



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

**Anti-Dumping
Commission**

APPLICATION FOR CONTINUATION AND REVIEW OF ANTI-DUMPING MEASURES

PINEAPPLE FRUIT EXPORTED FROM THE REPUBLIC OF PHILIPPINES AND THE KINGDOM OF THAILAND AND

VERIFICATION VISIT REPORT - IMPORTER

WOOLWORTHS 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

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BACKGROUND

1.1 Background

On 2 December 2015, the Commissioner of the Anti-Dumping Commission (the Commissioner) published a notice on the Anti-Dumping Commission's (Commission) website (www.adcommission.gov.au) inviting interested parties to apply to the Commission 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 334 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 334.¹

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

1.2 Meeting details

Company	Woolworths Ltd
Address	2-30 Dursley Road, Yennora, NSW 2161
Date of visit	28 April 2016

The following were present at various stages of the meeting.

Woolworths	Mr Dino Spinelli – Customs Section Mr Vito Trentadue Mr Alok Vaidya – Category Manager – Canned Foods
The Commission	Mr Roman Maevsky – Asst. Director – Operations 1 Mr Rajesh Kothari – Sr. Investigator – Operations 5

¹ Accessible at www.adcommission.gov.au

2 VERIFICATION OF IMPORTS

2.1 The goods

Woolworths confirmed that it imported consumer pineapple from the Philippines and Thailand during the inquiry period (1 January 2015 to 31 December 2015).

2.2 Import and distribution functions

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

[Redacted]

[Redacted: description of how Woolworths approaches negotiations with domestic and overseas suppliers.]

Woolworths sells and markets consumer pineapple, both imported and Australian produced through its chain of supermarkets.

[Redacted]

[Redacted: description of Woolworths' logistics arrangements and lead time for receipt of supplies.]

2.3 Verification of import listing

Woolworths 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 Attachment 1**.

2.4 Verification of importation costs

The Commission initially selected 12 shipments from the ABF import database to examine in further detail. In its IQR, Woolworths advised that volume and cost, insurance and freight (CIF) price data of one of the selected 12 shipments was incorrectly recorded

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in the ABF import database. Woolworths calculated the cost to import and sell (Part B of the IQR) which was the data verified at the visit.

The visit team was provided with source documents for the costs associated with the import of consumer pineapple for the selected samples and was able to verify them to source documents. The team was able to verify the invoice price, dates, invoice numbers and credit terms and found these to be accurate. For the remaining costs elements, Woolworths provided internal Confidential costing sheets to verify the data.

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 Attachment 2**.

2.4.1 Shipping Costs (Overseas freight and insurance cost)

[Redacted: description of Woolworths' freight contracting arrangements.] Shipping costs are determined using a rates table which takes into account the loading and delivery ports. [Redacted: description of how Woolworths calculates overseas freight and insurance costs.]

The visit team is satisfied that although a verification of the sample shipments could not be performed due to rates changing, these costs are accurate.

Additionally, Woolworths provided a table of overseas freight and insurance rates from various ports to Australia as evidence of the shipping costs referred to in 'Part B – Cost to Import and Sell' of its IQR.

During the visit Woolworths amended the insurance cost per shipment figure for sample shipment no. 8 and no. 9 provided in 'Part b – Cost to Import and sell' part of IQR. The figures were amended to \$ [Redacted] and \$ [Redacted] respectively for the two consignments.

2.4.2 Australian Importation Costs

The IQR detailed the key importation costs such as Customs Duty paid, Port services charges, Delivery charges and sundry other costs categorised as "Any other costs". The visit team verified and cross referenced with source data the accuracy of Customs Duty paid.

Woolworths also provided an internal costing report detailing the break-up of each of the components of importation costs for the sample shipments. The costs break-up provided in IQR matched with that in the costing report. Woolworths provided screenshots to verify these importation costs.

2.4.3 Selling, general and admin costs

Woolworths applied a standard allocation of [Redacted]% of final selling price as selling, general and admin costs (SG&A). The [Redacted]% labelled as "Cost of Doing Business" was derived

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from the annual report of the company for financial year 2015. Although no breakdown of this cost was provided, it is consistent with previously verified data for Woolworths.

2.4.4 Any other costs

The other costs component of Australian Importation Costs was calculated by applying a standard allocation of ■■■% of Invoice price. This cost element was shown in the costing report. Woolworths provided no description of what was included in this cost and no evidence to substantiate these cost were provided.

2.5 Forward orders

As Woolworths' forward order system is dynamic in nature, the figure provided as part of IQR in 'PART B – Forward orders' cannot be replicated and hence verified. The Forward order system continuously updates and changes based on change in the inventory level and sales of the product at retail level. Hence the visit team could not verify the information provided in IQR. The visit team was provided with forward orders for the current period.

2.6 The importer

Woolworths Ltd sources its Thailand import of consumer pineapple through Woolworth HK, a related company, which in turn sources it from the exporter in Thailand ■■■■■. [Redacted: name of Woolworths exporter.] Woolworth HK charges Woolworths a commission of ■■■% of which ■■■% is paid towards duty payable.

The visit team considers Woolworths 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 Woolworths' suppliers are the principals in the country of export, which manufacture the goods and gave up the goods for shipment directly or indirectly to Woolworths and therefore can be considered exporter of the goods imported by Woolworths.

2.8 Arms length

Woolworths advised that it has no relationship with its suppliers of consumer pineapple from the Philippines and Thailand. Woolworths stated further that it has not received any reimbursement, rebates or other support from its suppliers in respect of the goods. Woolworths 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 consumer pineapple:

- there was any consideration payable for, or in respect of, the goods other than price;

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- the price was influenced by a commercial or other relationship between Woolworths, or an associate of Woolworths, and its suppliers or an associate of the supplier; and/or
- Woolworths, or an associate of Woolworths, was directly or indirectly reimbursed, compensated or otherwise received a benefit for or in respect of the whole or any part of the price.²

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

² Woolworths HK acted as buying agent for Pineapple imported from [REDACTED] Thailand, earning a margin of [REDACTED]% for the transaction, of which [REDACTED]% was paid towards duties payable. On collapsing Woolworth HK and Woolworths Ltd., into one entity, there does not appear to be any evidence to suggest the transaction was not arms length.

3 VERIFICATION OF AUSTRALIAN SALES

3.1 Verification of sales to audited financial statements

The visit team attempted to verify the completeness and relevance of Woolworths' sales spreadsheet by reconciling it to audited financial accounts. Given the aggregation of sales of various categories of canned products and foods it was not possible to identify and verify the sales of consumer pineapple in the overall sales of Woolworths in the audited financial statements. Subsequent to the visit, the visit team was provided with screenshots of Woolworths' system generated monthly sales data. The visit team was able to accurately verify the sales data provided in the IQR 'PART C – Sales' with that generated through internal system.

3.2 Verification of sales to source documents

The visit team could not verify the sales of the goods i.e. consumer pineapple to final consumers as it would be too complex for Woolworths to provide the retail sales invoices for individual sales of individual stock keeping units (SKUs).

3.2.1 Rebates and discounts

Woolworths advised that it did not offer rebates, settlement discounts or any promotional discounts during the investigation period.

3.3 Profitability of sales

The twelve sample consignments for which Woolworths provided the cost to import & sell are profitable as per the Average selling price provided in the importer questionnaire by the importer. The visit team could not cross verify this average sales price per kg with a source document as the importer could not provide the sales invoice to final consumer owing to the fragmented nature of transactions. IQR.

However, we assessed the profitability of these selected shipments by comparing the total cost of the product on the supermarket shelf with the weighted average price of the product.

The visit team was able to cross verify most of the costs to import and sell other than those discussed in section 2.4 above.

The profitability and profit margin was calculated based on this weighted average selling price and weighted average cost to import and sell.

The visit team was able to verify that the consignments are profitable.

4 RECOMMENDATIONS

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

- have been exported to Australia otherwise than by the importer (Woolworths);
- 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 consumer pineapple can be established under subsection 269TAB(1)(a) of the Act, using the invoiced price, less deductions, to the FOB level as required.

5 GENERAL COMMENTS

Woolworths made the following general comments at the visit:

- The Australian supply of pineapple has greatly suffered and diminished since the successive severe cyclones in Queensland in 2011 and 2015. Woolworths believes that consumers prefer Australian sourced fruits however the decline in domestic supplies has led to greater reliance on imports such as those from Philippines and Thailand.
- Golden Circle, the applicant in this continuation inquiry has increased its prices on canned pineapples by 10%-11% in the last calendar quarter of 2015.
- Woolworths intend on exiting the Thailand market and will continue to source consumer pineapples from Philippines.
- Woolworths has a profit margin of approximately [REDACTED]% for canned products, with a margin of [REDACTED]% for consumer pineapples.
- Woolworths has a profit margin of approximately [REDACTED]% for Australian grown canned pineapples purchased from Golden Circle.
- Woolworths has a profit margin of approximately [REDACTED]% for imported canned pineapples purchased from Golden Circle.
- Woolworths has a profit margin of approximately [REDACTED]% for canned pineapples imported from the Philippines.

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6 ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Profitability of sales