



**ADC 334**

**INQUIRY INTO THE CONTINUATION OF ANTI-DUMPING  
MEASURES APPLYING TO  
PINEAPPLE FRUIT (FOOD SERVICE AND INDUSTRIAL)  
EXPORTED FROM  
THE REPUBLIC OF THE PHILIPPINES AND  
THE KINGDOM OF THAILAND**

**VISIT REPORT - EXPORTER**

**KUIBURI FRUIT CANNING CO., LTD.**

**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**

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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 Kuiburi Fruit Canning Co., Ltd. (Kuiburi) and other exporters of prepared or preserved pineapple fruit inviting them to cooperate with the inquiry. Kuiburi 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 Kuiburi, as shown in Kuiburi’s Australian sales spreadsheet (**Confidential Appendix 1**).

Product	Canned pineapple (FSI)
Can size	108 oz. (A10)
Net weight	3.06 kilograms
Pineapple grade	Standard or choice
Pineapple cut	Slice, chunk, tidbit or pieces
Packing media	Juice, light syrup or heavy syrup

Kuiburi did not export any prepared or preserved consumer pineapple to Australia during the inquiry period.

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

Kuiburi submitted in its EQR that it produced and sold goods domestically that are ‘like’ to those exported to Australia.

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

Products	Canned pineapple
Can/bag size	108 oz. (A10)
Net weight	3.06 kilograms
Pineapple grade	Standard
Pineapple cut	Tidbits or cubes
Packing media	Light syrup

### **2.3 Model matching**

The model matching criteria (in order of importance) are as follows:

- pineapple cut (i.e. slice, chunk, tidbit, pieces);
- net weight of finished product; and
- container type (i.e. aseptic bag or can).

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

The verification team considers that FSI pineapple produced and sold domestically by Kuiburi 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**

In its EQR, Kuiburi provided a detailed spreadsheet listing its Australian export sales of FSI pineapple during the inquiry period (**Confidential Appendix 1**).

The verification team verified the completeness and relevance of Kuiburi's Australian sales spreadsheet by reconciling it to audited financial statements in accordance with ADN 2016/30.

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

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

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

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

The verification team identified two issues relating to payment terms (see 3.2.1) and exchange rates (see 3.2.2) during the downwards verification of export sales to Australia. The remainder of downwards verification identified no further issues.

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

##### **3.2.1 Payment terms**

The verification team found the actual payment/credit terms differed significantly from quoted payment terms in the Australian sales spreadsheet, and requested Kuiburi to calculate average payment terms over the inquiry period for all its Australian customers.

Kuiburi provided a separate spreadsheet that demonstrated its calculations of the average payment terms for each customer, in accordance with the ADC dumping and subsidy manual. The verification team was satisfied with Kuiburi's calculations and used the average payment period calculated for each customer as a basis for its calculations for assessing the effect on the export price attributable to the cost of extending credit to customers.

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

##### **3.2.2 Exchange rates**

The verification team found that the exchange rates recorded in Kuiburi's Australian sales spreadsheet did not reflect the actual exchange rates used to convert payment received from customers.

The verification team requested that Kuiburi update the Australian sales spreadsheet and include the actual exchange rates used to convert payment. Kuiburi updated the Australian sales spreadsheet accordingly.

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### 3.3 The exporter

For all Australian sales during the inquiry period, the verification team considers Kuiburi to be the exporter<sup>3</sup> of the goods.

### 3.4 The importer

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

### 3.5 Related customers

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

### 3.6 Arms length

In respect of export sales of FSI pineapple to Australia by Kuiburi during the inquiry period, 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 FSI pineapple exported to Australia by Kuiburi were arms-length<sup>4</sup> transactions.

### 3.7 Export price – preliminary assessment

In relation to the goods exported by Kuiburi, the verification team recommends that export price be determined under subsection 269TAB(1)(a), 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>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.

<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 Kuiburi's costs up to audited financial statements

In its response to the exporter questionnaire, Kuiburi provided quarterly cost to make and sell (CTMS) data for FSI pineapple processed during the inquiry period (**Confidential Appendix 2**). This cost data was provided separately for the Australian and domestic markets, and separately for each product.

The verification team verified the completeness and relevance of Kuiburi's CTMS data by reconciling it to audited financial statements in accordance with ADN 2016/30.

#### 4.1.1 Revision of CTMS Data

Fixed overheads variance to audited financial statements

In the course of the upwards verification of Kuiburi's CTMS data, it became evident that there was a variance of ■ per cent between Kuiburi's audited financial statements and the fixed overhead cost data Kuiburi used to populate the CTMS. The Commission amended the CTMS spreadsheets by uplifting Kuiburi's recorded fixed overhead costs by ■ per cent. This has the effect of increasing the CTMS in all quarters for all models (refer **Confidential Appendix 2**).

Further, in the course of the upwards verification, it became evident that Kuiburi had not recorded some costs for a particular model. On request, Kuiburi provided revised CTMS data for this model.

#### Selling, general and administrative costs

In verifying the selling, general and administrative (SG&A) expenses reported by Kuiburi in its CTMS data, the verification team noted that certain expenses incurred by Kuiburi in the inquiry period were not reflecting the amounts recorded in the audited financial statements. Further, the quantity used to apportion some expenses did not reconcile to the verified production quantity.

The verification team therefore amended the SG&A calculations to reflect the expenses as recorded in the audited financial statements and to reflect the verified quantity for FSI pineapple. This has the effect of increasing the SG&A expenses and therefore increasing Kuiburi's CTMS in all quarters for all models (refer **Confidential Appendix 2**).

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

### 4.2 Verification of costs down to source documents

The verification team verified the accuracy of Kuiburi's CTMS spreadsheets by reconciling them 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 this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.



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

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

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

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

Kuiburi's verified CTMS spreadsheets are 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 Kuiburi's domestic sales spreadsheet (**Confidential Appendix 3**) by reconciling it to audited financial statements 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 Kuiburi's domestic sales spreadsheet by reconciling it to source documents in accordance with ADN 2016/30.

The verification team identified one issue relating to payment terms (see 5.2.1) during the downwards verification of domestic sales. The remainder of downwards verification identified no further issues.

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

#### **5.2.1 Payment terms**

The verification team found the actual payment/credit terms differed significantly from quoted payment terms in the domestic sales spreadsheet, and requested Kuiburi to calculate average payment terms over the inquiry period for all its domestic customers.

Kuiburi provided a separate spreadsheet that demonstrated its calculations of the average payment terms for each customer, in accordance with the ADC dumping and subsidy manual. The verification team was satisfied with Kuiburi's calculations and used the average payment period calculated for each customer as a basis for its calculations for assessing the effect on the export price attributable to the cost of extending credit to customers.

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

### **5.3 Related customers**

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

### 5.4 Arms length

In respect of Kuiburi's domestic sales of FSI 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 FSI pineapple other than the 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, the whole or any part of the price.

The verification team therefore considers that all domestic sales by Kuiburi during the inquiry period were arms-length transactions.

### 5.5 Ordinary course of trade

Section 269TAAD 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 inquiry period. Those sales found to be unrecoverable were deemed not to be made in the OCOT.<sup>5</sup>

### 5.6 Sufficiency of sales

Subsection 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 subsection 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 a low volume of domestic sales of like goods sold in the OCOT.

### 5.7 Domestic sales – conclusion

The verification team is satisfied that the domestic sales data provided by Kuiburi is complete, relevant and accurate, and can be used to determine the amount of profit for normal values ascertained in accordance with subsection 269TAC(2)(c).

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<sup>5</sup> Subsection 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 and handling**

The verification team considers that adjustments for inland freight and handling 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 handling and an upwards adjustment for export inland freight and handling.

### **6.2 Packaging**

The verification team found that exported goods had higher packaging requirements than domestic sales and thus has applied an upward adjustment to the normal value to account for export packaging and therefore to ensure a fair comparison to the export price.

### **6.3 Commissions**

The verification team found that commissions were payable on export sales and thus has applied an upward adjustment to the normal value to account for the cost of commissions paid in relation to exports to Australia and therefore to ensure a fair comparison to the export price.

### **6.4 Adjustments – conclusion**

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

<b>Adjustment type</b>	<b>Deduction/addition</b>
Inland transport and handling	<b>Deduct/Add</b> costs relating to inland transport and handling
Packaging	<b>Add</b> costs relating to export packaging
Commissions	<b>Add</b> costs relating to commissions paid on exports

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

## **7 NORMAL VALUE**

The verification team is satisfied that, because there is a low volume of domestic sales of like goods in the OCOT, the normal value of the goods exported to Australia cannot be ascertained under subsection 269TAC(1).

The verification team recommends that the normal value of the goods be ascertained under subsection 269TAC(2)(c), using the cost of production of the goods, and, on the assumption that the goods, instead of being exported, had been sold for home consumption in the OCOT, the SG&A costs associated with the sale and the profit on that sale.

In accordance with subsection 269TAC(9), the verification team considers that certain adjustments are necessary to ensure fair comparison of normal values with export prices. (as outlined in chapter 6 above).

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

## **8 DUMPING MARGIN**

The dumping margin has been assessed by comparing the quarterly 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 FSI pineapple exported to Australia by Kuiburi for the inquiry period is 9.2 per cent.

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

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<sup>7</sup> In accordance with subsection 269TACB(2)(a).

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### 9 APPENDICES AND ATTACHMENTS

<b>Confidential Appendix 1</b>	Australian sales and export price
<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