

APPLICATION

FOR

CONTINUATION OF A DUMPING DUTY NOTICE

PRESERVED MUSHROOMS

exported from

THE PEOPLE'S REPUBLIC OF CHINA

1. Provide details of the name, street and postal address, of the applicant seeking the continuation.

The applicant company requesting the continuation (or extension) of anti-dumping measures applicable to preserved mushrooms exported from the People's Republic of China ("China") is Simplot Australia Pty Ltd (hereafter referred to as "Simplot").

Simplot's address is as follows:

Simplot Australia Pty Ltd
2 Chifley Drive
MENTONE VICTORIA 3194
ABN: 98 070 579 609

Postal Address:

Locked Bag 3005
BRAESIDE VICTORIA 3195

2. Provide details of the name of the contact person, including their position, telephone number and facsimile number, and e-mail address.

The contact person at Simplot that can readily assist with inquiries regarding this application is:

Name: Mr Danny Mellon
Title: General Manager – Procurement, Logistics & Planning
Telephone: (03) 9588 3620
E-mail: danny.mellon@simplot.com.au

This application for the continuation of anti-dumping measures for preserved mushrooms exported from China has been prepared with the assistance of:

Name: Mr. John O'Connor
Company: John O'Connor & Associates Pty Ltd
Telephone: (07) 3342 1921
Facsimile: (07) 3342 1931
E-mail: jmoconnor@optusnet.com.au

Please refer to Confidential Attachment 1 for a copy of an Authority to Represent authorization.

3. Name of other interested parties.

Simplot is the sole manufacturer of preserved mushrooms in Australia.

The following companies may have an interest in the continuation of anti-dumping measures on Chinese exports of preserved mushrooms:

Exporters:

- (i) Fujian Zishan Group Co., Ltd
Zishan Industrial Park
Longhai City
Fujian Province 363119, China
Tel: +86 596 665 7912
Fax: +86 596 665 5976

- (ii) Shenzhen Grandness Industry Group Co., Ltd
3013 Yitian Road
Futian, Shenzhen, Guangdong China
- (iii) Xiamen Fortune East Imp & Exp Co., Ltd
Zhoukeng Industrial Area, Younghe Town
Jinjiang City, Fujian Province, China 362235
Tel: +86 592 556 3498
Fax: +86 592 555 6468

Importers:

- (i) Grocery Holdings Pty Ltd (a subsidiary of Coles Group Ltd)
762-838 Toorak Road
Hawthorn East Victoria 3123
Tel: (03) 9829 5111
- (ii) Woolworths Ltd
1 Woolworths Way
Bella Vista NSW 2153
Tel: (02) 8885 0000
- (iii) Riviana Foods Pty Ltd
15-16 Orsmy Place
Wetherill Park NSW 2164
Tel: (02) 8786 3600

4. Provide details of the current anti-dumping measure(s) the subject of this continuation application, including:

- **Tariff classification;**
- **The countries or companies specified;**
- **Date of publication of the measure.**

The goods covered by the anti-dumping measures are preserved mushrooms classified to 2003.10.00 statistical code 87 and are described as "Mushrooms of the genus Agaricus".

The rate of duty for the goods exported from China is 5 per cent.

The statistical code for the goods altered with effect from 1 January 2012, with all imports of mushrooms of the genus agaricus classified to the one statistical code – i.e. 87. Previously, the goods were classified to statistical codes 81 and 82 ad from 1 January 2012, the goods have been incorporated into the one statistical code (i.e. 87).

The anti-dumping measures applicable to exporters of preserved mushrooms from China are due to expire on 13 January 2016. The measures were imposed on 12 January 2006 by the then Minister for Justice and Customs following consideration of Trade Measures Report No. 99. The Minister's decision was the subject of reinvestigation following an appeal to the then Trade Measures Review Officer. On 9 November 2006 the Minister accepted Customs and Border Protection's recommendation in Trade Measures Report No. 99A that anti-dumping measures be imposed on the goods exported from China except those exported by Jiangsu COF and Xiamen Gulong Import & Export Co., Ltd ("Xiamen Gulong"). The original investigation was terminated in so far as it related to exports from Jiangsu COF. Customs and Border Protection found in the re-investigation that the dumping margin for Xiamen Gulong was less than 2 per cent and was therefore negligible. The

Minister published a dumping duty notice on 21 November 2006 for preserved mushrooms exported from China other than by Jiangsu COF and Xiamen Gulong.

Following an application for the continuation of measures by Windsor Farm Foods Pty Ltd ("WFF"), Customs and Border Protection commenced an investigation into the extension of measures for a further five-years on 28 June 2010. On 23 December 2010 the Minister agreed to the recommendations of Customs and Border Protection and continued the measures for a further five-year period. A notice of the Minister's decision was published on 7 January 2011.

5. Provide a detailed statement setting out the reasons for seeking continuation of the anti-dumping measure. Applicants must provide evidence addressing whether, in the absence of measures, dumped or subsidised imports would cause material injury to the local industry producing like goods.

(i) Product

The subject goods are described as follows:

"preserved mushrooms or champignons of the genus Agaricus, whole, sliced or as pieces and stems, in brine, sauce or some other preserving medium, packed in containers, including bottles, cans, bags, pails and barrels."

In Report No. 166¹ Customs and Border Protection confirmed that the goods exported from China were champignons² whole or in pieces and stems, packed in brine in can sizes ranging from 184 grams to 425 grams and 190 gram to 400 gram can sizes imported in greatest volumes.

In Reports No. 164 (Continuation of anti-dumping measures on preserved mushrooms exported from P R China) and Report No. 166 (Review of measures), WFF was the sole Australian manufacturer of preserved mushrooms. In 2011 WFF ceased the production of preserved mushrooms (under Simplot's Edgell Mushrooms brand) at its Cowra food processing plant. In November 2011 Simplot commenced production (produced and marketed under the Edgell brand) at its Bathurst food processing factory.

In October 2014 Simplot relocated production of preserved mushrooms to its Echuca food processing plant, following a reconfiguration of Simplot's vegetable supply footprint.

Simplot continues in 2015 to manufacture preserved mushrooms (under the Edgell brand) at Echuca, Victoria.

(ii) Application coverage

Simplot is seeking the continuation of the anti-dumping measures applicable to preserved mushrooms for a further five year period from 13 January 2016. The 'Expiry of Anti-Dumping Measures' notice published on 30 April 2015 called for applications for the continuation of the measures to be made by 29 June 2015.

By this application, Simplot requests the Commission to commence an investigation into the continuation of the measures for a further five-year period beyond the scheduled expiry date of 13 January 2016.

¹ Report No. 166 – Review of anti-dumping measures on preserved mushrooms exported from P R China.

² Champignons are described as the young form of genus Agaricus.

(iii) **Australian market for preserved mushrooms**

In Inquiry No. 164 that resulted in the continuation of anti-dumping measures for a further five-year period, Customs and Border Protection determined the Australian market for preserved mushrooms comprised of three market sectors that could be differentiated by end-user and container size. The three sectors are reflected in Table 1 below.

Table 1- Australian preserved mushrooms market sectors

Market Sector	End-Use	Container Size
Retail • supplied from local production and imports	• Main customers are supermarkets and independent grocery stores; • Sales are made through distributors	130g to 425g (typically in 220g and 410g cans)
Food Service Outlets • supplied from local production and imports	• Customers who purchase the products for restaurants, take-away outlets, bakeries and caterers; • Sales are made through distributors	1.5kg to 3kg (Typically 2.8kg cans)
Industrial food processors	• Purchasers of large bulk quantities generally purchased as intermediate inputs for packaged products; • sales are made direct	10kg + (Typically in barrels)

Simplot supplies preserved mushrooms to the retail sector in competition from imports (including from China). Simplot does not currently manufacture preserved mushrooms for sale to the food service sectors in the typical 2.8kg size can, however, is open to supply to this sector.

Simplot does not supply preserved mushrooms in the large barrel containers.

It is noted by Simplot that in Investigation No. 164 that in 2009-10 sales of cans in the 220gram and 410gram ranges accounted for approximately 83 per cent of total sales, with approximately 15 per cent of sales in the 2.8 to 2.95kg cans.

Simplot has no reason to believe that the percentages of total sales to the retail sector are any different in 2014/15 than they were in the 2009/10 period. Based upon the total import volumes for 2014/15, the size of the Australian market for preserved mushrooms is estimated at approximately xxxxx tonnes, comprising approximately 3,075 tonnes of imports and xxxx tonnes of sales by Simplot.

Please refer to Confidential Attachment 2 for a summary of ABS import volumes for 2012 to 2015, including twelve months to May 2015 breakdown). Simplot sales data is based upon volumes included at Confidential Attachment 3 (carton sizes for 220g and 410g cans include 12 cans each).

Based upon import volumes for preserved mushrooms since 2012, there have been successive annual declines in import volumes since 2012.

(iv) Imports of preserved mushrooms

The following Table highlights the trend in import volumes of preserved mushrooms from China since 2012.

Table 2 – China imports as a percentage of total imports

Country	2012	2013	2014	2015ytd	2014/15
China	3,709,150	3,417,565	2,947,157	1,074, 146	2,604,117
Other	160,494	59,204	400,151	245,517	470,823
Total	3,869,644	3,476,769	3,347,308	1,319,663	3,074,940
China as % of Total	95.9%	98.3%	88.1%	81.4%	84.7%

Notes:

1. Data sourced from ABS import data for 2003.10.00 statistical code 87.
2. All volumes are in kilograms.
3. 2015 ytd includes data for January to May 2015 inclusive.
4. 2014/15 includes June 2014 to May 2015.

Table 2 confirms that Chinese exports of preserved mushrooms to Australia account for a significant proportion of total exports to Australia, although the share has declined in 2014 and 2015.

An examination of the most recent twelve month period (i.e. June 2014 to May 2015) confirms that China continues to account for almost 85 per cent of total imports of preserved mushroom exports to Australia.

Export prices for preserved mushrooms

A closer examination of export prices for preserved mushrooms exported to Australia in 2014/15 establishes Chinese-sourced preserved mushrooms as the lowest price suppliers to Australia.

Table 3 – preserved mushrooms export prices to Australia – 2014/15

Country	Volume in 2014/15 (kgs)	Average Export price	Contrast with Chinese Export price
China	2,604,117	A\$1.889/kg	n/a
France	147,694	A\$2.561/kg	+35.5 per cent
Netherlands	78,955	A\$2.823/kg	+49.4 per cent
New Zealand	96,181	A\$3.079/kg	+63.0 per cent

Source: ABS

Table 3 identifies export prices for Chinese preserved mushrooms to Australia as the lowest source of supply in 2014/15. Simplot submits that the anti-dumping measures applicable to exports from China continue to be a key factor in ensuring that Chinese export prices to Australia are at fair levels.

(v) In the absence of measures, is it likely that imports of preserved mushrooms from China will increase?

Statement of Essential Facts (“SEF”) No. 164 identified China as accounting for 87 per cent of world canned mushrooms exports. This was based upon a US International Trade Commission report of 2010 that identified China as exporting 458,137 metric tonnes in 2008. China, therefore, continues to be the principal source of supply for preserved mushrooms and can increase supply to Australia should the measures be removed.

The decline in Chinese exports of preserved mushrooms is related to demand rather than supply. As the world's largest supplier of preserved mushrooms and with anti-dumping measures applicable in the USA (see below) it is understood that China has available capacity to increase exports of preserved mushrooms should the current measures be allowed to expire.

(vi) Anti-dumping measures by other countries

Anti-dumping measures continue to apply to Chinese preserved mushrooms exported to the USA. The measures were imposed in 1999 and are the subject of regular administrative reviews (including, most recently, in June 2015). Significant anti-dumping measures apply to Chinese exports of preserved mushrooms to the USA.

It is understood that the European union operates a tariff-rate quota system on imports of preserved mushrooms that commenced in 1995. It is further understood that the tariff quota system continues to operate.

Additionally, SEF No. 164 identified measures applicable to exports of Chinese preserved mushrooms in Mexico. Simplot has been unable to confirm if the measures continue to operate.

(vii) Are imports of preserved mushrooms likely to be dumped?

Simplot does not have information on domestic selling prices for preserved mushrooms in China. Simplot also does not have access to resources in China to be able to obtain domestic prices.

It is understood that preserved mushrooms are not typically sold in China, with the local preference for fresh mushrooms outweighing the need and demand for preserved mushrooms. Predominantly all Chinese production of canned preserved mushrooms is exported to markets around the world – hence China's dominance as a supplier of 87 per cent of total canned production of canned preserved mushrooms.

It is anticipated that Chinese export prices of preserved mushrooms have increased in 2014 and 2015 as the value of the Australian dollar has depreciated against the US currency (to which the Chinese currency is tied). Simplot has examined Chinese export prices of preserved mushrooms into New Zealand in 2015 and early 2015 and its is apparent:

- In 2014, approximately 50 per cent by volume of Chinese exports were at FOB prices below the weighted average export price for Chinese preserved mushrooms exported to Australia over the same period;
- In one month (i.e. April 2014) the Chinese export price to N.Z. was approximately 12.5 per cent below the weighted average export price Australia in 2014;
- The April 2014 export volume was the largest single volume exported to N.Z. over the 15-month examination period;
- the weighted average export prices into N.Z. (for the approximate 50 per cent of volume below export prices to Australia) were approximately 8.2 per cent below the weighted average 2014 Chinese export prices to Australia.

The analysis of Chinese export prices to New Zealand is considered relevant as the New Zealand market does not have anti-dumping measures applicable to Chinese preserved mushrooms. The discipline imposed by anti-dumping measures ensures that exports are at non-dumped prices. In the absence of the anti-dumping measures it is likely that Chinese exporters of preserved mushrooms would reduce export prices to secure increased export volumes into Australia.

As the Australian market for preserved mushrooms is significantly larger than the market in New Zealand, it is likely that Chinese export prices would fall below the export prices into New Zealand.

It is Simplot's assessment that in the absence of anti-dumping measures, it is likely that Chinese export prices of preserved mushrooms would be at dumped levels.

(viii) Will future imports of preserved mushrooms from China cause injury, or threaten to cause injury, to the Australian industry?

It is indicated in this application that Simplot is a relatively new producer of preserved mushrooms on the Australian market. Simplot has not previously participated in an anti-dumping investigation and has therefore not been required to prepare financial data in the required format for an anti-dumping inquiry.

Simplot has prepared financial data as per the Appendix A6.1 format for preserved mushrooms manufactured at its processing facility located at Echuca for the period May 2014 to April 2015 (Refer Confidential Attachment 4).

The recent financial data indicates that declines in export prices of the magnitude evident on Chinese export prices into New Zealand will result in price undercutting of Australian industry prices, causing price depression, price suppression and reduced profit and profitability on the levels achieved in 2014/15.

It is Simplot's submission that in the event anti-dumping measures are not continued (i.e. allowed to expire) there is a high probability that Chinese export prices to Australia will decline. It is reasonable to conclude that the anti-dumping measures impose a strict discipline on Chinese exporters to not export at dumped or injurious prices. The removal of this discipline will likely result in a fall in Chinese export prices to Australia, commensurate with the lower-priced Chinese exports into New Zealand. The Australian industry manufacturing preserved mushrooms will therefore be exposed to a recurrence of material injury from the dumped exports.

(ix) Conclusions on dumping and material injury in the absence of measures on preserved mushrooms exported from China

China continues to be the major source of preserved mushrooms supplied to the Australian market. In 2014/15, Chinese exporters supplied approximately 85 per cent of total exports to Australia, with the lowest average export price of all source countries supplying the Australian market. Chinese exporters continue to maintain distribution channels into the Australian preserved mushrooms market since the measures were first applied in 2006.

Simplot has not previously been involved as an applicant company in Australia's Anti-Dumping System. Simplot has resumed production of canned preserved mushrooms following the closure of the previous Australian industry manufacturer, Windsor Farm Foods Pty Ltd. Simplot manufactures canned preserved mushrooms at its Echuca food processing facility. In 2014/15 the company has manufactured approximately xxx tonnes of canned preserved mushrooms and seeks available opportunities to increase production where possible.

Simplot supplies preserved mushrooms in cans at the retail level to supermarkets and independent grocery stores around Australia. Simplot competes with imported Chinese preserved mushrooms in supermarkets and independent grocery stores, with pricing influenced by import competition from the Chinese preserved mushrooms. The selling prices for imported Chinese preserved mushrooms undercut

Simplot's selling prices, and heavily influence Simplot's ability to raise prices to recover increasing costs.

Simplot contends that if the anti-dumping measures on Chinese exports of preserved mushrooms were allowed to expire on 13 January 2016, it is likely that Simplot would be exposed to price depression and price suppression, culminating in reduced profits and profitability – i.e. a recurrence of injury that the measures are intended to prevent.

Simplot requests the Commissioner to commence a formal investigation into the continuation of the anti-dumping measures applicable to preserved mushrooms exported from China so that the anti-dumping measures can be extended for a further five-year period with effect from 13 January 2016.

Simplot looks forward to assisting the Commission with its inquiries into this application.

List of Attachments

<u>No.</u>	<u>Description</u>	<u>Confidential/Non-Confidential</u>
	Application Declaration	Non-Confidential
1	Authority to Represent	Confidential
2	ABS Import Data for Preserved mushrooms – Jan 2012 to May 2015	Confidential
3	N.Z. Import Data	Non-Confidential
4	CTM&S financial data for (by pack size)	Confidential
5	Sales Volume and Value 2014/15 (by pack Size)	Confidential