



**Australian Government**  
**Australian Customs and  
Border Protection Service**

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R E P O R T

**REVIEW OF MEASURES**

**PINEAPPLE  
(CONSUMER AND FOOD SERVICE &  
INDUSTRIAL)**

**EXPORTED TO AUSTRALIA FROM THAILAND**

**CASE NUMBERS 195 & 196**

**EXPORTER VISIT REPORT  
THAILAND**

**KUIBURI FRUIT CANNING CO LTD**

**MARCH 2013**

*THIS REPORT AND VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL POSITION OF CUSTOMS AND BORDER PROTECTION.*

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## 1 BACKGROUND

### 1.1 Background to the current measures

Anti-dumping measures were first imposed on certain pineapple products exported from Thailand on 18 October 2001. All exporters of consumer pineapple from Thailand were subject to interim dumping duties. All exporters of Food Services Industry (FSI) pineapple were also subject to the goods with the exception of FSI pineapple exported by Malee Sampran Public Co.

#### 1.1.1 Consumer pineapple

Following a decision of the Federal Court in April 2008 measures applying to exports of consumer pineapple from Thailand by TPC lapsed.

Subsequent to an application submitted by Golden Circle in 2011, measures were imposed on consumer pineapple exported from Thailand by TPC. International Trade Remedies Report 173b (REP 173b) refers.

#### 2.1.2 FSI Pineapple

On 28 September 2006 the Minister accepted the recommendation of Customs and Border Protection to continue anti-dumping measures for a further five years following consideration of an application for continuation inquiries and reviews into consumer and FSI pineapple. Trade Measures Report No 111 (REP 111) refers. Different variable factors were fixed at this review.

On 14 October 2011 the Minister accepted the recommendation of Customs and Border Protection to continue anti-dumping measures for a further five years with the variable factors fixed at a different rate to those determined in the 2006 review. Trade Measures Report No. 172c ("REP 172c") refers. The period of review was 1 January 2010 to 31 December 2010.

Only one exporter from Thailand, Kuiburi Fruit Canning Co Ltd (KFC) cooperated with the 2011 review of anti-dumping measures relating to FSI pineapple.

Measures in relation to both FSI and consumer pineapple are due to expire on 14 October 2016, subject to any continuation inquiry or revocation.

### 1.2 The current review of measures

#### 1.2.1 Consumer Pineapple

On 3 December 2012, Siam Agro-Food Industry Public Company Limited (SAICO), a wholly owned subsidiary of TPC and an exporter of consumer pineapple, lodged an application requesting both a review of the variable factors (export price and normal value) and a revocation review of the anti-

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dumping measures applying to consumer pineapple exported to Australia from Thailand by TPC.

The CEO decided not to reject the application, the reasons for which are set out in International Trade Remedies Consideration Report No. 195<sup>1</sup> (CON 195). A notice indicating that it is proposed to conduct a review of the measures was published in The Australian on 19 December 2012.

The review of measures comprises both a review of the variable factors, being the export price, normal value and non-injurious price (the variable factors review), and a review to determine whether current measures as they apply to TPC are no longer warranted (the revocation review). The review period is 1 October 2011 to 30 September 2012.

### 1.2.2 FSI

On 10 December 2012, Tipco, an exporter of FSI pineapple from Thailand, lodged an application requesting a variable factors review and a revocation review of the anti-dumping measures applying to FSI pineapple exported to Australia from Thailand by Tipco.

The CEO decided not to reject the application for a review of variable factors. However the CEO decided to reject the application for a revocation review on the basis that the supporting evidence provided by the applicant, and other relevant information, did not constitute reasonable grounds for asserting that dumping measures are no longer warranted and for a revocation review to be initiated.

The reasons for the initiation of a variable factors review, and rejection of the revocation review application, are set out in Consideration Report No. 196<sup>2</sup> (CON 196). A notice indicating that it is proposed to conduct a review of variable factors was published in The Australian on 19 December 2012.

The review period is 1 October 2011 to 30 September 2012.

### 1.2.3 Extension of reviews

On 16 January 2013 the Minister for Home Affairs agreed to extend the scope of the review of measures in relation to both FSI and consumer pineapple to cover all exporters of FSI and consumer pineapple in Thailand.

## 1.1 Kuiburi Fruit Canning Co Ltd

At the time the reviews were extended, Kuiburi Fruit Canning Co Ltd (KFC) was identified as an exporter of FSI pineapple to Australia from Thailand. In addition, KFC recently applied for and participated in an accelerated review of consumer pineapple. Customs and Border Protection wrote to KFC seeking

<sup>1</sup> CON 195 is available at [www.customs.gov.au](http://www.customs.gov.au).

<sup>2</sup> CON 196 is available at [www.customs.gov.au](http://www.customs.gov.au).

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its cooperation with the investigation and forwarded the company an exporter questionnaire for both consumer and FSI canned pineapple.

KFC completed and lodged detailed responses to the exporter questionnaires. These questionnaire responses were supported by non-confidential and confidential appendices and attachments, including transaction data requested in the exporter questionnaire.

KFC's responses to the exporter questionnaires were assessed and found to be suitable to warrant a verification visit. This report details the discussion and verification undertaken during the visit to KFC.

A non-confidential version of KFC's response to the questionnaire was placed on the public record.

### 1.1.1 Purpose of visit to KFC

The purpose of the visit was to:

- explain the review processes;
- verify information contained in KFC's exporter questionnaires;
- establish who is the exporter and who is the importer;
- recommend export prices and normal values for pineapple exported to Australia in the review period;
- determine the dumping margin, if any, for the review period; and
- give KFC an opportunity to raise any issues or questions.

### 1.2 Meetings

<b>COMPANY:</b>	<b>KFC</b>
<b>ADDRESS:</b>	288, 290 Krung Thon Muang Kaew Bldg Sirindhorn Rd, Bangplad, Bangkok 10700 Thailand
<b>DATES:</b>	13 – 15 March 2013
<b>PRESENT:</b>	Sudhagar Selvaraj – Business Development Director Warunee Karnasuta (Gaye) – Senior Business Development Manager Chuanchom Ketkaew – Asst. Business Development Manager
<b>CUSTOMS AND BORDER PROTECTION:</b>	Lydia Cooke, Manager, ITRB Cienna Turpie, Supervisor, ITRB

### 1.3 Preliminary issues

#### 1.3.1 Meeting agenda

Prior to the meeting, we forwarded KFC an agenda (**confidential attachment GEN 1**).

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## 1.3.2 Commencement of the meeting

At the commencement of the meeting, the verification team explained the background to the review processes and informed the company of key dates:

- the review period is 1 October 2011 to 30 September 2012;
- the Statement of Essential Facts is due on or before 8 April 2013; and
- Customs and Border Protection's final report to the Minister is due on or before 23 May 2013.

## 1.3.3 Cooperation

KFC was cooperative and provided additional information when requested.

## 1.3.4 Confidentiality

We explained to KFC that we would prepare a report following our visit, which would be subject to internal review. We would then provide it with a draft of the report to review its factual accuracy and to identify those parts of the report it considers confidential. We further advised that, following consultation about confidentiality, we would prepare a version of the report to be placed on the public record.

We advised that the dumping margin would be published in the public record version of the visit report as the dumping margin is not itself confidential information, but rather an aggregate figure derived from confidential data.

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### 2 COMPANY DETAILS

#### 2.1 KFC company information

KFC was established in 1992 to produce and export pineapple products. The factory is located about 290 kilometres south of Bangkok at a place called Kuiburi in the Prachaub Kiri Khan Province.

KFC expanded its product variety over the years and now manufactures and sells packaged pineapple and tropical fruit salad, pineapple juice concentrate and dehydrated fruit. During the review period, KFC sold pineapple to Australia in [REDACTED] cans and [REDACTED] aseptic bags. KFC manufactures and sells [REDACTED] [other pineapple products] to other export markets but did not export these products to Australia during the review period.

KFC remains an export focussed company and sells very small volumes of its products for consumption in Thailand. KFC exports to around [REDACTED] countries with its biggest market being [REDACTED] [country]. About [REDACTED]% of its export sales are of pineapple products.

KFC purchases fruit from unrelated farmers and growers. It has [REDACTED] (fruit cutting machine) lines and employs approximately [REDACTED] people at its factory in Kuiburi and approximately [REDACTED] staff at its offices in Bangkok.

##### 2.1.1 Ownership structure

KFC's major shareholder is [REDACTED]. Other shareholders with a greater than 5% shareholding are [REDACTED] [Shareholder confidential information].

KFC has one subsidiary. [REDACTED]

[REDACTED] [Company ownership structure].

##### 2.1.2 Pineapple growing conditions and markets

KFC explained that there is virtually no market for canned pineapple in Thailand due to the abundance of fresh pineapple at low prices. KFC said that it sold a small quantity of canned pineapple but that the product is generally not sold domestically.

KFC explained that there are two pineapple crops annually. The winter crop is the major crop and runs from September to February. A smaller crop is produced in the summer, from March to June. July to September is known as the low season and is a time when many smaller processing factories close down.

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In 2011 KFC's production was at approximately [REDACTED] % of capacity.

KFC has sold pineapple products to Australia for about the last five years, with increasing volumes in the last two years due largely to the commercial relationship it has developed with the importer, [REDACTED] [importer]. KFC has continued to pursue its aim of increasing its business in export markets including Australia.

### 2.1.3 KFC accounting

KFC's accounting period is the calendar year January to December and its financial statements are audited on an annual basis. At the time of the visit the annual report for the 2012 financial year was not yet prepared.

KFC is in the process of transitioning its accounting software to [REDACTED] [accounting software program]. This transition began in 2011 and is expected to be complete in [REDACTED]. At the time of the verification visit, costs were being recorded in [REDACTED] [accounting software program], while sales information continued to be primarily recorded in [REDACTED] [other software program].

Due to the changes in KFC's accounting software in the 2011 financial year, we were unable to conduct upwards verifications to the 2011 audited financial report. As stated above, at the time of the visit the 2012 annual report was not yet finalised. We therefore conducted our upwards verifications to the trial balance in [REDACTED] [accounting software program].

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In regards to the packing media, the following codes applied:

- – juice
- – light syrup
- – heavy syrup

Numbers then referred to the type of cut that was used.

KFC provided a sales brochure with the description of each FSI pineapple product code exported to Australia (**confidential attachment goods1**).

No sales of consumer pineapple were made to Australia during the review period. KFC however, noted its intention to export the following types of consumer pineapple to Australia:

Product type	Container type and size
■	■
■	■
■	■
■	■
■	■

We noted that the product in plastic cups was produced by Kuiburi Fruit Cup Co and these exports would therefore not be covered by KFC's rate.

### 3.2 Like goods

Subsection 269T(1) defines like goods to mean:

*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.*

As discussed further below, KFC sells a limited volume of FSI pineapple products for domestic consumption in Thailand. KFC does not sell any consumer pineapple on the domestic market.

KFC sold only the following ■ FSI pineapple products domestically during the review period:

Product type	Product code	Container type	Medium	Kgs
■	■	■	■	■
■	■	■	■	■
<b>Total</b>				■

No consumer pineapple was sold domestically during the review period.

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### 4 EXPORT SALES TO AUSTRALIA

#### 4.1 General

As discussed above, KFC exported only FSI pineapple products to Australia in the review period. Unless stated otherwise, the information below only relates to FSI pineapple. It exported to Australian customers as follows:

- [REDACTED] (50% of volume)

[REDACTED] is a wholesaler of a range of different foods. It purchases pineapple from KFC under a number of different brand names.

- [REDACTED] (34% of volume)

[REDACTED] is a food wholesaler that provides pineapple to [REDACTED]. The product bears the [REDACTED] label or is unlabelled.

- [REDACTED] other importers make up the remainder of KFC's exports to Australia. These account for [REDACTED] (16% of volume).

[REDACTED]

It sold a number of labels to the Australian market including [REDACTED].

#### 4.2 Export sales process

KFC advised that it generally enters into [REDACTED] contracts with customers [REDACTED]. [commercial terms].

The ordering process [REDACTED]

[REDACTED] [ordering and sales details].

[REDACTED] [ordering and sales details].

#### 4.3 Pricing

[REDACTED] [pricing information].

[REDACTED]

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[redacted]  
[confidential market information].

### 4.4 Verification up to trial balance

As noted above, KFC changed its accounting system in 2011 and as a result, we could not reconcile sales data from the exporter questionnaire response through [redacted] [accounting software program] to the 2011 audited financial reports. In addition, the 2012 audited financial report had not yet been prepared. We therefore sought to reconcile the sales data provided in the exporter questionnaire response to the trial balance in [redacted] [accounting software program].

We first asked KFC to provide us with an [redacted] [accounting software program] download of sales to Australia for the investigation period in order for us to reconcile this with the data provided in the exporter questionnaire response. We found the Australian sales data in the exporter questionnaire response and the listing in [redacted] [accounting software program] did not reconcile (**confidential attachment EXP1**). KFC investigated the discrepancy and found that there were 11 invoices for sales to Australia which were recorded in [redacted] [accounting software program] but not in the exporter questionnaire response and there were five invoices which were listed in [redacted] [accounting software program] and the exporter questionnaire response but were not correctly entered into one or the other. KFC explained that the sales listing had been prepared from the sales data that the sales team maintained in Excel. The invoices from this listing had been overlooked as a result of a search error. KFC explained that the data from the sales team was subsequently manually entered into [redacted] [accounting software program] where a small by number of data entry errors had occurred. KFC gave us a copy of all 16 relevant invoices (**confidential attachment EXP2**) and provided us with an updated copy of the Australian sales spreadsheet which had all the invoices correctly listed.

We noted that due to a few discrepancies in data entry into [redacted] [accounting software program] there was still a small discrepancy (0.6%) between the Australian sales listing and [redacted] [accounting software program]. However, after viewing the actual invoices, we were satisfied that we had captured the correct details of the export sales to Australia.

We then sought to reconcile the data to the 2012 trial balance in [redacted] [accounting software program]. To do this we selected the month of May 2012. KFC explained that in the [redacted] [accounting software program] trial balance, Australian export sales were recorded under the heading 'sales revenue – export trade'. It provided us with a report which listed all sales in this category (**confidential attachment EXP3**). It then individually identified which sales were made to Australia. We were able to reconcile the Australian sales in [redacted] [accounting software program] to the sales made in May 2012 as recorded in the Australian export sales spreadsheet.

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### 4.5 Verification down to source documents

To verify the accuracy of the B-4 Export sales spreadsheet, we selected the following eight sales transactions for verification:

Customer name	Invoice number
██████████	██████████
██████████	██████████
██████████	██████████
██████████	██████████
██████████	██████████
██████████	██████████
██████████	██████████
██████████	██████████
██████████	██████████

At the visit, KFC provided the following source documents for the eight selected shipments (**confidential attachment EXP4**).

- Commercial invoice;
- Packing list;
- Bill of lading;
- Sales confirmation (and master contract where applicable);
- Proof of payment from the customer to KFC;
- Ocean freight invoice from the shipping company for the one C&F transaction (the remainder were FOB sales);
- Inland freight invoice from the transport company and payment advice; and
- Export charges invoice from logistics company and payment advice.

In examining these documents, we found that the weight listed on the invoice for each shipment was slightly less than the weight listed in the Australian sales spreadsheet. KFC explained that ██████████ [weight of cans sold to Australia]. This was because the Australian standard was for ██████████ [SKU] cans, however, its ██████████ [SKU] cans were still within the variance allowed in the standard. It explained that the invoices were based on a weight of ██████████ while the Australian sales spreadsheet reflected the actual weight, ██████████. The difference between the two was less than 1%. During our verification, we were able to see that KFC recorded its costs and sales in its ordinary course of business on the basis of ██████████ cans weighing ██████████. It provided us with an Australian market label for an ██████████ can which listed the weight as ██████████ (**confidential attachment EXP5**). We were therefore satisfied with the explanation between the weights. We were able to match the remainder of the source documents to all of the data for the selected invoices in KFC's B-4 Export sales spreadsheet.

In our examination of the documents, however, we noticed that one selected transaction, a sale to the trader ██████████, was marked as being shipped to Taiwan. KFC investigated and found that while the order was originally

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placed indicating shipment to Australia, it was subsequently revised for Taiwan. KFC provided us with the revised invoice (**confidential attachment EXP6**). We therefore excluded this sale from the Australian sales listing.

To ensure the remaining [REDACTED] sales to traders were to Australia, we requested to see the invoices for these sales. These documents confirmed that they were sales for Australia.

### 4.5.1 Credit notes

KFC confirmed that during the investigation period it had issued one credit note. This was to [REDACTED] in response to an issue with drain weight for cans of pineapple tidbits. KFC provided us with the credit note, correspondence regarding the issue and the associated invoices. These documents are at **confidential attachment EXP7**.

### 4.5.2 Inland freight

The goods are containerised at KFC's factory and transported by truck to either Laem Chabang port or Bangkok port for export. KFC uses a transportation company to move the goods to port and incurs a charge per container which is the same for either port. KFC uses a logistics company to handle the clearance of the exports and incurs a terminal handling charge and bill of lading fee per container.

KFC engaged an unrelated freight provider to transport its goods from its warehouse to the port. We asked for evidence of the freight charge paid by KFC. It provided freight invoices and proof of payment for four export sales. We were able to reconcile the freight charges to those listed in the Australian sales spreadsheet. KFC also provided us with transport contract.

From these documents we could see that KFC paid [REDACTED] TBH per container. [REDACTED] [Number of] cartons could fit in each container. Where sales were not made in multiples of [REDACTED] [number] KFC allocated freight costs on a proportion basis using [REDACTED] [number] cartons as the basis.

The documents relating to freight are at **confidential attachment 8**.

### 4.5.3 Commission

KFC explained its sales to [REDACTED] [customer] were made through agents to which it paid commission. This commission was generally [REDACTED]% of the FOB sales value. We noted that in some instances, the value of the commission paid was well in excess of this and may be up to [REDACTED]%. KFC explained that this was the result of a mark-up, rather than a commission. In these instances, KFC supplied the trading agent the price and the agent marked-up the price to the customer. In these cases, the agent got this mark-up in addition to its commission.

We requested evidence of the commission and mark-up being paid for the invoice [REDACTED] [invoice number].

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We were able to reconcile the payment to the Australian sales spreadsheet. The documents relating to the commission payment is at **confidential attachment 9**.

### 4.5.4 Trade Subsidy

KFC explained that the government operated a trade subsidy program called '[redacted]' [program name]. Under this program, it received a subsidy of [redacted]% of the FOB price on its exports under a government program to promote trade. KFC explained that it would lodge a request for the refund once or twice a month and then it would be subsequently paid by the government.

KFC provided its set of paperwork for the refund including the list of invoices and the journal voucher recording the payment. These documents are at **confidential attachment 10**.

### 4.5.5 Bank charges

We observed that for export sales, KFC incurred bank charges as it converted the currency used in export sales, United States dollars, into Thai baht. Based on the export sales documentation provided, we found that bank charges varied from shipment to shipment but all payments incurred at least a USD \$ [redacted] charge.

### 4.5.6 Conclusion on export sales data

We have verified the export sales data provided by KFC in the B-4 Export sales spreadsheet and are satisfied that it is an accurate record of KFC's export sales of the goods to Australia during the review period.

## 4.6 Date of sale

Given that [redacted] [pricing information], we consider the invoice date to be the date at which the material terms of trade are set for export and domestic sales. We therefore consider the invoice date to be the date of sale.

## 4.7 Identification of the exporter

Customs and Border Protection will generally identify 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 will be a person in the country of export who owns, or who has previously owned, the goods but need not be the owner at the time the goods were shipped.

KFC manufactures the goods and arranges for them to be exported to its customers in Australia.

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Having regard to roles of the parties and who satisfies the requirements of being an exporter, we are satisfied that KFC is the exporter of the goods from Thailand.

## 4.8 Identification of the importer

Having regard to the definition of importer at section 269T(1), we find that the Australian customers to be the beneficial owner of the goods at the time of their arrival within the limits of the port in Australia for sales made directly by KFC. We note that the Australian customers:

- are named as the consignee on the Bill of Lading;
- take ownership of the goods at the time of their arrival in Australia;
- are invoiced by KFC; and
- pay KFC for the goods.

Therefore, we are satisfied that the Australian customers are the importers of the goods for direct sales to KFC.

For sales that were made by the trader [REDACTED] [trader name], we have insufficient information to determine who the importer is.

## 4.9 Arms length

In respect of KFC's sales to Australia, we did not find any evidence that:

- there is any consideration payable for or in respect of the goods other than their price;
- the price is influenced by a commercial or other relationship between the buyer and the seller; or
- 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.

Accordingly, we find that the sales between KFC and its Australian customers are arms length transactions for the purposes of calculating export price.<sup>3</sup>

## 4.10 Conclusion on export price for FSI pineapple

Based on the information provided in KFC's exporter questionnaire responses and verified at their premises, we found that for sales made directly by KFC:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importers from the exporter; and

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<sup>3</sup> Within the meaning of section 269TAA.

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- the purchases of the goods were arms length transactions.

Therefore, we consider that the export price should be established under subsection 269TAB(1)(a). Specifically, we determined the export price using the invoice price paid by the Australian importers to KFC, less ocean freight (where appropriate).

For sales made by KFC to traders, we found that we have insufficient information to determine who the importer is and whether the importer purchased the goods from the exporter. We therefore consider that the export price should be established under subsection 269TAB(1)(c), having regard to all the circumstances of the exportation. Specifically, we determine the export price using the FOB price to KFC by the trader.

Export price calculations for KFC are at **confidential appendix 1**.

### 4.11 Conclusion on export price for consumer pineapple

Customs and Border Protection examined the exporter questionnaire response and its import database and determined that KFC has not exported consumer pineapple to Australia during the investigation period. Thus, Customs and Border Protection considered that sufficient information was not available to enable Customs and Border Protection to establish the export price under subsection 269TAB(1) using:

- the price paid or payable for the goods by the importer;
- the price at which the goods were sold by the importer less prescribed deductions; or
- the price determined having regard to all the circumstances of the exportation.

Export prices for KFC have been determined having regard to all relevant information under subsection 269TAB(3), using relevant information supplied by the applicant in the exporter questionnaire response.

The export price has been ascertained to be equal to the normal value, setting a floor price for the applicant's exports of consumer pineapple.

Export price calculations for KFC are at **confidential appendix 2**.

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## 5 COST TO MAKE AND SELL

### 5.1 General

In response to the exporter questionnaire KFC provided us with the G-5 quarterly cost to make and sell (CTMS) spreadsheets for all models of the goods for both FSI and consumer canned pineapple (**confidential attachment CTMS1**). The costs were calculated in the same way for both FSI and consumer pineapple. Unless specified otherwise, the information below relates to both FSI and consumer goods.

At the visit, the working document used to prepare the quarterly CTMS figures in the exporter questionnaire was provided (**confidential attachment CTMS2**). This document listed costs on a monthly basis for all products produced by KFC. We could reconcile the monthly costs in this working sheet to the quarterly CTMS. Therefore we used these spreadsheets as the basis of our verification. The data was broadly categorised and presented as:

- material costs;
- direct labour;
- fixed and variable manufacturing overheads;
- scrap sales;
- selling;
- administration;
- finance; and
- other costs.

The company explained that the product costs listed in the G-5 spreadsheet and the monthly CTMS spreadsheets were allocated from its general ledger. Accordingly, the verification team firstly sought to reconcile the general ledger 'upwards' to the trial balance and 'downwards' to source documents. The method used to allocate the costs in the general ledger to the G-5 spreadsheet was then examined. This verification focussed primarily on the month of May 2012 and the products [REDACTED] [SKU] and [REDACTED] [SKU].

KFC confirmed that it used actual costs in its accounting system.

### 5.2 Costs verification

#### 5.2.1 Reconciliation of the trial balance to the general ledger

To confirm the completeness and relevance of KFC's CTMS data, we sought to verify the information contained in the exporter questionnaire response upwards through management reports to KFC's audited financial statement. As the audited financial statement for 2012 had not yet been prepared, the verification team reconciled data up to the 2012 trial balance in [REDACTED] [accounting software program].

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At the visit, KFC provided us with the raw material consumption report for May 2012 which listed pineapple and other input costs (**confidential attachment CTMS3**). We could reconcile the cost of the various items, including pineapples, in the raw material consumption report to the totals in the monthly CTMS spreadsheet.

The value of the raw material purchases of pineapple in the raw materials ledger was combined with other fruits in the trial balance to form the line item 'raw materials- fruit.' In this cost category were pineapples, [REDACTED] [fruits] and other fruits. The company demonstrated that the sum of all the fruit items in the ledger equalled the line item 'raw materials – fruit' in the trial balance. We then also sought to reconcile the periods October, November and December 2011, the 2011 calendar year, and the month of May 2012 and the calendar year 2012 total to ensure all raw material expenses in the ledger were captured in the trial balances. The 'raw materials – fruit' ledgers each reconciled with the trial balance for the relevant period.

Like fruit, cans and can ends were included in a broader category of costs, in this case 'raw materials – packaging' which included cans of many sizes, aseptic bags and other packaging materials. We were able to reconcile the cost of the packaging materials as recorded in the raw material consumption report reconciled with the 'raw material – packing' cost item listed in the trial balance.

KFC also provided us with a report showing the direct labour, variable overhead, fixed overhead and depreciation costs by cost centre for May 2012. The total of these cost centres reconciled with the total costs recorded in the monthly CTMS spreadsheet for May 2012.

KFC also provided us with a ledger which listed the individual expense items that made up the costs in each cost centre, such as wages, material supplies and rent (**confidential attachment CTMS4**). KFC explained that in the trial balance, the overhead costs were reported by expense item, rather than cost centre. It provided us with another ledger which listed the expense items together from all cost centres, such as all wage expenses (**confidential attachment CTMS5**). We were able to reconcile the individual items listed in the cost centre report to the items listed in the expense centre report. We were then able to reconcile the totals in the expense item report to the trial balance for May 2012.

### 5.2.2 Reconciliation of the trial balance to source documents - Raw Materials

As noted above, the raw material costs in the monthly CTM spreadsheet could be reconciled to the inputs listed in the raw materials usage report from [REDACTED] [accounting software program] (**confidential attachment CTMS3**). This report records the quantity of each item consumed during the month.

We selected pineapples and cans for further verification in regards to raw materials. Pineapple represented the largest cost in the CTM, and was

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between [REDACTED] % of costs for each model while cans accounted for approximately [REDACTED] % of the cost.

### Pineapple

[REDACTED]  
[Pineapple purchasing decisions].

KFC provided the pineapple movement report for May 2012, which listed all purchases of pineapple for the month. We were able to reconcile the volume and value of pineapple purchased to the volume and value of pineapple consumed in the raw material usage report.

From this listing we selected three purchases and requested to see the invoices and proof of payment. We were able to reconcile these documents to the pineapple movement report. We were therefore satisfied that the pineapple costs as reported were accurate.

Documents relating to pineapple purchases are at **confidential attachment CTMS6**.

### Cans

We firstly selected [REDACTED] size cans for FSI pineapple for verification to source documents.

A stock card for May 2012 for the can was provided, which contained the volume and value of cans received and dispatched from the warehouse. The volume and value dispatched was greater than the volume and value for the same materials in the raw material usage report. KFC explained that this is because materials included in the stock card included cans returned from the factory into unused inventory.

The returned materials were included in the 'stock received' total along with goods purchased from the supplier. To demonstrate the volume of goods returned from the factory, KFC provided a movement report which related specifically to returned cans. Taking into account the movement report, we were able to reconcile the stock card for May 2012 to the raw material usage report for the same month.

From the stock card, we selected two purchases and asked for invoices and proof of payment. We were able to reconcile these documents to the stock card. Documents relating to can costs for [REDACTED] [SKU] cans are at **confidential attachment CTMS7**.

We then sought to verify [REDACTED] [SKU] cans used for consumer pineapples. KFC again provided us with the stock card for this type of can. For this can type, no purchases were made during the month and the value and volume of cans dispatched in the stock card, minus the volume and value of cans listed as received back from the factory reconciled to the volume and value for these

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cans listed in the raw material consumption report. The stock card and movement report for [REDACTED] [SKU] cans are at **confidential attachment CTMS8**.

We were therefore satisfied that the values of cans as reported were accurate.

### 5.2.3 Reconciliation of the trial balance to source documents – variable overheads, fixed overheads, direct labour and depreciation

As explained above, the company's variable overheads, fixed overheads, labour and depreciation were recorded by expense item in confidential attachment CTMS 5. From these documents, we requested to see invoices from the electricity costs (variable overheads) and rent for the semi-finished products warehouse costs (fixed overheads).

Original invoices and proof of payment for electricity and rent were sighted and photocopies collected, and these reconciled with the ledger. Copies of the invoices and proof of payment for the fixed overhead of rent and the variable overhead of electricity are at **confidential attachments CTMS9 and 10**.

We also requested to see the depreciation ledger for machinery in order to see how the depreciation expense was allocated (**confidential attachment CTMS 11**). The depreciation listing and the allocation of depreciation expenses reconciled with the costs listed in the trial balance for the different machinery items and the total of depreciation for May 2012 for all items was traceable back to the depreciation ledgers.

We were therefore satisfied that the costs in the fixed overheads, variable overheads, labour and depreciation were accurate.

### 5.2.1 Scrap sales

#### Scrap sales revenue

KFC advised that the amount for scrap sales was also taken from the trial balance and reconciled with cost items listed in the ledger. KFC determined that scrap sales were [REDACTED] % of the total cost to make for all FSI pineapple products. Therefore, it applied a cost offset of [REDACTED] % of the product cost to make for each of the goods. The verification team examined this revenue allocation and considered it reasonable. A printout of the trial balance for the period showing the total scrap revenue is at **confidential attachment CTMS12**.

### 5.2.2 Verification of individual product CTMS to the general ledger

After reconciling the monthly CTM spreadsheet 'upwards' to audited financial statements and 'downwards' to source documents we were satisfied that the data it contained was relevant, complete and accurate. We then sought to understand how costs in the monthly CTM spreadsheet were allocated to individual models.

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KFC explained that it calculated costs, by model, for all products in its monthly production cost report (the monthly CTM spreadsheet). The values in this report were drawn from the raw material usage report and the manufacturing cost record. The costs were allocated to individual products using a series of allocation methods, discussed below. The costs in the monthly production report were used to create the G-5 spreadsheet and could be reconciled with it. We specifically examined how costs were allocated to one product, [REDACTED] [SKU]. We examined the cost elements of pineapple, juice, citric acid, cans, can ends, direct labour, variable overheads and fixed overheads.

### Pineapple

The company explained that it used two cost factors to allocate pineapple costs to specific products for both FSI and consumer goods. These are:

- an allocation of pineapple costs between solid, juice and dehydrated pineapple; and
- a price factor to account for differing levels of quality between the various solid pineapple products.

The company explained that it allocated the monthly pineapple costs (as listed in the raw material usage report) between solid, juice and dehydrated pineapple using [REDACTED] [cost methodology].

The company explained that this calculation was [REDACTED] [cost allocation methodology].

The company provided us with this calculation at **confidential attachment CTMS 13**.

[REDACTED] [cost allocation methodology].

The different prices for products reflect the different quality and value of the pineapple used. [REDACTED] [Information about pricing]. [Pricing calculations] are at **confidential attachment CTMS 14**.

[REDACTED] [costing methodology]. KFC provided us with the daily production record for [REDACTED] [SKU] for May 2012 (**confidential attachment CTMS 15**), which reconciled with the quantity listed in the product cost report. The total weight of each case multiplied by the number of cases produced in a month also reconciled with to the total production quantity used as the denominator in the G-5 spreadsheet.

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[Redacted] [Costs information]. The calculation for [Redacted] [SKU] is shown below:

[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]

The pineapple cost for [Redacted] [SKU] in the monthly cost report reconciles with the May 2012 costs in the quarterly CTMS spreadsheet.

## Juice

KFC explained that juice is produced for sale but in some instances it is also used as the packing media. [Redacted]

[Redacted] [juice costing allocation method].

The company informed us that the quantity of juice used in the production of each product type is calculated in a similar manner to pineapple weight.

[Redacted] [juice costing allocation method].

[Redacted]

[Redacted] [juice costing allocation method].

## Sugar

KFC allocated sugar costs (as shown on the raw material usage report) between all applicable products by net weight of the product. The calculation for [Redacted] [SKU] is show below:

[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]
[Redacted]	[Redacted]

The sugar cost for [Redacted] [SKU] in the monthly cost report reconciles with the May 2012 costs in the monthly CTMS spreadsheet.

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### Cans and can ends

KFC determined the monthly can costs for each product by [REDACTED]

[REDACTED] [can costing allocation method].

The can end cost was determined using the same method as can costs. Two ends were required for each can. These calculations, and the daily production reports for cans used in the product [REDACTED] [SKU] are included in the monthly CTM spreadsheet.

### Direct labour, variable overheads, fixed overheads and depreciation

KFC explained that the direct labour, variable overhead, fixed overhead and depreciation cost items were allocated to solid pineapple products using the [REDACTED] [method]. Costs were then allocated to the specific products by pineapple weight. Depreciation costs were included within the fixed overheads.

Cost items were also allocated to juice components of the product using the [REDACTED] [method]. Costs were then allocated to the specific product [REDACTED] [SKU].

The direct labour, variable overheads and fixed overhead costs for [REDACTED] [SKU] in the monthly cost report reconciled with the May 2012 costs in the CTMS spreadsheet and with the trial balance.

We consider that the allocation methodology used by KFC was reasonable and reflective of what it used in its ordinary course of business.

### **5.2.3 Other cost to make and sell matters**

#### Cost variances in Q3 2012

The verification team noted that certain product models in appendix G-5 had significantly higher fixed and variable overheads in one quarter in comparison to other models and to the rest of the review period. The company explained that [REDACTED] [reason] and that only [REDACTED] occurred during that month. [REDACTED] [additional explanation].

### **5.2.4 Selling, general and administration costs, finance costs**

The company provided a selling, general and administration (SG&A) calculation spreadsheet to demonstrate how SG&A expenses are calculated and the general ledgers for these expenses (**confidential attachment CTMS 16**). For selling and administration costs, and finance income and

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expenses, allocation to the goods is based on sales revenue. KFC then calculated unit costs per kg by dividing the amount allocated to pineapple by the kilograms of pineapple sold.

KFC advised that all SG&A expenses could be traced to the trial balance, and that general and administrative expenses were recorded together in one ledger, while selling expenses were in another as outlined below.

### General and Administrative costs

To cover the investigation period, KFC provided us with the general and administrative (G&A) expense ledger in two parts, October to December 2011 and January to September 2012, we examined both of these periods together to view the total review period.

We noted that transportation costs (which were directly recorded in the sales spreadsheets) were incorrectly deducted from G&A costs rather than selling costs. The company corrected this, although it did not make any difference to the total SG&A cost.

We noted that the G&A ledgers listed an amount of [REDACTED] TBH which KFC itemised separately as an extraordinary expense, being the purchase of a subsidiary company, [REDACTED] [name of subsidiary]. This was not included in the SG&A for canned pineapple.

Taking into account the transportation costs and the purchase of [REDACTED] we were able to reconcile the G&A ledger to the [REDACTED] [accounting software program] trial balance and the CTMS calculations.

### Selling costs

To cover the investigation period, KFC provided us with the general and administrative (G&A) expense ledger in two parts, October to December 2011 and January to September 2012, we examined both of these periods together to view the total review period.

KFC explained that it deducted from the selling expenses the direct costs that were listed in the sales spreadsheets or that were not relevant to the goods under consideration. This included freight, commission and other export expenses. We noted that export courier costs were not deducted and subsequently deducted this amount.

After adjustments outlined above were made, the selling ledgers reconciled with the amounts for selling expenses in the exporter questionnaire response

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We were also able to reconcile the total SG&A figures to the audited financial statement and the trial balance. We were also able to reconcile each of the deducted expenses to the trial balance.

### Finance expenses

KFC explained that the finance expenses were interest income and financial gains from export sales. The company explained that the amount for interest income was captured under the [REDACTED] [category] revenue heading in the financial statements. The amount for financial gains was the sum of the foreign exchange gains and the finance cost listed in the financial statements. The company further explained that the financial gains were realised exchange gains on sales and unrealised exchange gains on accounts receivable.

### **5.2.5 Conclusion**

We are satisfied that sufficient information was available and verified to substantiate the CTMS for FSI and consumer canned pineapple in the investigation period. We consider these costs are suitable for determining a constructed normal value under section 269TAC(2)(c).

Our amended CTMS spreadsheets, with an adjustment made to SG&A, are at **confidential appendix 2**.

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### 6 DOMESTIC SALES IN THAILAND

#### 6.1 General

KFC advised that during the investigation period it sold a small amount of FSI pineapple on the domestic market but no consumer pineapple. Unless stated otherwise, the information in this section related to FSI pineapple.

Its sales of FSI pineapple were to [redacted] [customers].

KFC sold [redacted] [kg] of pineapple domestically. It sold [redacted] [kg] of pineapple tidbits [redacted] [to customers] and crushed pineapple [redacted] [to customers].

[redacted] [Company strategic planning].

It advised that in the past, there had not been a market for canned pineapple in Thailand, except for a small proportion sold to expats. The growing popularity of pizza however, has resulted in some demand for FSI pineapple. For consumer pineapple, however, KFC did not consider that there was any demand other than the small amount used by expats. This was due to the prevalence of low-priced fresh pineapple.

#### 6.2 Domestic sales process

KFC explained that the sales process on the domestic market was as follows:

- [redacted]
- [redacted]
- [redacted]
- [redacted]

; and

[redacted] [Sales process].

#### 6.3 Pricing

KFC explained that on the domestic market, price is set taking into account market conditions and the price of other quoted offers. It understood its customer, [redacted], was also purchasing canned pineapple from another supplier [redacted] [Pricing information].

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### 6.4 Verification up to the trial balance

We sought to reconcile the domestic sales spreadsheet to KFC's trial balance. We compared the domestic sales listing spreadsheet with a [REDACTED] [accounting software program] download for the same period of time (**confidential attachment DOM1**). The domestic sales listed in [REDACTED] [accounting software program] contained both domestic sales to end users and sales to traders who subsequently exported the goods to other destinations. From the [REDACTED] [accounting software program] download we could generally identify which were sales to end users on the domestic market and which were to export markets. However, there were sales to two customers which were ambiguous. KFC provided us with the sales documents for these transactions and we could see that they were for export sale (**confidential attachment DOM2**). We were then able to reconcile the sales in the domestic sales listing to [REDACTED] [accounting software program].

KFC explained that in the trial balance, domestic sales were listed under 'sales revenue – local trade.' KFC provided us with a report which listed all the sales in this category in May 2012 (**confidential attachment DOM3**). It then individual identified which sales were made on the domestic market. We were able to reconcile the domestic sales in [REDACTED] [accounting software program] to the sales made in May 2012 as recorded in the domestic sales spreadsheet.

### 6.5 Verification down to source documents

To verify the accuracy of the D-4 domestic sales spreadsheet, we selected the following eight sales transactions for verification:

Customer name	Invoice number
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

At the visit, KFC provided the invoice, packing list and proof of payment for the eight selected sales (**confidential attachment DOM4**). We were able to reconcile these documents to the domestic sales spreadsheet. Further details are discussed below.

#### 6.5.1 Inland freight

We also sought to verify the inland freight costs for domestic sales. KFC showed us the invoices and proof of payment for the freight costs for several of the domestic sales to [REDACTED] [customer] and provided us with copies of the documents for two transactions. We were able to reconcile the freight charges listed in these documents to the domestic sales spreadsheet.

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We were also able to see in KFC's ledgers that no freight cost was recorded for sales to [REDACTED] [customer].

Documents relating to domestic inland freight are at **confidential attachment DOM5**.

## 6.5.2 Conclusion on domestic sales

We have verified the domestic sales data provided by KFC in the D-4 Export sales spreadsheet and are satisfied that it is an accurate record of KFC's sales on the domestic market of the goods during the review period.

## 6.6 Arms length transactions

In respect of KFC's domestic sales of the goods under consideration, we 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, will, subsequent to the purchase or sale, 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.

We therefore consider that KFC's domestic sales were arms length transactions.

## 6.1 Ordinary course of trade

We compared the net selling value at an EXW, cash level for each domestic sale to the CTMS for that particular model for the corresponding quarter.

For those individual sales found to be unprofitable, we then compared the net selling prices with the weighted average CTMS for the investigation period to determine whether the sales were recoverable within a reasonable period of time. We found that 75% of sales were recoverable. We found that 74% of [REDACTED] [SKU] was recoverable and 100% of [REDACTED] [SKU].

## 6.2 Volume and suitability of domestic sales of FSI pineapple

Section 269TAC(2) of the Act provides that certain domestic sales made by unsuitable for use in determining normal value 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.

Low volume is defined in s. 269TAC(14) of the Act as less than 5% of the total volume of the goods under consideration that are exported to Australia.

We found that the volume of domestic sales made in the ordinary course of trade for the models that were exported to Australia was over 2% of the

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volume of exports to Australia and therefore consider that the low volume of these sales makes them unsuitable for use in determining a normal value under s.269TAC(1).

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### **7 THIRD COUNTRY SALES BY THE EXPORTER**

At attachment F-1 of its exporter questionnaire response, KFC provided a summary showing the quantity and value of FSI pineapple sales to each country during the investigation period.

We did not verify third country sales further as we consider that we have sufficient information to determine a normal value using domestic sales under subsection 269TAC(1) or a constructed normal value under subsection 269TAC(2).

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### 8 NORMAL VALUE – PRELIMINARY ASSESSMENT

#### 8.1 Normal value

As discussed above, we found that during the review period KFC sold very small volumes of FSI like goods for home consumption in Thailand (representing 2% of Australian sales), and no sales of consumer pineapple domestically.

The visit team is satisfied that normal values may not be established under subsection 269TAC(1) of the Act. As a result, normal values for FSI and consumer pineapple have been constructed under subsection 269TAC(2)(c) of the Act.

The elements of the construction are as follows:

##### 8.1.1 Cost of production of the goods in Thailand

We have verified quarterly production costs for each pineapple product exported to Australia in the review period. We consider these costs are suitable for the purposes of constructing domestic selling prices.

##### 8.1.2 Administrative, selling and general costs

Regulation 181 sets out the manner in which the administrative, selling and general costs (SG&A) are to be worked out. The regulation states that, if the costs cannot be worked out using records of the exporter, the SG&A costs must be worked out using one of the following methods:

1. Using the actual amounts of SG&A incurred by the exporter in the production and sale of the same general category of goods in the domestic market of the country of export;
2. Using the weighted average of the actual amounts of SG&A costs incurred by other exporters or producers in the production and sale of like goods in the country of export; or
3. By using any other reasonable method and having regard to all relevant information.

KFC provided information from its audited financial statements on its total SG&A expenses and deducted from these export expenses (ocean freight, terminal handling and port charges) and inland transportation charges to estimate SG&A expenses it would expect to incur if selling on the domestic market of Thailand. KFC then calculated an SG&A cost per kg using the method set out in the costs section of this report. We consider that the SG&A expenses for KFC can be calculated using regulation 181(2) for FSI pineapple, and regulation 181(3) (c) for consumer pineapple.

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## Profit

Regulation 181A sets out the manner in which the amount to be the profit on the sale of the goods is to be worked out. The regulation states that, if the amount of profit cannot be worked out using records of the exporter relating to the sale of like goods, the profit must be worked out using one of the following methods:

1. Using the actual amounts realised by the exporter from the sale of the same general category of goods in the domestic market of the country of export;
2. Using the weighted average of the actual amount realised by other exporters or producers in the production and sale of like goods in the country of export ; or
3. By using any other reasonable method and having regard to all relevant information.

For FSI pineapple goods, the actual profit amounts realised by KFC from the sale of like goods in the ordinary course of trade in the domestic market consistent with the requirements of regulation181A(2) has been used to calculate a profit. We have calculated that the profit realised on these sales was [REDACTED] %.

For consumer pineapple we currently have no information regarding the appropriate amount of profit to apply. For the purpose of our calculations we have not included any amount of profit. This will be reviewed by the case management team and if further information relating to profit is obtained during the course of the investigation a profit margin may be added.

## **8.2 Adjustments**

To fairly compare the constructed normal values with export prices we have made adjustments under subsection 269TAC(9) for the following factors:

### **8.2.1 Inland transport**

We have added to the constructed selling prices the verified weighted average cost of transporting the goods to the port for export. The amount of the adjustment is [REDACTED] THB per kg.

### **8.2.2 Handling and other expenses**

We have added to the constructed selling prices the verified weighted average cost of handling and other expenses incurred in exporting the goods. The amount of the adjustment is [REDACTED] THB per kg.

### **8.2.3 Bank charges**

KFC stated that a US\$ [REDACTED] fee applied to each export sale for bank charges. We made an adjustment to normal value to take into account this fee.

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## 8.2.4 Credit

Credit terms were nominated by KFC for the review period. The company identified these rates as the interest rate generally available from a bank during the review period. KFC advised that during the investigation period its interest rates were as follows:

Date	Interest rate
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

The average interest rate for the review period was used to calculate an adjustment to normal value. The interest rate used was [REDACTED] %.

## 8.2.5 Subsidy program

As outlined above, KFC explained that the government operated a trade subsidy program called '[REDACTED]' [subsidy program name]. Under this program, it received a subsidy of [REDACTED] % of the FOB price on its exports under a government program to promote trade. An adjustment was made to the normal value calculation of [REDACTED] % of FOB price to account for this subsidy.

## 8.2.6 Commission

KFC paid commission on some sales of the goods to Australia in the review period. We have made an adjustment to the constructed selling prices for commissions, applied only to relevant sales attracting a commission.

Normal value calculations are at **confidential appendix 3**.

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### 9 DUMPING MARGINS – PRELIMINARY ASSESSMENT

We calculated a preliminary dumping margin by comparing the export prices over the investigation period with the corresponding normal value for each product code for each quarter<sup>4</sup>.

The weighted average dumping margin for FSI pineapple exported to Australia by KFC in the review period was 10%.

No dumping margin was found for consumer pineapple exported to Australia.

Dumping margin calculations for FSI pineapple are at **confidential 4**.

Lydia Cooke  
Manager  
Operations 1

Cienna Turpie  
Supervisor  
Operations 2

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<sup>4</sup> Section TACB(2)(a)

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