



INQUIRY 333 & 334

**CONTINUATION INQUIRY OF
ANTI-DUMPING MEASURES OF**

**PINEAPPLE FRUIT - CONSUMER AND
PINEAPPLE FRUIT - FOOD SERVICE AND INDUSTRIAL
EXPORTED FROM THE REPUBLIC OF THE PHILIPPINES AND
THE KINGDOM OF THAILAND**

GOLDEN CIRCLE LIMITED

**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 ANTI-DUMPING COMMISSION**

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BACKGROUND

On 9 March 2016, the Commissioner of the Anti-Dumping Commission (the Commissioner) initiated a continuation inquiry of anti-dumping measures applying to consumer pineapple and food service and industrial (FSI) pineapple exported from the Republic of the Philippines (Philippines) and the Kingdom of Thailand (Thailand) in response to an application lodged by Golden Circle Limited (Golden Circle).

The background relating to the initiation of this inquiry is contained in Consideration Report No. 333 and 334¹.

¹ Available at www.adcommission.gov.au.

1 THE AUSTRALIAN INDUSTRY AND LIKE GOODS

1.1 Australian industry

Golden Circle stated in its application that it is the sole Australian producer of consumer and FSI pineapple (the goods) in Australia. The Anti-Dumping Commission (the Commission) is not aware of any other producer of the goods in Australia and therefore considers that the Australian industry for consumer and FSI pineapple is represented by Golden Circle.

1.2 Like goods

Like goods are defined under subsection 269T(1) of the *Customs Act 1901* (the Act) as:

goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

In assessing like goods, physical likeness, commercial likeness, functional likeness and production likeness are characteristics tested. It is noted that the 'like goods' assessment has previously been established in past investigations for consumer and FSI pineapple.

Physical Likeness

Golden Circle stated that it produces a range of pineapple products that meet the container sizes listed in the goods description. The visit team verified the sales of consumer and FSI pineapple produced by Golden Circle and confirmed those sales met the goods description and established that they were 'like goods' to the imported goods.

At the visit, Golden Circle noted that the Australian variety of pineapple fruit is different to the variety of pineapple fruit used in imported goods. Golden Circle claims that the Australian variety is firmer, which enables it to produce thin slices of pineapple, marketed as pineapple 'thins'. Golden Circle noted that the imported goods cannot produce 'thins' due to this differentiating factor.

Commercial Likeness

Golden Circle notes that locally produced goods compete directly with imports in the consumer market and FSI segment.

Functional Likeness

As part of its application, Golden Circle provided correspondence between suppliers demonstrating the substitution of its products for imported goods. The visit team is satisfied that locally produced goods are directly substitutable with the imported goods.

Production Likeness

Verified information from industry and exporter visits during the inquiry indicates that the locally produced goods and imported goods are manufactured from similar raw materials using a similar manufacturing process.

PUBLIC RECORD

From information gathered during the visit to Golden Circle and in responses from exporters/importers, the Commission observed that locally produced goods and imported goods:

- are alike in physical appearance;
- compete directly with each other in the Australian market;
- have comparable or identical end-uses; and
- are manufactured in a similar manner.

1.3 Like goods – preliminary assessment

The visit team is satisfied that:

- the consumer and FSI pineapple produced by Golden Circle are 'like goods' to the imported goods;
- the like goods are wholly or partly manufactured in Australia by Golden Circle;
- at least one substantial process of manufacture of consumer and FSI pineapple is carried out in Australia; and
- there is an Australian industry which produce like goods in Australia.

2 VERIFICATION OF SALES

2.1 Verification of sales to audited financial statements

Golden Circle's financial year is the calendar year, 1 January to 31 December. At the time of the visit, the 2015 audited financial statements were not available. As a result, the visit team verified the completeness and relevance of Golden Circle's sales data by reconciling it to the 2014 audited financial accounts in accordance with Anti-Dumping Notice (ADN) No. 2016/30. Details of the verification are contained within the verification work program as **Confidential Attachment 1**.

2.1.1 Financial year

During the visit, Golden Circle identified that the previously submitted domestic sales listing had excluded some transactions due to an error in the financial year cut-off date. An updated domestic sales listing was provided.

2.1.2 Volume

During the visit, the visit team requested that Golden Circle update the domestic sales listing with volumes denoted in kilograms (KG), rather than the quantity of items. Golden Circle provided an updated domestic sales listing with information regarding net weight.

2.1.3 Location of manufacture

During verification, it was noted that there were inconsistencies regarding the location of manufacture for some of Golden Circle's products, which were identified by product codes (imported products as opposed to locally produced). Golden Circle provided an updated domestic sales listing with corrected information.

2.2 Verification of sales data to source documents

The visit team verified the accuracy of Golden Circle's domestic sales listing by reconciling it to source documents in accordance with ADN 2016/30. Details of the verification process are contained within the verification work program as **Confidential Attachment 1**.

2.2.1 Financial year

During verification of the source documents, it is noted one transaction was not a sale in the 2015 financial year, but an adjustment for a returned sale in the 2014 financial year. This transaction has been excluded from the commission's 2015 sales analysis.

2.3 Imports

Golden Circle advised that it had imported and sold consumer and FSI pineapple during the inquiry period (1 January 2015 to 31 December 2015).

2.4 Export sales

During the inquiry period, Golden Circle made a minor volume of export sales of consumer and FSI pineapple.

2.5 Related party customers

Golden Circle noted that it does not have a sales and marketing team as the sales and marketing function is centrally managed by parent entity, H.J. Heinz Company Australia Ltd (including Heinz Wattie's Pty Ltd (Heinz Watties)). The visit team did not find any related party sales.

2.6 Sales – conclusion

The visit team has verified the sales data provided by Golden Circle for consumer and FSI pineapple during the period 1 January 2013 to 31 December 2015 and is satisfied that the data is complete, relevant and accurate, and therefore suitable for the purposes of assessing economic condition and injury analysis.

3 COST TO MAKE AND SELL

3.1 Verification of manufacturing costs to audited financial statements

The visit team verified the completeness and relevance of Golden Circle's cost to make and sell (CTMS) spreadsheet by reconciling it to audited financial accounts for Heinz Watties in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

As outlined previously, at the time of the visit, Heinz Watties' 2015 audited financial statements were not published. Golden Circle advised that its consolidated financial records were ready to be verified using its system and explained that Golden Circle's record is consolidated with other businesses in Heinz Watties' portfolio. Golden Circle demonstrated how its profit and loss statement in its system records reconciled with Heinz Watties' EBIT in 2014 audited financial statements without any adjustment or modification.

Golden Circle explained that its accounting systems account for production costs at an aggregated component level for pineapple. The visit team then enquired as to how Golden Circle differentiated the costs pertaining to production of the goods that are subject to this inquiry from other products Golden Circle manufactures. Golden Circle explained that specific items relating to pineapples were isolated and allocated 100%, and other items which bore no relation were excluded from the costs. The plant-specific costs were apportioned to the goods based on the production volume, and all other costs were based on the sales volumes as a proportion of the total Heinz Watties sales in the same period. The visit team considered Golden Circle's approach reasonable.

3.2 Verification of costs down to source documents

The visit team verified the accuracy of Golden Circle's CTMS spreadsheet by reconciling it to source documents in accordance with ADN 2016/30.

Details of the verification are contained within the verification work program at **Confidential Attachment 1**.

The visit team did not find any discrepancies or issues.

3.3 Costs to make and sell – conclusion

The visit team considers that Golden Circle's CTMS data is a reasonably complete, relevant and accurate reflection of the CTMS for consumer and FSI pineapple during the period 1 January 2013 to 31 December 2015 and is suitable for analysing the economic performance of its pineapple product operations from 1 January 2015 to 31 December 2015.

4 ECONOMIC CONDITION OF THE INDUSTRY

4.1 Introduction

The Australian market is essentially supplied by Golden Circle and imports.

Canned pineapple is a mature market in Australia with consistent usage patterns and low year on year sales volume movements.

Golden Circle stated in its application that consumer pineapple is primarily sold to large retailers and wholesalers that on-sell to independent stores. Packaged varieties include thins, slices, pieces, tid-bits and crushed pineapple.

Golden Circle states that imports of consumer and FSI pineapple from the Philippines and Thailand have continued since the measures were continued in 2011, and also represent large proportions of the total import volume of pineapple into Australia in 2015.

Golden Circle asserted that, as the world's largest suppliers of pineapple, the Philippines and Thailand have available capacity to increase exports of pineapple to Australia should the current measures be allowed to expire.

The Department of Immigration and Border Protection (DIBP) import database confirmed that imports of consumer and FSI pineapple from the Philippines and Thailand have continued since measures were imposed, demonstrating that exporters have maintained distribution links in Australia. The data shows that import volumes of consumer and FSI pineapple from the Philippines and Thailand have increased in 2014 and 2015 and account for approximately 80 per cent of the volume of all imports.

Golden Circle stated that consumer pineapple is primarily sold to large retailers and wholesalers that on-sell to independent stores. Packaged varieties include thins, slices, pieces, tid-bits and crushed pineapple. Consumer pineapple sales are predominantly in cans with some sales in plastic containers. In the consumer pineapple segment, Golden Circle competes directly with imports from the Philippines and Thailand.

Golden Circle advised that the consumer market has changed since the last continuation inquiry in 2011, with competing branded products now having a larger and growing presence in the Australian supermarkets, while the lower value "home brand" style products are being phased out by the major supermarket chains. Golden Circle stated that all pineapple products compete directly, but that the branded products are seen by consumers as of higher quality than previously considered.

The FSI pineapple sector includes pizza outlets, quick service restaurants, catering companies and industrial. The industrial sector includes customers that use the product as an ingredient for other processed foods including fruit salads, frozen pizzas, sauces, packaged meals, confectionery etc. Golden Circle also advised that the FSI pineapple sector was highly price sensitive as brand has less value to FSI pineapple customers in the way that consumer products have to end buyers.

PUBLIC RECORD

Although in the FSI pineapple sector brand has less value, the product profile can be valued by customers. An example of this is the unique thin pineapple rings which Golden Circle is able to produce which are not yet being produced to the same thin levels by imported products. Golden Circle advised that for some FSI pineapple applications, the thin slices were preferred as they were more cost effective per unit. Golden Circle also stated that while there was some product advantage in the thin pineapple slices, low priced thicker slices remained a direct competitor and any drop in competitor pricing would have a significant detrimental effect on Golden Circle sales.

4.1.1 Production

Growers are contracted to supply pineapples to Golden Circle. Contracts operate for the fruit year July to June. Pineapples take 18 months to grow. There are two “seasons”, the main February to May season and a secondary season from September to October

During 2014 and 2015 growing seasons, the industry production was below demand for Australian pineapple products. As a result, Golden Circle was unable to meet its customer orders in full with its own production and decided to import co-packed (Golden Circle branded) products to meet demand.

Golden Circle advised that it was working with the pineapple producers to increase planting and production with estimated grower volume to increase significantly in 2016 with further increases planned for 2017 in order to meet demand.

4.2 Volume trends

Golden Circle sales volumes of consumer and FSI pineapple are charted below.

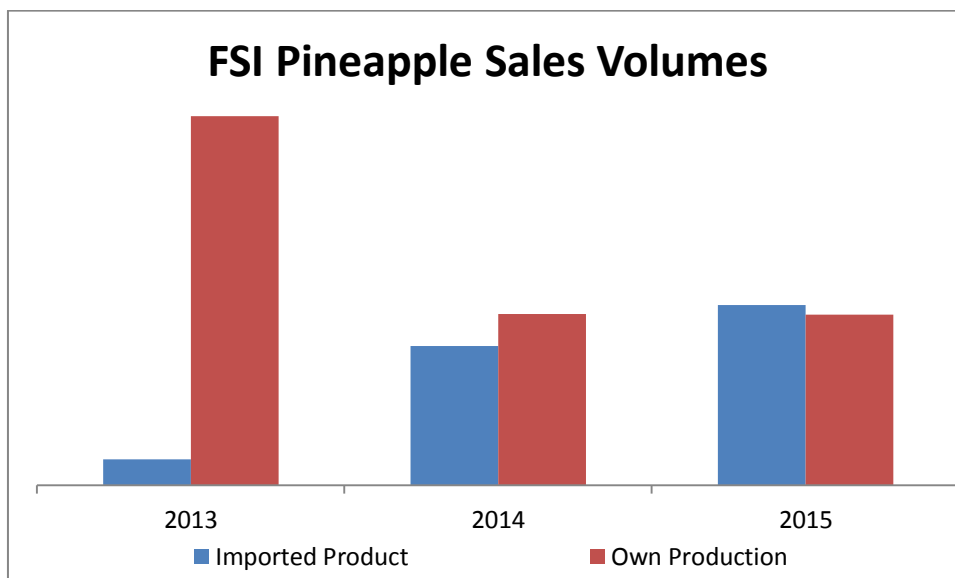


Figure 1: Golden Circle FSI pineapple sales volumes 2013-2015

Golden Circle’s own production sales volumes of FSI pineapple have fallen significantly since 2013. Golden Circle claims that low import pricing together with a poor growing season in 2014 (which led to a reduction in available pineapples for processing) led to the need to import FSI pineapple.

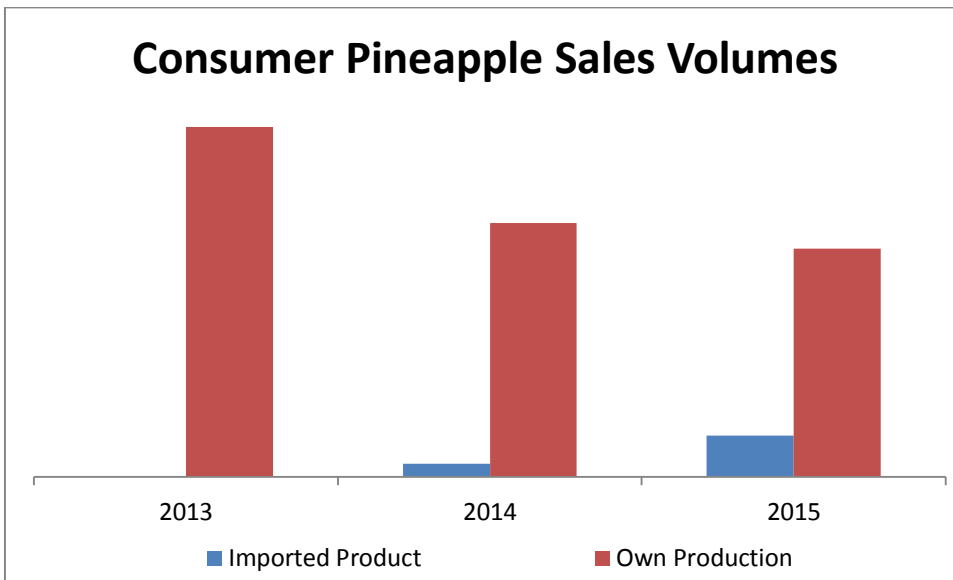


Figure 2: Golden Circle consumer pineapple sales volumes 2013-2015

Golden Circle’s sales of consumer pineapple have fallen over the past three years and the company has begun importing product in order to meet customer demand. Like FSI pineapple, Golden Circle claims that low import pricing together with the the poor 2014 growing season have impacted consumer pineapple sales.

4.3 Price and cost trends

The charts below illustrates the relationship between the Golden Circle unit (KG) selling price and unit CTMS for consumer and FSI pineapple.

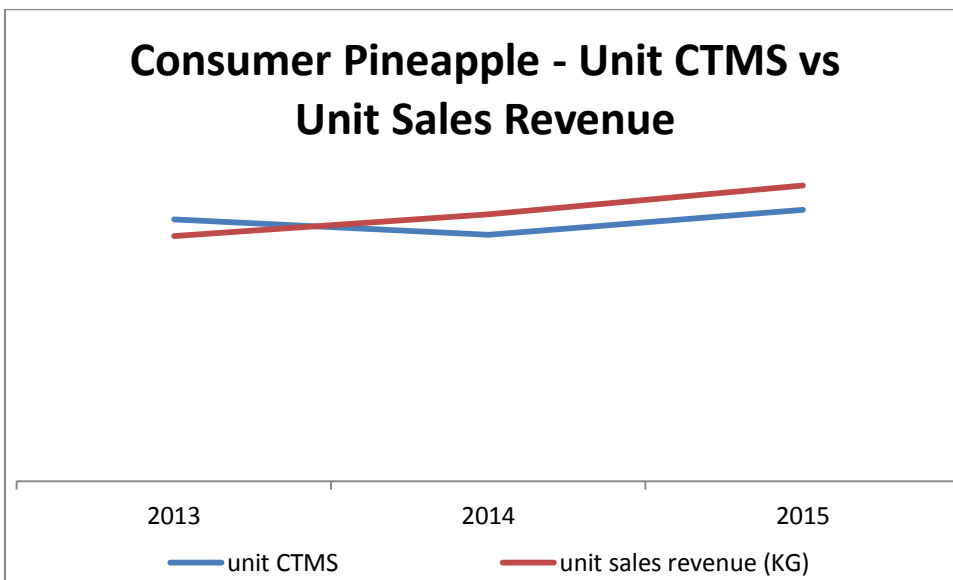


Figure 3: Golden Circle CTMS vs Unit Sales Revenue (consumer)

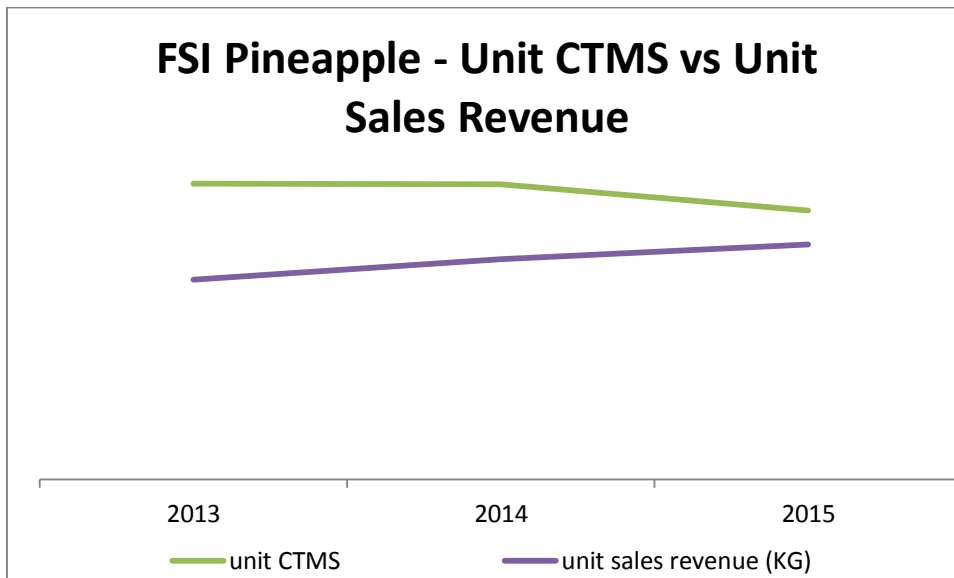


Figure 4: Golden Circle CTMS vs Unit Sales Revenue (FSI)

It is noted that the margin between the unit CTMS and unit sales revenue has been negative over the past three calendar years. There was a small improvement between 2013 and 2014 through unit price increases and a larger improvement; albeit still a negative margin between 2014 and 2015 due to an improvement in unit sales revenue and a reduction in CTMS.

4.4 Other economic factors

During the visit, Golden Circle provided information in respect of other economic factors for the years 2013 to 2015 years. In summary, Golden Circle indicated that:

- Capital investment in relation to pineapple processing increased slightly over the period;
- Research and development investment in relation to pineapple production has reduced over the period;
- Capacity has remained static in relation to both consumer pineapple and FSI pineapple;
- Capacity utilisation for both consumer and FSI pineapple production has decreased over the period; and
- Employment has reduced over the period.

Information used in relation to the assessment of the economic condition of the Australian industry is contained in **Confidential Attachment 1**.

5 CONTINUATION OF MEASURES

In accordance with subsection 269ZHF(2) of the Act, in order to recommend that the the Assistant Minister for Science and the Parliamentary Secretary to the Minister for Industry, Innovation and Science (Parliamentary Secretary) take steps to secure the continuation of the anti-dumping measures applying to consumer and FSI pineapple exported from the Philippines and Thailand, the Commissioner must be satisfied that the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of:

- dumping; and
- the material injury that the anti-dumping measure is intended to prevent.

Accordingly the verification team sought Golden Circles views on these matters.

Golden Circle stated that it has been working with growers to plan and deliver larger volumes of pineapple for processing by Golden Circle. These plans are supported by strong investment by the growing community as well as support via contracts by Golden Circle.

Golden Circle believes that despite anti-dumping duties being in place, current export pricing is continuing to cause injury and that the goods continue to be dumped.

Golden Circle claimed that the lower import prices, particularly the branded products is gaining market share with consumers being more price sensitive than ever.

Golden Circle supplied evidence of tenders where it has lost sales to import prices that were lower than previous contracts and at a price point that Golden Circle was unable to compete profitably. In addition, FSI pineapple price negotiations which were being influenced by imported product left Golden Circle with significantly reduced margins.

6 UNSUPPRESSED SELLING PRICE & NON-INJURIOUS PRICE

The visit team explained the concepts of an unsuppressed selling price (USP) and non-injurious price (NIP) to Golden Circle. Golden Circle was asked to give consideration to the most appropriate method to calculate a USP.

The visit team explained that the Commission observes the following hierarchy in approaches to establishing a USP:

1. market approach using industry selling prices at a time unaffected by dumping;
2. construction approach using recent industry CTMS data plus a reasonable amount for profit; and
3. market approach using selling prices in Australia of goods imported from un-dumped sources.

A NIP is calculated by deducting from the USP all post exportation charges, including the importer's profit.

The Parliamentary Secretary may fix different variable factors after a review of the measures and the NIP is one of those variable factors.

Golden Circle advised that it did not believe that the industry selling prices were a reasonable methodology for establishing the USP and that it may make a future submission in regard to establishing an USP and NIP.

7 ATTACHMENTS

Confidential Attachment 1	Verification work program
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