



ADC 373

**REVIEW OF ANTI-DUMPING MEASURES APPLYING TO
FSI PINEAPPLES
EXPORTED FROM
THE KINGDOM OF THAILAND**

VISIT REPORT – EXPORTER

NATURAL FRUIT CO., LTD.

November 2016

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

PUBLIC RECORD

CONTENTS

CONTENTS.....	2
1 BACKGROUND.....	3
2 THE GOODS AND LIKE GOODS.....	4
2.1 THE GOODS EXPORTED TO AUSTRALIA	4
2.2 LIKE GOODS SOLD ON THE DOMESTIC MARKET	4
2.3 MODEL MATCHING	4
2.4 LIKE GOODS – PRELIMINARY ASSESSMENT.....	4
3 VERIFICATION OF EXPORT SALES TO AUSTRALIA.....	5
3.1 VERIFICATION OF AUSTRALIAN SALES TO MANAGEMENT ACCOUNTS	5
3.2 VERIFICATION OF AUSTRALIAN SALES TO SOURCE DOCUMENTS	5
3.3 THE EXPORTER	5
3.4 THE IMPORTER	6
3.5 RELATED CUSTOMERS	6
3.6 ARM’S LENGTH.....	6
3.7 EXPORT PRICE – PRELIMINARY ASSESSMENT	7
4 COST TO MAKE AND SELL.....	8
4.1 VERIFICATION OF COSTS TO MANAGEMENT ACCOUNTS	8
4.2 VERIFICATION OF COSTS TO SOURCE DOCUMENTS.....	8
4.3 RELATED PARTY PURCHASES.....	8
4.4 COST TO MAKE AND SELL – SUMMARY	8
5 VERIFICATION OF DOMESTIC SALES	9
6 ADJUSTMENTS	10
6.1 CREDIT TERMS	10
6.2 PACKING, INLAND TRANSPORT AND PORT CHARGES.....	10
6.3 ADJUSTMENTS – CONCLUSION	10
7 NORMAL VALUE.....	11
8 DUMPING MARGIN.....	12
9 APPENDICES AND ATTACHMENTS.....	13

1 BACKGROUND

On 19 September 2016, the Commissioner of the Anti-Dumping Commission (the Commissioner) gave public notice of his decision to initiate a review of measures applying to FSI pineapple (the goods) exported by Natural Fruit Co., Ltd. (Natural) from The Kingdom of Thailand (Thailand).

Anti-Dumping Notice (ADN) No. 2016/99 provides further information on the review and is available on the Anti-Dumping Commission's (the Commission's) electronic public record at <http://www.adcommission.gov.au>.

Background information relating to the initiation of this review is contained in *Consideration Report 373*.

Following initiation, the Commission provided an exporter questionnaire to Natural. Natural provided a complete exporter questionnaire response with relevant attachments for the review period (1 July 2015 to 30 June 2016).

2 THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

During the review period, Natural exported tidbit grade products of FSI pineapple (the goods) to Australia with the following four product types:

- standard tidbits in light syrup with drained weight of 1840g;
- standard tidbits in heavy syrup with drained weight of 1840g;
- choice tidbits in light syrup with drained weight of 1840g; and
- choice tidbits in light syrup with drained weight of 2040g.

A majority of the goods produced by Natural for Australian sale was made to order, with a small amount being stocked at its production facility before being sold.

2.2 Like goods sold on the domestic market

Natural did not sell FSI pineapple on the domestic market for home consumption during the review period¹.

2.3 Model matching

As Natural did not sell like goods on the domestic market during for home consumption during the review period², model matching of FSI pineapple export models was not required.

2.4 Like goods – preliminary assessment

The verification team considers that Natural did not sell like goods in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act)³.

¹ See chapter 5 of this report.

² Ibid.

³ All legislative references in this report are to the *Customs Act 1901*, unless otherwise stated.

3 VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to management accounts

The verification team verified the completeness and relevance of Natural's Australian sales listing by reconciling it to management accounts in accordance with ADN No 2016/30. Verification was conducted to the management accounts since Natural does not produce audited financial statements.

During the visit, the company provided a revised Australian sales listing. The verification team did not identify any other issues.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.1.1 Revised Australian sales listing

In reconciling the Australian sales to management accounts, several missing transactions were identified. Natural provided a revised Australian sales listing and the verification team selected a sample of new transactions to test the accuracy of the revised listing. Natural provided source documents for the selected transactions and the verification team did not identify any issues.

3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of Natural's Australian sales listing by reconciling it to source documents in accordance with ADN No. 2016/30.

The verification team identified an issue relating to an invoice value for one selected transaction. The verification team did not identify any other issues.

Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.2.1 Invoice value

The verification team found that the invoice value for one of the selected transactions in the Australian sales listing differed negligibly from the commercial invoice and, accordingly, the verification team corrected the sales listing. The discrepancy was due to a data entry error. The verification team selected and tested additional transactions to source documents and did not identify any other issues. As such, the verification team is satisfied that the issue was not major or systemic.

3.3 The exporter

During the review period, Natural sold the goods to its customer, as a trader in the transaction, on a free on board (FOB) basis.

PUBLIC RECORD

The verification team considers Natural to be the exporter⁴ of the goods to Australia because it:

- manufactured the goods;
- sold the goods to its customer, as a trader in the transaction, on an FOB basis;
- was solely responsible for packing and delivery of the goods to the port of export;
- had knowledge that the goods sold to its Australian customer will be exported to Australia at the time that purchase contracts were executed with its customer; and
- received payment from its customer for the relevant commercial transactions.

3.4 The importer

Natural's customer, as a trader in the transaction, sold the goods on an FOB basis to its Australian customer. Therefore, the verification team considers that the Australian customer was the beneficial owner of the goods at the time of importation and therefore was the importer of the goods.

3.5 Related customers

In relation to the export of the goods to Australia by Natural during the review period, the verification team confirmed that neither Natural's customer nor the importer are related to Natural. The verification team found no evidence to suggest otherwise in the company's exporter questionnaire response, financial records and verified sales information.

3.6 Arm's length

In respect of Australian sales of the goods by Natural during the review period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

The verification team therefore considers that all sales of the goods exported to Australia by Natural during the review period were arm's length⁵ transactions.

⁴ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

⁵ Section 269TAA outlines the circumstances in which the price paid or payable shall not be treated as being at arm's length.

PUBLIC RECORD

3.7 Export price – preliminary assessment

The verification team is satisfied that the Australian sales listing is complete, relevant and accurate. As the goods have not been purchased by the importer from the exporter, the export price cannot be determined under either subsections 269TAB(1)(a) or 269TAB(1)(b). Therefore, the verification team recommends that the preliminary export price be determined under subsection 269TAB(1)(c), having regard to all the circumstances of the exportation. Specifically, having regard to the price paid at the FOB level by Natural's customer to Natural (the exporter).

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

4 COST TO MAKE AND SELL

4.1 Verification of costs to management accounts

The verification team verified the completeness and relevance of Natural's cost to make and sell (CTMS) spreadsheet by reconciling it to management accounts in accordance with ADN No. 2016/30. Verification was conducted to the management accounts since Natural does not produce audited financial statements.

During the visit, the company provided a revised CTMS spreadsheet. The verification team did not identify any other issues.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

4.1.1 Revised CTMS spreadsheet

In reconciling the CTMS spreadsheet to management accounts, the verification team identified that the cost to make were based on sales volume rather than production volume. At the verification team's request, Natural provided a revised CTMS spreadsheet that included production volumes. The verification team reconciled the production volumes in the revised CTMS spreadsheet to production reports and did not identify any issues.

4.2 Verification of costs to source documents

The verification team verified the accuracy of Natural's costs in the CTMS spreadsheet by reconciling them to source documents in accordance with ADN No. 2016/30.

The verification team did not identify any issues.

Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

4.3 Related party purchases

The verification team identified two related companies that respectively undertook cardboard packing and inland transport of the goods to the Thai port. At the request of the verification team, Natural provided invoices for cardboard packing and inland transport. The verification team did not find any issues with these documents.

The verification team compared the Natural's weighted average inland transport and packing costs to those of verified exporters from Thailand during the most recent continuation inquiry (Case 334). The verification team is satisfied that Natural's inland transport and packing costs reflect competitive market rates.

4.4 Cost to make and sell – summary

Having verified Natural's CTMS spreadsheet for the goods to management accounts and to source documents, the verification team is satisfied that the CTMS data is complete, relevant and accurate.

The CTMS spreadsheet is at **Confidential Appendix 2**.

5 VERIFICATION OF DOMESTIC SALES

In its exporter questionnaire response, Natural provided a domestic sales listing for sales of FSI pineapple during the review period. The verification team identified that all sales in the listing were made to trading companies at the FOB or free alongside ship level.

Natural advised that, for the purposes of its management accounting, it classifies these sales as domestic, as opposed to Australian or third country sales, as these are sales to trading companies in Thailand and that Natural is unaware of the export destination of the FSI pineapple. Natural explained that it does not sell FSI pineapple, nor any other product, on the domestic market for home consumption. Natural further explained that the transactions in the 'domestic' sales listing do not include any sales to Australia.

In order to confirm that the listing did not represent domestic sales for home consumption, the verification team verified the accuracy of Natural's domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. The verification team did not identify any issues. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

The verification team is satisfied that all transactions in the domestic sales listing were made to trading companies for the purposes of exportation to countries other than Australia and were not sold into the Thai domestic market for home consumption. As such, the verification team is satisfied that these sales are characterised as 'domestic-export' sales and should not be treated as true domestic sales for the purposes of the review.

Given the above, the verification team is satisfied that Natural did not sell like goods on the domestic market for home consumption during the review period.

6 ADJUSTMENTS

To ensure the normal value is comparable to the export price of the goods exported to Australia, the following adjustments were made to the normal value⁶.

6.1 Credit terms

The verification team considers an upwards adjustment to the normal value for export credit terms is required to ensure a fair comparison to the export price. The verification team applied an upwards adjustment based on credit days listed for each export transaction and Natural's average short-term borrowing rate.

6.2 Packing, inland transport and port charges

The verified CTMS for each model of the goods exported to Australia incorporates all costs relating to production, selling, general, administrative, packing, inland transport and port charges to the FOB level. As such, the CTMS is comparable to the export price calculated at the FOB level and the verification team recommends that no further adjustments in relation to packaging, inland transport or port charges are warranted.

6.3 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsections 269TAC(9), and considers these adjustments are necessary to ensure a fair comparison of normal value and export price.

Adjustment Type	Deduction/addition
Export credit	Add an amount for export credit

⁶ In accordance with subsection 269TAC(9).

7 NORMAL VALUE

Due to the absence of domestic sales of FSI pineapple for home consumption by Natural, the verification team was unable to ascertain the preliminary normal value under subsection 269TAC(1). The verification team recommends that the preliminary normal value be ascertained under subsection 269TAC(2)(c) as:

- the cost of production of the goods in the country of export;
- the selling, general and administrative costs, on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade; and
- an amount for profit.

In the absence of domestic sales for home consumption by Natural, a profit margin cannot be calculated on Natural's domestic sales in the ordinary course of trade of like goods⁷ or of the same general category of goods⁸.

Consequently, the verification team considers that the calculation of profits achieved by other exporters on like goods sold domestically are reasonable⁹. The verification team calculated the weighted average profit achieved on domestic sales of like goods by cooperating exporters that were verified by the Commission from the 2016 continuation inquiry (Case 334). Noting that the inquiry period for Case 334 was January to December 2015, the verification team only had regard to profit information relevant to July to December 2015 so as to isolate the data to the review period. The verification team's profit margin calculations are at **Confidential Appendix 3**.

The verification team considers that certain adjustments, in accordance with subsection 269TAC(9), are necessary to ensure fair comparison of normal values with export prices, as outlined in Chapter 5 of this report.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

⁷ In accordance with *Customs (International Obligations) Regulation 2015, subregulation 45(2)*.

⁸ In accordance with *Customs (International Obligations) Regulation 2015, subregulation 45(3)(a)*.

⁹ In accordance with *Customs (International Obligations) Regulation 2015, subregulation 45(3)(b)*.

8 DUMPING MARGIN

The preliminary dumping margin has been assessed by comparing the Australian export prices of each model to the corresponding quarterly weighted average normal values for the review period¹⁰.

The preliminary dumping margin in respect of FSI pineapple exported to Australia by Natural for the review period is **7.3%**.

The verification team's preliminary dumping margin calculations are at **Confidential Appendix 5**.

¹⁰ In accordance with subsection 269TACB(2)(a).

PUBLIC RECORD

9 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	CTMS spreadsheet
Confidential Appendix 3	Profit margin
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin
Confidential Attachment 1	Verification work program, with attachments