

**Testimony of Mr. Tim Harris  
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**U.S. House of Representatives  
Committee on Ways & Means**

**Hearing on the Future of U.S. Trade Negotiations**

**Wednesday, February 29, 2012  
1100 Longworth House Office Building  
Washington, DC**

Chairman Camp, Ranking Member Levin, and Members of the Committee:

I am Tim Harris, President and Co-Founder of Harris & Ford LLC, based in Indianapolis, Indiana. Thank you for the opportunity to present our views on U.S. trade policy. This is a critical topic for economic growth and American competitiveness. A strong, forward-looking trade policy which helps companies “work with the world” is central to the success of small businesses like Harris & Ford. Our company and many others like us would benefit from a U.S. trade agenda that is as ambitious as we are.

#### **About Harris & Ford, LLC:**

Harris & Ford was established in 1994 by my partners Joe Ford, Chris LaMothe, and me. Our business is acquiring and distributing chemicals, ingredients and related products and services for food, cosmetics, pharmaceutical, consumer product and industrial customers. Harris & Ford employs about 50 people at our facility in Indianapolis. Our annual revenue is approaching \$200 million per year.

Our business had an unforgettable start. I recall vividly our first day of business when we were sitting on two used paint pails that the painters left behind in our first empty warehouse. These pails were all the furniture that we had. When I first saw the pails, I said, “Thank God, we’ve got furniture!” And my partner replied, “Harris, where do you see furniture?” I told him, “Joe, where I come from, that’s furniture.” For the first five months, we didn’t make a dime. I recall receiving eviction notices for three straight months from our mortgage holder. After much hard work as well as some luck, the tide turned.

When we started Harris & Ford, our target markets were already saturated with distributors and we found that manufacturers were strategically reducing their distributor base in a simplification effort. Potentials customers said to us, “I already have a distributor. I’m covered.” No one was asking for, or welcoming in, our newly established business. But we were blessed to carve out a niche in the marketplace - first domestically and now internationally.

We have always been the ‘new kids’ on the block, competing in mature and saturated markets against historically entrenched companies that had facilities within minutes of their customers’ locations. This was the way business was always done, and yet we found this to be outmoded, which opened the door for us to make a difference. Before General Mills purchased Pillsbury, Harris & Ford and Pillsbury jointly developed what we deemed as our “Pillsbury Model” which was a logistics consolidation model.

#### **Finding Our Niche in Logistics Consolidation:**

We found that most customers had no real handle on their total delivered costs of their raw materials. They would erroneously switch suppliers over a penny on the bid price for the raw material, but end up paying an additional eight cents per pound for freight because they didn’t have the resources or expertise to fully understand and optimize their delivered cost. This was our opportunity and where we excelled.

Let me provide to you a domestic example of what we did to create value and ultimately develop the foundation of our logistics consolidation business model. One of our customers purchased 2,000 lbs. of FD&C colorants, 9,300 pounds of CMC, 1,000 pounds of salt, 7,300 lbs. of potassium sorbate, 8,640 pounds of vanilla flavor, and 14,000 pounds of sodium benzoate. The total quantity was 42,240 pounds at an average freight cost of \$0.0878 per pound when shipped separately. When the orders were consolidated through Harris & Ford, we could reduce the average freight cost to \$0.017 per pound. The annual savings we provided for our customer at their first plant was over \$35 thousand per year. This later turned into over \$2 million per year once we executed at that same customer's 59 plants.

Logistics consolidation has always been our foundation, but we have expanded to become a more well-rounded services provider to much larger, well established companies. Although Harris & Ford only has 50 employees and our cash flow is limited, we are very agile and operate under very low overhead costs. Our customers now not only turn to us for our domestic logistics expertise, but they are asking us to help manage their more complex overseas supply chains. Since we can dedicate the resources to focus on the logistics details and minimize their costs, we continue to find ways to provide increasing value to our customers.

### **Broadening the Business Model with International Markets:**

Beginning in 2002, Harris & Ford started to venture into international markets. I traveled to China that year with one of the world's largest and most recognized global food and beverage companies. This was our chance to expand our logistics consolidation model internationally, by managing shipments to the U.S. from China. Although our expertise in international markets was low at that time, and the learning curve was huge, it was important to our customer for us to develop this know-how. Considering where we came from with paint pails as furniture, we were confident we could figure this out.

Harris & Ford is now managing imports from China, Germany, Japan, Taiwan, Belgium – 18 countries in total. Our excellence in import management has been a key to our continued business growth. We import and resell products like vitamin C, saccharin, benzoates, sorbates, sorbic acid, and citric acid. These products help companies like Kraft, Coca-Cola, PepsiCo and Procter & Gamble manufacture their well-known branded products. We are proud to say that we have helped some very successful U.S. based multi-national companies to become even more successful. But our real pride is that the products that Harris & Ford has imported have ultimately reached and are consumed by over 95% of the households in the United States.

We realize that if we want to continue to grow our business, we need to continually adapt our services model to focus on our customers' evolving needs. Because our customers continue to grow their manufacturing and sales in international markets, we must also adapt our business model to support them on these new frontiers. We have done this by reapplying our logistics consolidation model to other countries in North America, Central America, Western Europe and even Asia. Our plan is to eventually establish service operations that can be more responsive to our customers' needs while being led and supported out of our Indianapolis headquarters.

The principles of our logistics consolidation model do not change because we are establishing on-the-ground operations in countries like Canada or China. On the contrary, the model remains the same but will someday, hopefully soon, become an international network of seamless integration where we can provide the highest service level to our customers globally.

Whereas earlier in our company's life cycle we began importing product from around the world, we now also export product to 27 countries - Argentina, Brazil, Canada, China, Colombia, France, Germany, Japan, India, Italy, Mexico, Netherlands, and Spain to name a few. We have established remote stocking locations outside of the United States in Puerto Rico, Canada, and England, and are in the process of developing our stocking location in China. From these locations, our Indianapolis logistics consolidation model can be reapplied.

### **Becoming a Better Services Provider:**

Beyond the logistics consolidation model, Harris & Ford continues to find ways to provide increasing value to our customers. We are a basic company with simple solutions. We are not overly advanced or complex. We deliver results for our customers using our very talented workforce. Our customer service principles paramount and we operate under ethical behavior.

We have built such a reputation in the industry that large multi-national companies have now started to turn to us for assistance with their inventory management. So not only do we own the logistics between the sites, but we also own the inventory at the sites. We have a great understanding of our customers and their needs with regard to logistics. This continues to open new doors of opportunities in areas where we currently do not participate.

Although Harris & Ford does not currently manufacture anything, we have recently started to explore chemical toll processing at the request of our customers. We see toll processing as basic, but first step in Harris & Ford's pursuit of chemical manufacturing. If Harris & Ford can be successful in establishing a base-load of tolling customers, we can start to pursue this new branch of our business model. Because most of our customers have global operations, the options to grow through tolling operations appear boundless. Our plan is to develop a U.S. based tolling operation and export if requested. At some point, we would like to reapply our international logistics consolidation plan and establish tolling operations close to our customers in other regions.

### **The Future of U.S. Trade Policy**

I am by no means an expert on trade policy. I'm simply a small business owner trying to grow my company. From my vantage point, however, there are a few key trade policy principles which I would like to state for your consideration.

First, American trade policy leadership matters to American companies. Harris & Ford exports to 27 international markets, and our experience is that we are more effective where the U.S. government has worked to establish the "rules of the road" for the trading relationship. For

instance, Mexico and Brazil are both growth markets for our company, but exporting to Mexico (thanks to the NAFTA) is far more straightforward and predictable. I recognize that elected officials have many pressures and priorities, but Harris & Ford would benefit from an international trade agenda that matches our level of ambition.

Second, let me make a comment about small business exporters. Mr. Chairman, it's an honor that your Committee would seek the views of a company like Harris & Ford, but the point is this: our small company is part of a larger supply network. A trade policy that makes the network more competitive helps everyone in the network, large or small. In other words, when U.S. government policy helps my customers (mainly large, globally-engaged firms) succeed in foreign markets, Harris & Ford grows right along with them.

Believe me, small firms always appreciate it when elected officials take the time to listen to our concerns. But, if I may, I suggest you not "over-analyze" the distinction between small and large companies. Help my customers win, and Harris & Ford will get along just fine.

Third, it's important not to lose sight of the fact that most US exporters are also importers. About one-third of the materials Harris & Ford purchases are imported to the U.S. When Congress lowers U.S. import tariffs, or streamlines customs administration, we are able to offer better value to our customers. For instance, Procter & Gamble purchases certain highly specialized chemicals, sometimes produced only one place in the world. Maintaining a U.S. import tariff on this product "protects" no U.S. industry, since there is no domestic source. The tariff only raises the price, which winds up being passed along to the consumer.

As an exporter, we appreciate the government's efforts to reduce foreign trade barriers, because it helps our competitiveness. But because we are also an importer, we think it's worthwhile for the Congress to examine our country's own trade barriers with the same goal of increasing the competitiveness of U.S. firms like ours.

## **Conclusion**

Harris & Ford has come from sitting on paint pails in a vacant warehouse to managing imports from 18 countries and exports to 27 countries. We're confident we can continue to grow in markets outside the U.S. Because our customers work with the world, providing service in global markets is a core priority for us. Thank you very much for your time.