



**Australian Government**  
**Department of Industry,  
Innovation and Science**

**Anti-Dumping  
Commission**

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**APPLICATION FOR CONTINUATION AND REVIEW OF ANTI-DUMPING MEASURES**

**PINEAPPLE FRUIT EXPORTED FROM THE KINGDOM OF THAILAND (THAILAND) AND THE REPUBLIC OF PHILIPPINES (PHILIPPINES)**

**VERIFICATION VISIT REPORT - IMPORTER**

**FTA FOOD SOLUTIONS PTY LTD**

**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**

**April 2016**

# PUBLIC RECORD

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## **BACKGROUND**

### **1.1 Background**

On 2 December 2015, the Anti-Dumping Commission (ADC) published a notice on the Anti-Dumping Commission's (the Commission) website ([www.adcommission.gov.au](http://www.adcommission.gov.au)) inviting interested parties to apply for the continuation of anti-dumping measures in relation to consumer pineapple and food service and industrial (FSI pineapple) (collectively referred to in this report on occasion as pineapple fruit) exported to Australia from the Republic of the Philippines (Philippines) and the Kingdom of Thailand (Thailand), in accordance with section 269ZHB of the *Customs Act 1901* (the Act).

Following receipt of an application made in accordance with subsection 269ZHB(1)(b) of the Act by Golden Circle Limited, representing the Australian industry, the Commissioner initiated an inquiry into whether the continuation of measures for another five years is justified. Particulars of the reasons for the decision to initiate the inquiry are shown in *the Commission's Consideration Report No. 333 and 334* (CON 333 and 334), which has been placed on the public record.

The background relating to the initiation of the inquiry is contained in CON 333 and 334.<sup>1</sup>

Following the initiation, the Commission wrote to FTA Food Solutions Pty Ltd (FTA) and other importers of pineapple fruit inviting them to cooperate with the inquiry. FTA cooperated with the inquiry and completed an importer questionnaire response (IQR) and relevant attachments.

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<sup>1</sup> Accessible at [www.adcommission.gov.au](http://www.adcommission.gov.au)

## **2 VERIFICATION OF IMPORTS**

### **2.1 The goods**

FTA confirmed that it imported FSI pineapple from Thailand during the investigation period.

### **2.2 Import and distribution functions**

FTA functions include the importation and distribution of pineapple fruit into the Australian market. The company does not 'value-add' to these products before selling them to customers.

FTA predominantly orders from overseas suppliers on the back of confirmed orders from Australian customers. The company is primarily an 'indent trader' with the majority of stock sold to the customer on a contracted fixed price with the goods delivered directly from Thailand to FTA's customers in Australia. The remaining sales are held as stock for the purpose of spot sales. Stockholding at any particular time is one to two months and is warehoused in facilities located in Sydney, Brisbane, Melbourne, Adelaide and Perth.

### **2.3 Verification of import listing**

FTA confirmed that the import listing extracted from the Australian Border Force (ABF) import database is a complete list of its imports of consumer pineapple over the investigation period.

The verification team calculated the weighted average FOB export price by supplier and this is attached at **Confidential Appendix 1**.

### **2.4 Verification of importation costs**

The Commission selected 12 shipments from the ABF import database to examine in further detail. The visit team was provided with source documents for the costs associated with the import of FSI pineapple for the selected shipments. The visit team verified the accuracy of FTA's imports by reconciling selected imports to the source documents in accordance with ADN 2016/21.

The visit team is satisfied that the sample shipments have been verified to source data and only minor changes have been made to the cost to import and sell. The verified data is attached at **Confidential Appendix 1**.

FTA indicated this is an estimated cost and an internal charge that covers telegraphic transfer charges, cost of preparing payment and cost of facility. The visit team considered the estimated cost as reasonable.

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### **2.4.1 Overseas Freight and Marine Insurance**

The visit team was satisfied that the overseas freight costs listed on the cost to import and sell spreadsheet were complete and accurate.

In relation to marine insurance, FTA advised it has a universal insurance policy which covers a range of insurances including marine insurance, motor vehicle insurance, product liability, bad debts, etc. FTA estimated the marine insurance component of the policy and applied the estimated rate applicable to the marine insurance aspect of the policy to the invoice value of each importation for each selected shipment. The visit team accepted the company's explanation and considered the rate reasonable in the circumstances.

### **2.4.2 Delivery charges**

In the cost to import and sell spreadsheet FTA provided an estimated delivery charge. FTA indicated that the charge is determined by applying an average base cost (which is different in every state), adding a service fee to cover processing payments and an allowance to cover demurrage which is sometimes unavoidable. FTA estimated the cost using this method because they import and distribute thousands of containers per year and therefore do not assign specific costs to every container. The visit team accepted this cost determination as reasonable.

### **2.4.3 Customs entry fees, customs broker fees and port service charges**

The visit team verified customs entry fees and port service charges to source documents supplied by FTA. They included equipment hand over and terminal handling charges and import delivery order fees. The visit team identified that GST was included in the costs provided by FTA and therefore an adjustment was made to the cost to import and sell spreadsheet to exclude GST from the total charges.

FTA advised that they had estimated customs broker fees as they employ an in house customs broker. The estimate was based on fees they had previously paid to external customs brokers. The visit team excluded the estimated customs broker fee from the cost to import and sell spreadsheet, noting that the costs of FTA's customs broking team were contained in SG&A which has been allocated to FSI pineapples as detailed below.

### **2.4.4 Selling, general and admin costs**

FTA estimated an amount for SG&A costs for every shipment on the cost to import and sell spreadsheet, however were unable to provide evidence as to the reasonable of this estimate.

The visit team requested management financial accounts and the company provided a profit and loss management account at 31 December 2015 (**Confidential Attachment 1**).

The visit team calculated a percentage for SG&A costs based on total company SG&A as a proportion of total sales revenue and therefore adjusted SG&A costs in the cost to import and sell spreadsheet to reflect this percentage.

## **2.5 Forward orders**

The verification team verified FTA's forward orders by reconciling forward orders contained in the importer questionnaire to purchase orders contained in FTA's accounting system.

## **2.6 The importer**

The visit team considers FTA to be the beneficial owner of the goods at the time of importation and therefore the importer.

## **2.7 The exporter**

The visit team considers that FTA's suppliers are principles in the country of export, which manufacture the goods and gave up the goods for shipment directly to FTA and therefore can be considered exporter of the goods imported by FTA.

## **2.8 Arms-length**

FTA advised that it has no relationship with its suppliers of pineapple fruit. FTA further stated that it does not receive any reimbursement, rebates or other support from its suppliers in respect of the goods. It also advised that the invoice price was the price paid to its suppliers, which was verified as accurate during the verification visit.

The visit team did not find any evidence that, in respect of the purchase of pineapple fruit:

- there was any consideration payable for, or in respect of, the goods other than price;
- the price was influenced by a commercial or other relationship between, or an associate of, and its suppliers or an associate of the supplier; and/or
- FTA, or an associate of, was directly or indirectly reimbursed, compensated or otherwise received a benefit for or in respect of the whole or any part of the price.<sup>2</sup>

Further, the visit team found that seven of the nine selected shipments were profitable.

The visit team is satisfied that transactions between FTA and its suppliers are at arms-length in terms of section 269TAA.

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<sup>2</sup> Section 269TAA of the Act states the circumstances in which the price paid or payable shall not be treated as being at arms-length.

## **3 VERIFICATION OF AUSTRALIAN SALES**

### **3.1 Verification of sales to audited financial statements**

FTA advised their financial statements are not audited therefore management financial accounts as at 31 December 2015 were provided for verification.

The visit team verified the completeness and relevance of the sales spreadsheet by reconciling it to management financial accounts in accordance with ADN 2016/21.

FTA provided a line by line listing of sales listing prior to the verification visit. The visit team noted some imports detailed on the ABF import database did not have a corresponding sale on the line by line sales listing provided. FTA advised that the variance related to product item codes that it ceased using during the investigation period and classified "inactive". FTA was able to run a listing of these "inactive" codes to ensure the visit team had a complete listing of sales. The visit team reconciled the updated sales listing to the ABF data and noted a minor variance only

The visit team identified total sales at 31 December 2015 from management financial accounts. The visit team requested a breakdown of the total sales to identify total pineapples sales. The visit team was able to reconcile the total pineapple sales to the line by line sales listing and in turn to the 31 December management accounts, with a minor variance which the visit team considered to be immaterial.

The sales listing is in **Confidential Attachment 2**.

### **3.2 Verification of sales to source documents**

The visit team verified the accuracy of FTA's sales spreadsheet by reconciling Shipments 1, 3 & 9 to sales invoices in FTA's sales records system in accordance with ADN 2016/21. The visit team did not identify any discrepancies or issues.

#### **3.2.1 Rebates and discounts**

The visit team identified rebates to major customers in FTA's sales records system. FTA confirmed that from total sales, a small percentage related to rebates. The visit team considered this percentage consistent with the percentage rebate identified in the sales records system and not material and therefore accepted the level of rebates as reasonable.

### **3.3 Profitability of sales**

We calculated net profit for the twelve selected shipments in the cost to import and sell spreadsheet form after making the adjustments detailed above.

The visit team observed that all shipments were profitable with the exception of shipments 3, 8 and 10 resulting in small net losses. The visit team considered these losses immaterial.

## **4 RECOMMENDATIONS**

The visit team are of the opinion that, the goods imported by FTA:

- have been exported to Australia otherwise than by the importer (FTA);
- the goods have been purchased by the importer from the exporters; and
- the purchases of the goods by the importer were arms-length transactions.

The visit team recommend that the export price for FSI pineapple can be established under paragraph 269TAB(1)(a) of the Act, using the invoiced price, less deductions, to the FOB level as required.



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### 5 GENERAL COMMENTS

FTA made the following general comments at the visit:

- [REDACTED]
- FTA indicated the Australian market consists of imported pineapple fruit from Thailand, China, the Philippines and Indonesia. FTA believes that the imported Thai product is the main price-setter in the Australian market; [REDACTED]
- [REDACTED]

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### 6 ATTACHMENTS

<b>Confidential Appendix 1</b>	Export price
<b>Confidential Attachment 1</b>	Cost to import and sell verification data
<b>Confidential Attachment 2</b>	Management Accounts for the year ending 31 December 2015
<b>Confidential Attachment 3</b>	Sales listing