



**ADC 333**

**INQUIRY INTO THE CONTINUATION OF ANTI-DUMPING  
MEASURES APPLYING TO**

**PINEAPPLE FRUIT (CONSUMER)  
EXPORTED FROM**

**THE REPUBLIC OF THE PHILIPPINES AND  
THE KINGDOM OF THAILAND**

**VISIT REPORT - EXPORTER**

**DOLE PHILIPPINES INC.**

**May 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

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## **1 BACKGROUND**

### **1.1 Background**

On 2 December 2015, in accordance with subsection 269ZHB(1) of the *Customs Act 1901*<sup>1</sup>, a notice<sup>2</sup> was published on the Anti-Dumping Commission's (Commission's) website inviting certain persons to apply to the Commissioner for the continuation of anti-dumping measures applying to consumer and food service and industrial (FSI) pineapple exported to Australia from the Republic of the Philippines (Philippines) and the Kingdom of Thailand (Thailand).

On 29 January 2016, Golden Circle Limited, a member of the Australian industry producing consumer and FSI pineapple, lodged an application for the continuation of the anti-dumping measures.

Following consideration of the application, the inquiry was initiated and public notification of initiation of the inquiry was made on 9 March 2016. Anti-Dumping Notice No. 2016/21 provides further details of the initiation and is available at [www.adcommission.gov.au](http://www.adcommission.gov.au).

Following this initiation, the Commission wrote to Dole Philippines Inc. (Dole Philippines) and other exporters of prepared or preserved pineapple fruit inviting them to cooperate with the inquiry. Dole cooperated and submitted a completed exporter questionnaire response (EQR) and relevant attachments for the inquiry period (1 January 2015 to 31 December 2015).

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<sup>1</sup> A reference to a division, section or subsection in this report is a reference to a provision of the *Customs Act 1901*, unless otherwise specified.

<sup>2</sup> Anti-Dumping Notice No. 2015/136.

## **2 THE GOODS AND LIKE GOODS**

### **2.1 The goods exported to Australia**

The table below summarises the goods exported to Australia by Dole, as shown in Dole’s Australian sales spreadsheet (**Confidential Appendix 1**).

Product	Canned pineapple (Consumer)
Net weight	115g – 567g
Pineapple grade	Standard
Pineapple cut	Slice, chunk, tidbit or pieces
Packing media	Juice, light syrup or heavy syrup

### **2.2 Like goods sold on the domestic market**

Dole submitted in its EQR that it produced goods that are ‘like’ to those exported to Australia.

The table below summarises like models of consumer pineapple that Dole sold to domestic customers during the inquiry period, as shown in Dole’s domestic sales spreadsheet (**Confidential Appendix 3**).

Product	Canned pineapple (Consumer)
Net weight	115g – 567g
Pineapple grade	Standard
Pineapple cut	Slice, chunk, tidbit or pieces
Packing media	Juice, light syrup or heavy syrup

### **2.3 Model matching**

The verification team established the key characteristics of the goods and therefore the considerations for model matching criteria and hierarchy as detailed below:

- pineapple cut (slices, chunks, tidbits, pieces)
- Net package volume;
- Container type,

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- Level of Trade

### **2.4 Like goods – preliminary assessment**

The verification team considers that FSI pineapple produced and sold domestically by DPL has characteristics closely resembling those of the goods exported to Australia and are 'like goods' in terms of subsection 269T(1) of the Act.

## **3 VERIFICATION OF EXPORT SALES TO AUSTRALIA**

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

#### **3.1.1 Export sales via related parties**

Dole Philippines is 100% owned by Singapore based Dole Asia Holdings Pte Ltd. (Dole Asia). Dole Asia is responsible for exporting to select international markets for Dole Philippines, including Australia. Dole Philippines sells these goods by way of internal transfers to Dole Asia who then sell, arrange transportation and invoice to international customers.

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

In its EQR, Dole Philippines provided a detailed spreadsheet listing its Australian export sales of consumer pineapple during the inquiry period (**Confidential Appendix 1**). This data included the Dole Philippines price to Dole Asia as well as the Dole Asia price to Australian export customers.

The verification team verified the completeness and relevance of these export sales spreadsheets by reconciling them to the management accounts of Dole Philippines and Dole Asia in accordance with ADN 2016/30.

The verification team did not identify any issues during the upwards verification of export sales to Australia and were satisfied that the export price from Dole Asia to unrelated export customers was the appropriate export price.

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

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

The verification team verified the accuracy of Dole Philippines' export sales spreadsheet by reconciling it to source documents in accordance with ADN 2016/30.

The verification team did not identify any issues during the downwards verification of export sales to Australia.

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

### **3.3 The exporter**

For all Australian sales during the inquiry period, the verification team considers Dole Philippines to be the exporter<sup>3</sup> of the goods. Dole considers DAH to be the exporter of the goods but acknowledges that it makes no difference to the Commission's calculations.

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<sup>3</sup> The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, who owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

### **3.4 The importer**

The verification team considers that, in relation to the goods exported by Dole Philippines, the customers listed in the consolidated Australian sales listing were the beneficial owners of the goods at the time of importation and therefore were the importers of the goods.

### **3.5 Related party customers**

The verification team did not identify any Australian customers which were related to Dole Philippines, based on the company's EQR, sales data and audited financial statements.

### **3.6 Arms length**

In respect of export sales of consumer pineapple to Australia by Dole Philippines via its parent company Dole Asia, the verification team found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is 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, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, whole or any part of the price.

The verification team therefore considers that all sales of consumer pineapple exported to Australia by Dole Philippines during the investigation period were arms-length<sup>4</sup> transactions.

### **3.7 Export price – preliminary assessment**

The verification team is satisfied that the export sales listing is complete, relevant and accurate and recommends that export price be determined under subsection 269TAB(1)(a) of the Act, as the price paid by the importer less transport and other costs arising after exportation.

The verification team calculated the export price at cash payment, free-on-board (FOB) delivery terms.

The preliminary export price calculations are at **Confidential Appendix 1**.

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<sup>4</sup> Section 269TAA of the Act outlines the circumstances in which the price paid or payable shall not be treated as being at arms-length. These are where: there is any consideration payable for or in respect of the goods other than price; the price is 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, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

## **4 COST TO MAKE AND SELL**

### **4.1 Verification of Dole Philippines' costs up to audited financial statements**

The verification team verified the completeness and relevance of Dole Philippines cost to make and sell (CTMS) spreadsheets by reconciling each one to financial accounts in accordance with ADN 2016/30.

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

#### **4.1.1 Revision of CTMS data.**

Dole Philippines provided revised calculations of the CTMS data after discovering some minor issues with the apportionment methodology. The revised data was used in the verification process. The verification team made further revisions as outlined below.

#### **Negative Cost Items**

The revised CTMS data included a number of negative costs for certain product models. Dole Philippines explained that the company had on occasion had negative sales which drove negative costs.

Dole Philippines explained that on occasion, it is required to seek stock from customers in order to meet outstanding orders to other customers. In doing so, Dole Philippines treats the return of goods as a negative sale.

While the commission considers the transactions reasonable in terms of accounting methodology, the negative costs were not representative of the actual cost to make and sell. The verification team explained that it would replace any negative costs with the average costs for the cost types in question. Dole Philippines agreed to the verification teams proposed adjustment. The adjustment will increase the CTMS for the products and quarters in question.

Taking account of the revisions to the CTMS data, the verification team was satisfied all other relevant costs were included.

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

### **4.2 Verification of costs down to source documents**

The verification team verified the accuracy of Dole Philippines' cost to make and sell spreadsheet by reconciling it to source documents in accordance with ADN 2016/30.

Other than the revisions to the CTMS data as discussed above, the verification team did not identify any other issues during the downwards verification of CTMS.

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



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### **4.3 Related-party purchases**

The verification team found no evidence of related party purchases during the inquiry period.

### **4.4 Cost to make and sell – summary**

Having verified Dole Philippines' CTMS data for consumer pineapple to financial statements and to source documents, the verification team is satisfied (after taking account of the revisions to the CTMS data) that Dole Philippines CTMS data is complete, relevant and accurate.

Dole Philippines verified CTMS spreadsheet is at **Confidential Appendix 2**.

## **5 VERIFICATION OF DOMESTIC SALES**

### **5.1 Verification of domestic sales to audited financial statements**

The verification team verified the completeness and relevance of Dole Philippines domestic sales spreadsheet (**Confidential Appendix 3**) by reconciling it to its financial accounts in accordance with ADN 2016/30.

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

The verification team did not find any issues with the verification of domestic sales to audited financial statements.

### **5.2 Verification of domestic sales to source documents**

The verification team verified the accuracy of Dole Philippines' domestic sales 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 verification team did not find any issues with the verification of domestic sales to source documents.

#### **5.2.1 Level of trade**

Using information from the EQR and collected during the visit, the verification team identified two distinct levels of trade in domestic sales (distributors and other).

The team considered it appropriate to match domestic sales against comparable levels of trade in export sales.

The team analysed the price setting practices of the company, as well as an analysis of price based on the sales data supplied at the level of trade level and determined that price variations were sufficient to determine that level of trade matching was the most appropriate and reliable course of comparison.

### **5.3 Related party customers**

The verification team did not identify any domestic customers which were related to Dole Philippines, based on the company's EQR, sales data and financial statements.

### **5.4 Arms length**

In respect of Dole Philippines domestic sales of consumer pineapple to unrelated customers during the inquiry period, the verification team found no evidence that:

- there is any consideration payable for or in respect of consumer pineapple other than their price; or
- the price is 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

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- the buyer, or an associate of the buyer, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that domestic sales by Dole Philippines to unrelated customers during the investigation period were arms-length transactions.

### 5.5 Ordinary course of trade

Section 269TAAD of the Act provides that if like goods are sold in the country of export at a price less than the cost of such goods and are unrecoverable within a reasonable period, they are taken not to have been paid in the ordinary course of trade (OCOT).

The verification team compared the quarterly domestic CTMS to the corresponding net invoice price to test whether domestic sales were profitable. Where the volume of unprofitable sales exceeded 20 per cent for the product category, the team then tested the recoverability of the unprofitable sales by comparing the unit selling price to the corresponding weighted average CTMS over the whole of the investigation period. Those sales found to be unrecoverable were deemed not to be made in the OCOT.<sup>5</sup>

### 5.6 Sufficiency and profitability of sales

Section 269TAC(2) provides that certain domestic sales may be unsuitable for use in determining normal values because of factors in the market. One such factor is where there is an absence, or low volume, of sales of like goods in the domestic market that would be relevant for determining normal values (insufficient sales in OCOT).

Low volume is defined in Section 269TAC(14) as less than five per cent of the total volume of goods under consideration that are exported to Australia.

The verification team found sufficient sales in OCOT to match most models of consumer pineapple exported to Australia during the investigation period.

For the remaining models, it was necessary to construct normal values using the costs to make (CTM) the exported goods plus SG&A applicable to the goods sold domestically and an amount for profit. The profitability of domestic sales of like goods has been calculated by calculating the weighted average profit of domestic sales made in the OCOT.

### 5.7 Domestic sales – conclusion

The verification team is satisfied that the domestic sales listing provided by Dole Philippines is complete, relevant and accurate, and can be used for assessing normal value under subsection 269TAC(1) and to determine the amount of profit for normal values constructed under paragraph 269TAC(2)(c).

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<sup>5</sup> Section 45(2) of the *Customs (International Obligations) Regulation 2015*

## **6 ADJUSTMENTS**

To ensure that the normal value is comparable with the export price of the goods exported to Australia (at FOB delivery terms), the following adjustments were made to the normal value.<sup>6</sup>

### **6.1 Inland transport**

The verification team considers that adjustments for inland freight are required to ensure a fair comparison of export price and normal value. The verification team applied a downwards adjustment for domestic inland freight and an upwards adjustment for export inland freight.

### **6.2 Domestic and export credit terms**

Due to a difference in credit terms between markets, the verification team considers that an adjustment for credit terms is required to ensure fair comparison. The verification team has applied a downwards adjustment to normal values by removing the cost of domestic credit, and an upwards adjustment to normal values to account for the cost of credit costs on export sales. The calculation was based on the actual number of day's credit extended and the company's effective borrowing rate, for each transaction.

### **6.3 Customs duties**

Dole Philippines pays 5% duty on imported input materials used for domestic consumption; however duties are not paid on input materials used in the manufacture of exported products. The verification team applied a downwards adjustment to the normal value for these transactions.

### **6.4 Export port costs**

Dole Philippines ships both domestic and export sales through a company owned port. Costs to port and general handling costs are the same for both domestic and export sales, however export sales have additional documentation and export costs. The verification team applied an upward adjustment to the normal value for these costs.

### **6.5 Specification adjustments to surrogate models**

In accordance with subsection 269TAC(8), the verification team has applied a specification adjustment to the normal values of those products exported to Australia that were not exact model matches (surrogate models) as discussed at section 5.6. Adjustments were made for differences in net contents volume and can end types.

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<sup>6</sup> In accordance with subsection 269TAC(9).

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### 6.6 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsections 269TAC(8) and 269TAC(9) of the Act, and considers these adjustments are necessary to ensure a fair comparison of normal values and export prices:

<b>Adjustment Type</b>	<b>Deduction/addition</b>
Inland transport	<b>Deduct / add</b> inland transport costs
Credit charges	<b>Deduct / add</b> cost of credit
Customs duties	<b>Deduct</b> cost of customs duties
Port handling costs	<b>Add</b> Export port costs
Specification adjustment	<b>Deduct / add</b> amount for specification adjustment to normal value of surrogate models

## **7 NORMAL VALUE**

Based on the information provided by DPI and the verification conducted on site, the verification team is satisfied that prices paid in respect of these domestic sales are suitable for assessing normal values under subsection 269TAC(1) for some models of exported consumer pineapple to Australia during the investigation period.

In using domestic sales as the basis for normal values, the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices as outlined in chapter 6 above, as well as for physical differences where exact model matches have not been found and surrogate models used instead.

For the remaining models, the verification team has constructed normal values in accordance with subsection 269TAC(2)(c). To construct the normal value for each quarter, the verification team has used the weighted average CTM for Australian export sales; plus SG&A applicable to goods sold domestically; plus profit on domestic sales made in the OCOT (as discussed in Section 5.6).

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 6 above) for normal values determined under subsection 269TAC(2)(c).

Normal value calculations are at **Confidential Appendix 4**.

## **8 DUMPING MARGIN**

The dumping margin has been assessed by comparing the weighted average export prices to the corresponding quarterly weighted average normal values for the inquiry period<sup>7</sup>.

The preliminary dumping margin in respect of consumer pineapple exported to Australia by Dole Philippines for the inquiry period is **6.19 per cent**.

The preliminary dumping margin calculation is at **Confidential Appendix 5**.

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<sup>7</sup> In accordance with subsection TACB(1)(a)

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### 9 APPENDICES AND ATTACHMENTS

<b>Confidential Appendix 1</b>	Export sales
<b>Confidential Appendix 2</b>	Cost to make and sell
<b>Confidential Appendix 3</b>	Domestic sales
<b>Confidential Appendix 4</b>	Normal value
<b>Confidential Appendix 5</b>	Dumping margin
<b>Confidential Attachment 1</b>	Verification work program
<b>Confidential Attachment 2</b>	Like goods table

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