffs are negatively affecting their efforts to maintain markets, prevent layoffs, and in some cases, survive.

In summary, these businesses report price increases ranging between 30-40 percent on the steel and aluminum they use. Because their global competitors are not experiencing these cost increases, they are losing both export and domestic orders and market share. Some have either cancelled or put on hold planned capital expenditures. Others are considering moving operations abroad.

Most of these businesses have always tried (and generally succeeded) to source a majority of their steel and aluminum from domestic suppliers. However, some of their material requirements simply are not available domestically, and the prospects of sourcing them domestically any time soon (if ever) are remote. Ultimately, the tariffs on imports and increased manufacturing costs will increase prices for American consumers and stifle economic activity.

In farming and food processing, the retaliatory actions to U.S. tariffs will have a profoundly negative effect. Global markets that have taken decades to develop are drying up, and the damage could be permanent. Without overseas markets, supply will significantly exceed domestic demand causing prices to plummet and farmers to go bankrupt. Many participants at the roundtable underscored those hardships. The president of owner-operated food processor, Chippewa Valley Bean Company, stated that she is the seventh generation in her family business, and “in that 160 years there has been no government action that has left us in such terrible shape as what this has.”

My 33 years in business and manufacturing taught me that orders can be lost for a fraction of a percentage, and even the most loyal customer must respond to economic reality.

There is already permanent damage being done to U.S. and Wisconsin businesses because of the trade war. The longer the negotiations last, the more irreparable harm will be done.

A sad fact repeatedly reported at the roundtable was that the primary beneficiaries of the trade war are these Wisconsin businesses' global competitors, including those competitors located in China. In addition to the obvious cost advantage, those global competitors are also raising prices to increase profits. This will provide those competitors additional funds for capital investment to expand capacity and capabilities, making them even more competitive.

China is the primary abuser of the global trading system. China's theft of industrial and military secrets has cost America and our allies hundreds of billions of dollars. But the best way to obtain China's compliance with world trading rules is by presenting a united front with our allies demanding full compliance.

I urge you and your trade representatives to understand the plight of businesses struggling during this period of extreme uncertainty, and do everything in your power to return certainty and stability to global markets.

Respectfully,

Ron Johnson

Ron Johnson
Chairman

Enclosure

cc: The Honorable Claire McCaskill
Ranking Member

The Honorable Wilbur Ross
U.S. Department of Commerce

The Honorable Robert Lighthizer
United States Trade Representative

The Honorable Kevin Hassett, PhD
Council of Economic Advisers

Dr. Peter Navarro
Director, National Trade Council

Mr. Lawrence Kudlow
Director, National Economic Council

Table of Contents – Businesses that Participated in the Roundtable

American Packaging Corporation

Participant: Donald Dewar, Corporate Purchasing Manager

<u>American Packaging Corporation</u>

<u>100 APC Way , Columbus WI 53925</u>

<u>1000 Employees</u>

<u>Annual Sales of approximately $ 500 million</u>

<u>232/301 Tariff Impact Annually Approx. $ 1,275,349.</u>

American Packaging Corporation is an American Company headquartered in Columbus Wisconsin. We Employ over 900 people in our 5 sites. American Packaging is a growing company, specializing in converting materials like Aluminum foil into packaging for a wide variety of products. We are growing at 5 times the rate of growth in our industry. Over the past 2 years we have built 2 new facilities and invested over $100 million in the future of our employees.

Ultra thin gauge Aluminum foil represents only 5% of our overall raw material spend but it is a companion to a larger percentage of materials in our product structures. Aluminum foil provides key attributes to the success of our products to protect and brand our customer's products. For many of our customers it is imperative that we can provide products with Aluminum foil in order to participate in their whole packaging spend. Aluminum Foil is integral to our need to provide the full array of products our customers demand and compete in the packaging industry.

Since the petition was filed in March of 2017 against the supply of Chinese Aluminum, we have seen dramatic cost increases to Aluminum Foil outside of China. In addition to the higher cost for supply from China, producers in other countries and the U.S. have responded by increasing their prices as well. These additional penalties, duties and tariffs in 2017 added $1,173,019 and 2018 est. $3,999,834 to our cost. For producers outside of China, prices have increased 30.9%. Actually, domestic costs have increased 38.4%. This includes the cost of manufacturing and the ingot costs that have been driven up by the restriction of the supply.

In my testimony at the International Trade Commission in March of 2017, I stated that the petition would result in more demand for producers outside of China and not more demand for domestic producers. This was primarily due to the inability of domestic producers to produce the grades of Aluminum foil that we source. The ultra thin grades of Aluminum Foil are still not available domestically. Additionally, the domestic producers are not able to offer greater volumes than we sourced previously. This has forced us to source even more imported Aluminum foil to support our growing business. In 2016, our domestic Aluminum consumption was 24.2% of our total Aluminum consumption. Our pace for domestic foil consumption in 2018 is 21.9%. The result to this point is a drop in our ability to source

Aluminum foil domestically. This is not a choice. This is the amount that is made available from domestic sources today.

One more issue to address may be the greatest threat of all. Due to the penalties and tariffs not having an equal affect upon our foreign competitors, they have an economic cost advantage over domestic supply. Our foreign competitors are able to avoid the increased costs from sources outside of China and source the lower cost Aluminum foil from China. In turn, they are able to convert the foil into similar product structures for our customers at a lower cost. Those products can enter the U.S. without the high tariffs or penalties and garner the business of our customers that we currently enjoy. As this occurs a high percentage of our business becomes at risk and certainly endangers our plans for growth and expansion. Loss of business due to the tariffs could result in the loss of 125+ American Packaging Jobs.

Sincerely, Donald M. Dewar

Donald Dewar
Corporate Purchasing Manager | ddewar@ampkcorp.com
American Packaging Corporation
100 APC Way, Columbus, WI 53925
O: 920-623-1002 | M: 920-763-2956
www.ampkcorp.com

Participant: Cindy Brown, President

Company Name: Chippewa Valley Bean Co.

Location: Menomonie, WI

Number of Employees: 35

Tariff Impact (232 and/or 301): 232 – 25% retaliatory tariff on kidney beans to the EU

Chippewa Valley Bean Co. grows, processes and markets kidney beans from farmers in WI and throughout the Midwest. Winners of the Governor's Export Award, in 1991 and again in 2015, we export 65-70% of our total tonnage. The European Union is our largest international market accounting for 60% of export sales with an annual value of $25,000,000.

The 25% retaliatory tariffs are extremely detrimental to our family business. Canning companies throughout the world have very small profit margins and are unable to absorb over $6,000,000 in unexpected new taxes. They will buy kidney beans grown in China, Canada or Argentina. US farmers produce more kidney beans than are consumed domestically. When farmers lose the opportunity to sell globally, they have fewer choices of what to grow. Growing more soybeans and corn, at prices which currently don't cover the cost of production, puts farmers out of business.

CVB has cancelled over $3.5 million in capital purchases for 2018 since the retaliatory tariff was applied, as well as scrapping over $15 million in expansion plans for 2019. When steel tariffs were announced in late winter, we were negotiating the construction of a storage and drying system. The price of the project increased in anticipation of the tariff; all it took was the discussion of a 25% tariff for bin manufacturers to raise their price.

Kidney bean suppliers in Canada, China & Argentina will raise their prices, too, slightly below the US base price plus the tariff. The end result is that our competitors will increase their profit margins while US farmers can't sell their beans.

CVB contracts with bean growers prior to planting, guaranteeing a base price on 50% of the farmer's production. In turn, we sold those beans to EU buyers. When the EU refuses to take the beans, CVB is still obligated to pay the farmers for the beans that were contracted. We then have two options, agree to pay the 25% tariff and take an immediate loss or hold the beans hoping to sell them if the tariff is ever lifted. Either way, experiencing a 25% price reduction or having zero cash flow doesn't keep the doors open.

Participant: Laura O'Donnell, VP and General Counsel

Company Name: GE Healthcare

Location: Headquartered in Chicago, IL – manufacturing, services, and commercial operations concentrated in multiple WI locations (Madison, Milwaukee, Pewaukee, Waukesha, Wauwatosa, Oak Creek)

Number of Employees (optional): ~54,000 global/~19,000 U.S./~6,000 WI

Annual Sales (optional): ~$19B

Tariff Impact (232 and/or 301): GE Healthcare is greatly impacted by the U.S China 301 Tariffs

GE Healthcare is a global company, operating in over 140 countries. We rely on exports and a global supply chain to succeed and grow jobs in the U.S. In fact, more than 60% of our revenue is derived outside the U.S.

Medical equipment is Wisconsin's largest export, according to 2017 Dept. of Commerce data[1]. GE Healthcare is WI's largest exporter of medical equipment. Our WI-made equipment contains ~70% U.S. content, and we have nearly 700 WI-based suppliers. However, GE's WI workers rely on imports made in our wholly-owned or controlled plants in China to produce our products in the U.S. ~60% of our imports from China come from our own factories – not a Chinese supplier.

Our most advanced CTs and MRIs are made in the U.S. Tariffs make the cost of producing CT, MRI, Ultrasound, and Anesthesia systems in WI more expensive. Hospitals in the U.S. are cost-constrained, and price competition is fierce. GE Healthcare's competition for imaging and other medical equipment are mostly European and Asian companies, who will not face similar tariffs when importing components from China to their home operations.

GE's and our suppliers' Wisconsin jobs rely on global demand for GE's advanced medical equipment, including the rapidly expanding Chinese health care system. China is GE Healthcare's second largest market (behind the U.S.), and is expected to be the largest market in the world by 2030. In 2017, GE exported more high-end CTs from WI to China than were sold in the U.S. These tariffs will advantage both non-U.S. and local Chinese companies competing against GE's WI-made products for market share in China.

Many of the remaining imports can only be sourced from China, or would take a long time to qualify from another country due to quality controls necessary to satisfy FDA regulations.

[1] https://www.census.gov/foreign-trade/statistics/state/data/wi.html

Participant: David Rolston, President and Chief Executive Officer

Company Name: Hatco Corporation

Location:
Milwaukee, WI (Headquarters),
Sturgeon Bay, WI (Manufacturing),
Suzhou China (Manufacturing)

Number of Employees (optional): 600

Annual Sales (optional): Between $100M and $200M

Tariff Impact (232 and/or 301):

Hatco Corporation manufactures commercial foodservice (restaurant) equipment, utilizing large volumes of aluminum and stainless steel, with lesser volumes of carbon steel. Our stainless prices have increased 10%, primarily due to surcharges, in the first half of 2018. Nickel is up over 10%; Chrome is up over 20% and Iron is up over 10%. Our carbon steel base cost is up over 40%, primarily related to iron ore and coaking coal increases.

Over the last few months, big changes have occurred in availability and pricing of aluminum. The 10% tariff affects eight of the 10 largest suppliers to the US. Canada is the largest supplier to the US at approximately 2.5 Million tons. US idle capacity of 1 Million tons cannot cover the gap. We are concerned regarding future supply and pricing on aluminum and believe we will see the biggest overall impact to our operations as a result of this.

Hatco is 100% employee owned, resulting in an environment where we will work hard to overcome obstacles without laying off team members. We also have a strong brand, so we are not slaves simply to the price of metal. We anticipate being able to pass along most or all of our cost increases as increased pricing for our products, although we might tolerate a short lag as the dust settles.

Our employees rely on the profitability of the business for their future. Increased cost will result in reduced investment in our business and increased pricing to our customers.

About 30% of our products are sold outside the US. Any tariff's that reduce this will directly impact our growth and profitability.

David Rolston
President & CEO
Hatco Corporation

Hillcrest Family Farms LLC

Participant: Brad Kremer, Farmer

7916 Apple Road
Pittsville, WI 54466

Hillcrestfamilyfarms@yahoo.com
715 213 4586

5 full time, 5 part time employees

$1.1 million in sales

Tariff impact: over $60,000 loss alone in soybeans to our family farm in last 30 days

Our farm.

My wife Nicole, son Cole 12 and son Gunnar 10 run a family farm. We milk 200 cows, farm 1500 acres of soybeans, corn, oats, wheat and have a small beef herd. For the last 2-3 years we have experienced a loss in the dairy and in the last month alone have lost over $60,000 in soybean sales. That’s real money out of our pockets. The losses also come into play in the corn side with nearly a loss of $40,000 in our corn sales. Just in grain alone we have lost $100,000 in 30 days, couple that with the dairy situation and our young family farm is scrambling to remain in business. We don’t want a program or a subsidy. We need that money to go into market development and trade improvements, free trade and open markets. As a past president of Wisconsin Soybean Association and current director on the board of the American Soybean Association we are concerned about short term and long term impacts of tariffs. Our Commodity groups have developed markets with their own checkoff dollars and we fear these relationships and trade missions we have put our efforts into may be lost forever. We are in danger of losing a generation of farmers. Agriculture, the rural economy, and that way of life is in a dire situation.

Participant: Will Hsu, President

Company Name: Hsu's Ginseng Enterprises, Inc. / Hsu Ginseng Farms LLP

Location: Wausau, Wisconsin

Number of Employees (optional): 100+ in North America

Annual Sales (optional): Over $40 million

Tariff Impact (232 and/or 301): +15% tariff on American Ginseng

Retaliatory tariffs on ginseng will adversely affect the industry here in Central Wisconsin. Wisconsin grows over 95% of the country's annual production of ginseng, approximately 1 million pounds per year. In addition, over 90% of the cultivated ginseng grown in the US is exported to Asia, with the primary destination being Greater China. This crop has a high value per pound, approximately $40-$50, relative to other agricultural commodities grown in Wisconsin. Therefore, the economic impact to Marathon County and the surrounding area will be felt this fall if demand for Wisconsin-grown American ginseng declines due to wholesalers and retailers passing on the retaliatory tariff to Chinese consumers via pricing. Wisconsin stands to lose a its competitive edge and sales to cheaper, lower quality American ginseng grown in Ontario, Canada and the northeastern provinces of China. Wisconsin-grown American ginseng makes up less than 10% of the annual global production estimated to be 10-13 million pounds, but it is also the highest priced, best perceived quality and most well recognized brand of ginseng imported into China for Chinese consumers.

In response to the tariffs, it is likely that demand will be dampened, which may result in reduced production or farming in Wisconsin, reduced prices to local farmers for their harvest, protection for China's own domestic farmers growing American ginseng, as well as decreased demand for manufactured or processed ginseng from the USA. Currently, many of the ginseng processors are located in China because the declared value on import of an unfinished farm commodity is much lower than finished products. The VAT, original tariff of 7.8% and additional 15% retaliatory tariff for ginseng roots or ginseng products made in the USA further restricts our ability to improve the balance of payments and reduce the trade deficit with China, potentially leading to farming and processing job losses in Wisconsin.

HUSCO
INTERNATIONAL
control focused - technology driven

2239 Pewaukee Road • Waukesha, WI 53188
PO Box 257 • Waukesha, WI 53187

Tel:(262) 513-4200 • Fax:(262) 513-4514 • www.huscointl.com

Participant: Austin Ramirez, Chief Executive Officer

Company Name: Husco International, Inc.

Location: Waukesha, WI

Number of Employees (optional): 1,520

Annual Sales (optional): $460 million

Tariff Impact (232 and/or 301): Approximately $11 million per year in incremental costs primarily related to section 301 tariffs on imported materials from China.

Please include a brief description of how the steel and aluminum tariffs and/or retaliatory tariffs will, or are, negatively effecting your business.

The enacted 25% section 301 tariff on Chinese imports directly impacts Husco in a significant and detrimental manner as it affects close to 100% of the components, which are used for final assembly work in Husco's U.S. factories, that we purchase from Chinese suppliers. Husco is not able to absorb the magnitude of this cost increase which approximates $11 million annually. We are pursuing recovery from our customers and evaluating supply alternatives located in Eastern Europe, India, Brazil and other low-cost countries as the supply chain for many components no longer exists in the U.S. We are also evaluating moving manufacturing from the U.S. to our factories in Europe, China and India which are not affected by the tariffs. The potential exists for the loss of more than 100 jobs in Iowa and Wisconsin. Although the tariffs will enact a high cost on the Chinese economy, they also significantly impact industry in the U.S. with beneficiaries being competitors in Europe and Japan.

Participant: Ralph Hardt, President

<u>Company Name: Jagemann Stamping</u>
<u>Location: Manitowoc WI (and headquarters) and Nashville TN</u>
<u>Number of Employees (optional): 300 WI – and 120 TN</u>
<u>Annual Sales (optional): Approx. $100M combined ($80M WI)</u>
<u>Tariff Impact (232 and/or 301):</u>

We are getting hit from many levels now – not just with the tariffs – but retaliation concerns – and getting bombarded with customer requests as to how we will "OFFSET".

All of these customers are VERY significant to us – global in nature. Etc.

Other items:
We are 60% tier 1 automotive, 30% defense and 10% industrial. Metalworking and stamping is over 80% of our business.
We have historically exported 20-23% of our sales – to 17 countries.
EXPORT INQUIRES HAVE ALL BUT DRIED UP
We continue to get concerns from many customers.

U.S. Manufacturers Hit from Four Sides:

1. Tariffs on steel and aluminum
2. Tariffs on machines and products from China that U.S. manufacturers buy
3. Tariffs on autos, suvs, vans, trucks and parts increase prices for consumers, lowers demand
4. Retaliation on exported U.S. manufactured products

<u>We can manage with global commodity changes – always have – and others have to as well. There is another impact here – many of the materials are going to Mexico or Canada- and our customers are pushing us even harder to go to Mexico FAST – or they will resource to these two countries. This is just like what happened during the Bush years and 201 tariffs – really helping Mexico "take off" even more.</u>

Ralph Hardt
President
Jagemann

Participant: Scott Bowser, VP of Global Operations

Company Name: Modine Manufacturing Company

Location: Headquartered in Racine, Wisconsin

Number of Employees (optional): 11,700 worldwide

Annual Sales (optional): $2.1B

Tariff Impact (232 and/or 301): $6M+

Modine Manufacturing is a global manufacturer of heat transfer products for the vehicular, industrial and building industries. Our products are highly engineered to meet our customers' specifications, operating in many harsh conditions. Due to this, many of the materials we use are specialized and the end products must meet rigid testing requirements, so the materials are not easily changed. Additionally, many are specially designed, requiring costly tooling which cannot easily be transferred.

As such, both Section 232 and Section 301 tariffs significantly impact our business. They impact us in a variety of ways:

- There is a scarcity of capacity in the US aluminum market. Due to the 232 effects, many aluminum consumers have rushed back to the US mills, and they are stretched to their capacity. This has resulted in significant delivery issues to our plants, causing Modine to incur premium freight charges, overtime costs, and significant production disruptions, threatening our profitability and reputation.
- There are several grades of aluminum which no US mills produce. Modine has no other choice than to incur 232 tariffs. This will have an annual impact of $750,000.
- Due to constrained US aluminum mill capacity, we have indications of significant cost increases in 2019 after our current contracts expire. Increases are estimate in the range of $3M - $5M beyond the increases above.
- Regarding 301 tariffs, many of our affected parts are aluminum and steel castings. Over the past years, foundry capacity in the US has dwindled. Given the rigid requirements of our products, it will be very difficult to find capable foundries. Combining such a constrained market with the costs and timing required to retool and validate new suppliers will leave Modine no choice but to remain offshore and incur this additional 25% increase. This will have an annual impact of at least $5M.
- 301 tariffs will have a very significant impact on our Construction and Agricultural customers. We believe that their sales will drop, affecting our sales. This will have a substantial negative affect across our business, possibly resulting in job loss.
- Approximately 17% of our North American products are exported. The increased costs driven by both 232 and 301 tariffs will diminish our global competitiveness and put these export sales at risk versus foreign competitors.

Participant: Mark Gliebe, Chief Executive Officer

Company Name: Regal Beloit Corporation

Location: Beloit, WI (Headquarters)

Number of Employees (optional): 5900 US employees

Annual Sales (optional): $3.4 billion

International trade has helped Regal compete against foreign companies in markets around the world. By leveraging various mechanisms, such as low-cost sourcing, regional manufacturing, and free trade agreements, Regal can sell its products in the global market at competitive prices, while maintaining a significant number of high-value jobs in manufacturing, administration, engineering, customer service, warehousing and distribution in the US.

The list of HTS codes for tariffs on imports from China under Section 301 includes several categories of electric motors and motor components and excludes others. The result of the combination of included and excluded HTS codes creates an uneven playing field for U.S. motor manufacturers. Regal will be unfairly disadvantaged by tariffs on larger three-phase electric motors while single phase motors are not included in the tariffs.

Regal sources most of its steel from US sources but we face increased prices for US steel resulting from the Section 232 tariffs. The result of these trade actions will be an increase in our costs leading to increased prices for consumers.

We urge Congress to pursue fair and enforceable trade with China, but refrain from using tariffs as leverage to obtain this.

1675 Reigle Drive
P.O. Box 556
Kewaskum, WI 53040 USA
Phone: 262-626-2121
www.regalware.com

Participant: Doug Reigle, Vice President, Supply Chain Management

Regal Ware Inc.
Location: Corporate offices – Kewaskum, WI
Manufacturing facility – West Bend, WI

Employees: 322 Total, 165 Manufacturing related

Tariffs effecting Regal Ware; 232 and 301.

- Regal Ware has been hit with both 232 and 301 tariffs as well as retaliatory tariffs on finished goods in the EU.
- To date tariffs have cost Regal Ware more than $135,000
- 65% of Regal Ware's sales happen outside of the United States
- Over 90% of what Regal Ware sells is manufactured in West Bend, WI.
- Our competitors can import finished goods into the United States with little duty and no tariffs. The tariffs are putting us at a competitive disadvantage in our home market.
- Our competitors in foreign markets are not subject to the same tariffs as we. Again are putting us at a competitive disadvantage.
- In the last 5 years we have invested over $7 million in our manufacturing facility in order to remain competitive in world markets. A 25% increase in raw material prices has negated the effects of those investments.
- For strategic reasons we source raw material both domestically and internationally
- Some of our aluminum alloys cannot be sourced in the USA.
- Domestic sources of both Stainless Steel and Aluminum have been increasing prices steadily since the tariffs were imposed. Thus there is little relief in sourcing domestically.
- We are now in a position where we need to explore the possibility of manufacturing some of our product overseas. Estimated job loss in Wisconsin, 50.
- We do not feel we can pass all the tariffs onto our customers. As such we are absorbing some of the tariffs which is reducing our margins.
- We are estimating a loss of revenue in the range of $2 to $2.5 million the reminder of this year due to the tariffs.
- It is doubtful we would put any more major investments into our facilities as long as the current conditions exist.
- We have slowed down hiring even though we have 13 open manufacturing positions. We will need a clear view of the future before we will fill all those positions.

Participant: Jeff Schwager, President

Company Name: Sartori Cheese

Location: Plymouth, Wisconsin and Antigo, Wisconsin

Number of Employees: 530 plus buying 100% of the milk from 130 Dairy Farms

Annual Sales: Global Brand shipping to 49 countries

Tariff Impact: 20-25% for Mexico and 25% for China

While small at this point we have experienced a 20% increase in the price of 2 dishwashers. This will definitely slow down capital investment on other projects with these types of increases.

We have made the decision to split the tariff impact with the importers and customers in China and Mexico to maintain business and protect jobs at farms. This will result in lower prices for cheese further stressing the already low milk price that our Family Farms receive.

The cheese industry is currently facing trade issue from Geographic Indicators, The EU successfully negotiating free trade agreements with Canada and Mexico and the latest trade issue of tariffs. The need to grow exports is critical to the future, we cannot continue to have markets closed off to us or tariffs resulting in prices Europe can easily beat. About 90% of the milk in Wisconsin is made into cheese, we need to get to a level playing field.

Farm Fresh Goodness Made Great

Participant: Paul Palmby, Executive VP & COO

Company Name: **Seneca Foods Corporation**

Location: Janesville, WI (company has 25 plants in the country with 8 in WI)

Number of Employees (optional): 1100 full time and 1800 seasonal in WI (3300 full time and 5,000 seasonal in the U.S.)

Annual Sales (optional): $1.3 billion

Tariff Impact (232 and/or 301): 232 Steel

BACKGROUND

Seneca Foods Corporation is primarily a fruit and vegetable processor with 25 facilities across the United States. We contract with approximately 1,600 agricultural producers for over 200,000 acres of fruit and vegetable crops that are grown, harvested and processed at our facilities. We are the largest vegetable canner in the United States representing over 50% of the canned vegetables (excluding tomatoes and dry beans) sold in America, dealing with almost all retailers and food service distributors in the country. We are very proud that we provide safe and nutritious products and represent a "value proposition" for consumers vs other forms (primarily fresh and frozen). Strategically, we see vertical integration as a core part of our success and engage in in farming, variety and seed development, transportation and can manufacturing for that reason.

CAN MANUFACTURING

While a number of food companies have made their own cans over the years, most divested those operations. Today, Seneca is the last U.S based food company still making our own cans and we have invested over $50 million in the last 10 years in our can making operations to have what we feel are among the most efficient can making operations running today. Our primary can making facility is located in Baraboo Wisconsin with smaller facilities in Marion New York and Payette Idaho. We employ over 400 people in these operations with payroll exceeding $20 million. We import 35% of the 100,000 tons of steel that we use annually primarily from South Korea. Domestic capacity of tinplate production is not sufficient to meet domestic demand and quality of imports is far superior. Rejected domestic product is 5.5% vs imported at 0.17%.

TARIFF IMPACT

- Korean quotas have led to half of 2018 contracts unable to be supplied with no domestic supplier able to fill the gap.

- Fortunately were trialing Chinese material that was on water when tariffs implemented and were able to expand orders, with the 25% tariff, to fill gap created by Korean quota.
- Primary domestic supplier has no additional capacity and does not plan to add capacity unless and until more clear that tariffs will be more permanent
- Secondary domestic supplier has well documented on time shipments of less than 50% with delays of 4-6 weeks or more on current orders
- Spot pricing for second half of year has increased 20%, plus.
- 2019 prices are already being discussed and will increase at least 20-25%
- All commercial can makers have implemented surcharges of 6-8% on cans reflecting the already felt tariff impact and 2019 impact will be at least double current surcharge levels

UNINTENDED CONSEQUENCES

- A major U.S. retailer is importing almost 1 million cases of canned corn from Thailand. This product is in cans made from foreign steel (China) and carries no tariff. This is the first major canned corn volume coming in to the U.S. and is a huge threat.
- Canned fruit from China, Greece and South America is imported in cans carrying no tariffs. We closed the largest peach cannery in the world in February affecting over 300 full time and 2000 seasonal jobs due to competition from lower cost imported fruit. Remaining domestic producers will continue to be significantly impacted by imports using foreign steel to make cans.
- We are the largest exporter of canned vegetables in the U.S. shipping to over 80 countries nearly $100 million in product. A large percentage of this product is produced in Cambria, Oakfield and Janesville WI. We currently have 400,000 cases shipping to the EU that is subject to retaliatory tariffs and at severe risk.

Participant: Steve Heun, President

Company Name: The Vollrath Company, LLC

Location: Sheboygan, WI (headquarters) – 6 mfg. plants in WI

Number of Employees (optional): 1,400 worldwide – 1,000+ in WI

Annual Sales (optional): Between $350-$500M

Tariff Impact (232 and/or 301): +$6M in added costs. Potential lost sales due to cheaper imports >$10M

Vollrath is a premier supplier of commercial foodservice equipment & supplies to the North American market. We have been in business for 144 years. We are the only remaining U.S. manufacturer of stainless steel steamtable pans and one of only two remaining U.S. manufacturers of aluminum bun pans. We are already experiencing cost increases on these two commodities as follows:

- Stainless Steel +30%
- Aluminum +15% (incl. significant increases on Midwest Premium surcharges)

We have always purchased our raw metal from U.S. suppliers, not imports, however once the tariffs went into place, domestic suppliers immediately raised prices to account for the differential which raised our costs of production while allowing our competitors in China to export finished goods to the U.S. tariff-free. Thus giving our major competitors a cost advantage in the U.S. marketplace. Just a few examples:

- Our aluminum coil in Manitowoc raised their conversion costs to us by 76% as they now have hire domestic demand, basically destroying a 40+ year business relationship. We are now looking at foreign sources of supply.
- Even though we have invested in four automated bun pan press lines to become more efficient over the last several years, Chinese imports are being priced in the U.S. market at the low levels.

Historically we have manufactured approx. 80% of our products in the U.S. These tariffs are now forcing us to aggressively look at foreign sources and potential acquisitions abroad.

Participant: Jeffrey Clark, Chief Executive Officer

<u>Company Name:</u> Waukesha Metal Products

<u>Location:</u> Sussex and Grafton Wisconsin; and San Luis Potosí, México

<u>Number of Employees (optional):</u> US—104; Mexico--80

<u>Annual Sales (optional):</u> $40 million

<u>Tariff Impact (232 and/or 301):</u>

Waukesha Metal Products is a contract metal forming manufacturer that produces metal components for the automotive, consumer, security, defense and industrial industries. We have experienced significant raw material increases since the threat of tariffs late in 2017. Along with the price increases, we have seen extended delivery lead-times due to the domestic mill capacity inability to meet market demand. We are passing the material price increases through to our customers and are requiring longer lead times to assure material availability. Four of our top ten customers have pushed back and are requesting that we move production to our Mexico operation to obtain lower material input costs. We are currently assessing the cost benefit of such moves of production for our customers—most of the production moves with take 3-6 months to complete. The alternative is that they move the business to another offshore supplier resulting in a revenue reduction of nearly 10%. If we lose this business without replacement, it will result in workforce reduction of nearly 5% (3-6 people) in the US. Summarized below are impacts we have seen in pricing.

- Hot rolled steel pricing on 1/1/18 was $651/ton, on 7/4/18 it was $912/ton, a 40% increase.
- MW Aluminum Ingot Avg. in Dec 2017 was $1.066/lb., Avg. Jun 2018 was $1.202/lb. Pricing peaked at 1.4012/lb. in April due to US sanctions against UC Rusal. Global Aluminum ingot pricing has increased approximately 35% from 12/2017 to present.
- Aluminum conversion costs have increased 10% to 15% and projected to increase another 50% in the second of half of 2018.
- Stainless steel surcharges have risen an average of 42% from Jan 2018 to July 2018.
- Mexico retaliation tariffs will add $100,000.00 in annual costs to WMP. WMP imports approx. 450,000lbs of steel products from the US to our Mexico facility.

We have also made an exclusion request for material only available from Japan:

- Exclusion request posted on 5/24/18 under ID: BIS-2018-0006-5893. Completed 30 day comment period without any comments against the submission. Currently in the 60 day BIS determination period. WMP has Japanese material arriving the week of July 9th and will be subject to tariff costs of approx. $10,000.00