

## PUBLIC RECORD



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

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**REVIEW OF MEASURES**

**PINEAPPLE FRUIT  
(CONSUMER AND FOOD SERVICE & INDUSTRIAL)  
EXPORTED TO AUSTRALIA FROM THAILAND**

**CASE NUMBERS 195 AND 196****EXPORTER VISIT REPORT****Tipco Foods Public Company Limited**

March 2013

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**2 ABBREVIATIONS**

ACDN	Australian Customs Dumping Notice
AUD	Australian dollar
CEO	Chief Executive Officer
Customs and Border Protection	Australian Customs and Border Protection Service
EQR	Exporter questionnaire response
FOB	Free on board
FSI	Food service & industrial
GL	General ledger
GUC	Goods under consideration
kgs	Kilograms
SEF	Statement of essential facts
S,G&A	Selling, general and administrative
THB	Thai Baht
the Act	<i>Customs Act 1901</i>
the Minister	the Minister for Home Affairs
Tipco	Tipco Foods Public Company Limited
TPC	Thai Pineapple Canning Industry Corp
USD	US dollars

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## **3 BACKGROUND**

### **3.1 Introduction**

The Chief Executive Officer (CEO) of the Australian Customs and Border Protection Service (Customs and Border Protection) is undertaking a review of the variable factors in respect of consumer and food service & industrial (FSI) pineapple exported from Thailand. The CEO is also conducting a revocation review of the anti-dumping measures applying to consumer pineapple exported to Australia from Thailand by the Thai Pineapple Canning Industry Corp Ltd (TPC). The reviews were initiated on 19 December 2012.

### **3.2 Background to the existing measures**

Anti-dumping measures were first imposed on certain pineapple products exported from Thailand on 18 October 2001. Exporters of consumer and FSI pineapple from Thailand were subject to interim dumping duties with the exception of FSI pineapple exported by Malee Sampran Public Co.

On 28 September 2006 the Minister for Home Affairs (the Minister) accepted the Customs and Border Protection recommendation 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.

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

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.

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.

Measures in relation to both FSI and consumer pineapple are due to expire on 14 October 2016.

### **3.3 The current review of measures**

#### **3.3.1 Consumer Pineapple**

On 3 December 2012, Siam Agro-Food Industry Public Company Limited, 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-dumping measures applying to consumer pineapple exported to Australia from Thailand by TPC.

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The CEO decided not to reject the application, the reasons for which are set out in Consideration Report No. 195 (CON 195). CON 195 is available at [www.customs.gov.au](http://www.customs.gov.au). A notice indicating that it is proposed to conduct a review of the measures was published in The Australian on 19 December 2012.

On 16 January 2013 the Minister agreed to extend the scope of the review to cover all exporters of consumer pineapple from Thailand.

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

The review will examine changes to the variable factors applying to all exporters of consumer pineapple from Thailand. The revocation review remains only in relation to exports from Thailand by TPC.

After concluding the review, Customs and Border Protection will recommend to the Minister that the dumping duty notice:

- i. remain unaltered; or
- ii. be revoked, in part or generally (only in relation to TPC); or
- iii. have effect as if different variable factors had been ascertained.

### 3.3.2 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 (CON 196). CON 196 is available at [www.customs.gov.au](http://www.customs.gov.au). A notice indicating that it is proposed to conduct a review of variable factors was published in The Australian on 19 December 2012.

On 16 January 2013 the Minister agreed to extend the scope of the review of measures in relation FSI pineapple to cover all exporters of FSI pineapple from Thailand.

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

The review will examine changes to the variable factors applying to all exporters and will not examine whether the measures as they relate to exporters from Thailand are no longer warranted.

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After concluding the review, Customs and Border Protection will recommend to the Minister that the dumping duty notice:

- i. remain unaltered; or
- ii. have effect as if different variable factors had been ascertained.

### 3.3.3 Tipco

At initiation Customs and Border Protection wrote to Tipco seeking its cooperation with the investigation and forwarded the company exporter questionnaires for FSI and consumer pineapple.

Tipco completed and lodged a response to the exporter questionnaire for FSI pineapple and a response to the exporter questionnaire for consumer pineapple. Both questionnaire responses were supported by non-confidential and confidential appendices and attachments, including transactional data requested in the exporter questionnaires.

Non-confidential versions of Tipco's application and its responses to the questionnaires were placed on the public record.

Tipco's response to the exporter questionnaires were assessed and found to be suitable to warrant a verification visit. Subsequently, Customs and Border Protection undertook a verification visit at the premises of Tipco in Bangkok.

This report details the discussion and verification undertaken during these meetings with Tipco, and makes recommendations for relevant determinations regarding Tipco

### 3.4 Purpose of visit

The purpose of the visit was to verify information contained in the FSI exporter questionnaire and the consumer exporter questionnaire responses submitted by Tipco.

Information verified during the visit has been used to make preliminary assessments of:

- who is the exporter and who is the importer;
- export prices and normal values for pineapple fruit manufactured by Tipco; and
- dumping margins.

At the commencement of the meeting we provided a brief explanation of the background to the anti-dumping measures, the continuation inquiry and review of measures process, and the following key dates for the investigation:

- 8 April 2013, when the statement of essential facts (SEF) for the review of measures is due to be placed on the public record, setting out the facts on which Customs and Border Protection proposes to base the recommendations to the Minister; and

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- 23 May 2013, when Customs and Border Protection's Final Report and recommendations are due to the Minister in relation to the review of measures.

We informed Tipco that interested parties are invited to make submissions to Customs and Border Protection in response to the SEF within 20 days of that statement being placed on the public record and that timely submissions received in response to the SEF will be considered when compiling the report and recommendations to the Minister.

We explained our responsibilities in relation to confidentiality. We stated that we would:

- prepare a report of the visit (this report);
- provide Tipco with the draft report to review its completeness and accuracy of facts and calculations; and
- following consultation about confidentiality and accuracy, prepare a copy of the report of the visit for the public record.

We advised that any information provided by DPI during the verification meetings would be treated as confidential unless we were advised otherwise.

### 3.5 Meeting – dates and attendees

The verification meetings took place at:

Tipco Tower 28<sup>th</sup> Floor  
118/1 Rama 6 Road  
Samasen Nai Phayathai  
Bangkok, 10400, Thailand

The following were present at various stages of the interview:

Dates	18 and 19 March 2013
Tipco	Picharn Sluckpetch – Company Secretary, Controller Chidchanok Vipavasupakorn – Sales Manager, Export Business Porn-Anong Yoocha – Factory Accounting Manager (Ms) Nangyao – Factory Accountant (Mr) Pongsa – Financial Report Officer
Roger D Simpson & Associates Pty Ltd	Roger Simpson
Customs and Border Protection	Mick Kenna, Manager Operations 3 Cathy Cole, Supervisor Operations 1



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## 3.6 Cooperation

Tipco cooperated with the verification of details contained in the exporter questionnaire responses and provided further information when requested.

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## 4 COMPANY INFORMATION

### 4.1 General

Tipco, previously known as The Thai Pineapple Public Company Limited and then Tipco Foods (Thailand) Public Company Limited, was established in 1976 and listed in the Stock Exchange of Thailand in 1989. Tipco changed its name to Tipco Foods Public Co Ltd in May 2011. The main business of the company is producing and exporting canned pineapple, pineapple juice concentrate and canned mixed fruits (**confidential attachment GEN1**).

In recent years the company has diversified into the ready-to-drink fruit juice business and has been committed to researching and developing new products.

In 2004 the company expanded into the retail business of freshly made fruit puree smoothies under the brand Squeeze Juice Bar. In 2007 Tipco Retail Co. Ltd was established to support this business unit and by 2011 there were 68 branches of Tipco Squeeze Juice Bar.

In 2009 the company introduced a new variety of pineapple named Hom Suwan into the fresh fruit market. Tipco stated that the Hom Suwan has been well received due to its distinctive characteristics such as strong aroma, even golden-yellow colour, firm texture, dry but juicy flesh, shallow eyes, uniform ripeness and high levels of vitamin C.

Tipco has 3 subsidiaries (Tipco Beverage Co Ltd, Tipco Marketing Co Ltd and Tipco Biotech Co Ltd) and 2 indirect subsidiaries (Tipco F&B Co Ltd and Tipco Retail Co Ltd). Tipco Beverage and Tipco Marketing are holding companies with no transactions. Tipco Biotech is responsible for fresh pineapple sales and Tipco F&B is responsible for the domestic sales of fruit juice.

Tipco produces pineapple fruit in containers, for both consumer and FSI customers (hereafter referred to as canned pineapple) at its factory located in Prachuap Province, Thailand. Tipco has been producing canned pineapple for 36 years and employs around 1,200 persons.

The majority of the fresh pineapple used to produce canned pineapple is produced by the company in its own plantation, while some is also sourced from contract growers. In addition to canned pineapple, Tipco produces the following product categories:

- 100% fruit and vegetable juice products
- Pasteurized 100% fruit and vegetable juice products
- 30-40% fruit and vegetable juice cereal drink under Nature Up brand
- Functional drink category under the Suntory Dakara Benefit brand
- 100% natural mineral water under Aura and Aquare brand; and

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- Green tea under Suntory Mirai

## 4.2 Accounting structure

The corporate accounting period for Tipco and its subsidiaries is the calendar year.

Tipco maintains its books and records in Thai Baht (THB) and prepares its financial statements in THB for local statutory purposes. Financial statements are prepared from 1 January to 31 December each year.

**Confidential attachment GEN2** is a copy of 2012 financial statements for Tipco and its subsidiaries.

Tipco advised that it uses [REDACTED] software for reporting financial information. Tipco provided us with a [REDACTED] profit and loss (P&L) statement for 2011(**confidential attachment GEN3**).

**Confidential attachment GEN4** is a detailed listing of the [REDACTED] code types for canned pineapple products. Each product code comprises 10 digits. **Confidential attachment GEN5** is a simplified explanation of the code structure.

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## 5 GOODS UNDER CONSIDERATION AND LIKE GOODS

### 5.1 The goods under consideration

The goods subject to anti-dumping measures, in the form of a dumping duty notice, are:

- Pineapple prepared or preserved in containers not exceeding one litre (consumer pineapple); and
- Pineapple prepared or preserved in containers exceeding one litre (food service and industrial (FSI)).

Canned pineapple (consumer and FSI), is classified within sub-heading 2008.20.00, statistical codes 26, 27 and 28, in Schedule 3 to the *Customs Tariff Act 1995*. The applicable duty rate for the goods is 'free' from Thailand and the Philippines.

### 5.2 Like goods

Tipco produces canned pineapple in Thailand at its Prachuap factory and sells this canned pineapple for consumption in countries other than Thailand, including Australia.

#### 5.2.1 FSI

Tipco exported FSI pineapple to Australia in the form of [REDACTED] [description of product type] during the inquiry period.

Tipco stated that it has no domestic sales of FSI pineapple.

In its exporter questionnaire response (EQR) Tipco provided costs for the [REDACTED] following products on the basis that it might wish to export these to Australia in the future:

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

[List of product types]

At the visit Tipco provided us with specification sheets for each of these products (**confidential attachment GEN6**). We found that model 1 is [REDACTED] [type of cut] whereas model 2 is [REDACTED] [type of cut].

#### 5.2.2 Consumer

Tipco did not export consumer pineapple to Australia in during the inquiry period.

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Tipco advised that it has no domestic sales of consumer pineapple.

In its response to the exporter questionnaire Tipco has provided costs for the following [REDACTED] products on the basis that it might wish to export these to Australia in the future:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[List of product types].

At the visit Tipco provided us with specification sheets for each of these products (**confidential attachment GEN7**).

### 5.3 Conclusion

As Tipco did not produce canned pineapple (consumer and FSI) for consumption on the domestic market, during the inquiry period, we are unable to make a conclusion in terms of s. 269T(1) of the Act with respect to like goods.

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## 6 EXPORT SALES TO AUSTRALIA

### 6.1 General

During the inquiry period, Tipco exported FSI pineapple, [REDACTED]  
[REDACTED] [summary of how export sales were made to Australia].

Tipco explained that [REDACTED] is a trading company that has been in business for about 4 to 5 years. [REDACTED] does not sell on the domestic market.

Tipco stated that it is interested in expanding its presence in Australia in the future.

#### 6.1.1 Export sales data provided

In its response to the exporter questionnaire, Tipco provided an export sales spreadsheet, listing each sale of FSI pineapple made to Australia within the inquiry period.

This spreadsheet included line-by-line information relating to:

- customer;
- product type (e.g. [REDACTED] [description]);
- product code;
- invoice number and invoice date;
- date of sale
- order number;
- shipping terms;
- payment terms;
- sale quantity (kilograms);
- the selling price between Tipco and [REDACTED];
- inland transport;
- handling and other expenses; and
- commission [REDACTED].

This listing was revised by Tipco during the verification visit to correct some minor discrepancies relating to shipment quantities and the [REDACTED] for one of the transactions (see section 6.1.2).

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The revised export sales spreadsheet forms **confidential attachment EXP1**.

We sought to verify the export sales data contained within this spreadsheet during our meetings with Tipco – see section 6.7 and 6.8 for discussion of this process.

## 6.1.2 Revision of provided data

When verifying the volumes in the export sales spreadsheet it was identified that Tipco uses the average net weight of [REDACTED] kg per carton. We noted that each export invoice was for [REDACTED] cartons containing [REDACTED] Kg cans. Tipco revised the spreadsheet to show a net weight of [REDACTED] kg per carton.

When verifying the [REDACTED] it was identified that Tipco had not made a [REDACTED] for one of the shipments. Tipco revised the spreadsheet to remove the [REDACTED] for this shipment.

## 6.2 Sales volume and value

We observed within Tipco's revised export sales spreadsheet that during the inquiry period it had exported [REDACTED] kgs of FSI pineapple to Australia in the inquiry period. We also observed the total value of Tipco's exports of FSI pineapple within the inquiry period to be \$US [REDACTED].

We noted that there were no export sales of consumer pineapple to Australia during the inquiry period.

## 6.3 Export sales process

Tipco described its export sales process as follows:

- [REDACTED] makes inquiries via email and Tipco responds with an offer by email.
- [REDACTED] sends a purchase order (PO) confirmation offer via email. Once Tipco receives the PO it confirms receipt of their order on the same day. Their PO will be translated into a shipping order (SO) that indicates all of the customer's requirements.
- a copy of the SO is entered into [REDACTED] and the planning team will forward the order to the cannery and will schedule a tentative production date depending on fruit and product availability and the customer's requirements. The normal lead time is around [REDACTED] weeks before shipment.
- once the canning process is complete and prior to the preparation of the labels and cartons Tipco will request payment from [REDACTED].
- after Tipco receives payment the packaging team will confirm with the customer the label and carton design prior to printing.
- the goods are stuffed into a dry container van and the container number is photographed and transported by an unrelated party from Tipco's Prachuap cannery to the nearby port of Laemchabang or the port of Bangkok. Then, the

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goods are loaded onto the vessel going to different ports in Australia (depending on the destination required by [REDACTED]).

### 6.4 Pricing and terms

As mentioned previously, Tipco sells the goods to [REDACTED]. Prices are negotiated for each order as Tipco does not have a price list for pineapple due to constant fluctuations in pineapple fruit costs.

Following confirmation of payment to Tipco from [REDACTED] requests [REDACTED].

Tipco does not provide any advertising or promotional support to [REDACTED] or the Australian customer as sales [REDACTED].

Tipco stated that all of the shipments to Australia were on [REDACTED] terms.

### 6.5 Export packaging

Tipco explained that after payment has been received the packaging team will confirm with the customer the label design and carton markings. Once the formats have been approved and printed the goods are labelled and packed.

### 6.6 Customer discounts

In its EQR Tipco advised that there are [REDACTED] offered on export sales to Australia.

We note that each of the Tipco invoices to [REDACTED] lists one to two cartons of [REDACTED].

### 6.7 Export sales verification - reconciliation to source documents

Prior to the visit, we requested that Tipco provide supporting documents for the 3 shipments to Australia during the inquiry period.

Tipco provided source documents in its EQR for [REDACTED] of the shipments (FSI EQR - Appendix B9) and the documents for the [REDACTED] shipment were provided during the verification (**confidential attachment EXP2**).

The documents provided include the following:

- confirmation of sale;
- commercial invoice;
- packing list;
- bill of lading; and
- transportation and port costs.



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Tipco provided a bill of exchange, bank credit note and bank statement to show proof of payment to Tipco by the Australian customer for the most recent shipment.

These document bundles form confidential attachment EXP2.

### 6.7.1 Sales volume and value

We were able to reconcile sales volume (total net weight) using the commercial invoices and packing lists, and sales value in USD.

### 6.7.2 Commission

As mentioned in 6.1.2 above when verifying [REDACTED] it was identified that Tipco had not made [REDACTED]. Tipco revised the spreadsheet to remove the [REDACTED] for this shipment.

Tipco explained that due to the imposition of substantially higher revised anti-dumping measures in October 2011, [REDACTED] negotiated with Tipco [REDACTED] that there would be [REDACTED].

We were able to reconcile amounts [REDACTED] between the invoices and the revised export sales spreadsheet.

Tipco provided a copy of the invoice for [REDACTED] on shipments 1 and 2 and GL [REDACTED] (**confidential attachment EXP3**).

### 6.7.3 Ocean freight

We observed on that all selected shipments were listed as having [REDACTED] terms on the confirmation of sale documentation, as reported by Tipco within its export sales spreadsheet.

### 6.7.4 Inland freight and port charges

Tipco provided details of actual expenses incurred in transporting the goods to the local port and loading them onto ships (FSI EQR – Appendix B9 and confidential attachment EXP2).

Tipco provided proof of payment (**confidential attachments EXP4**).

## 6.8 Export sales verification – reconciliation to financial statements

We consider that the export price for Tipco should be based on the selling price from Tipco to the Australian customer, [REDACTED], so we sought to reconcile the sales value in the export sales spreadsheet, using the amount in the gross invoice value column, to Tipco's management accounts. Tipco provided us with sales reports and general ledger (GL) reports and highlighted the relevant accounts for sales to Australia. These documents form **confidential attachment EXP5**.

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We compared actual cases and sales value in the GL reports with the export sales spreadsheet and found that the amounts reconciled.

**Confidential attachment EXP6** shows Tipco's sales of all products by month for the inquiry period. Total income from sales reconciles with the company turnover for all products in the EQR sales summaries for both FSI and consumer. **Confidential attachment EXP7** shows the monthly breakdown of sales by volume and value of all canned pineapple during the inquiry period and **confidential attachment EXP8** is a detailed listing of all canned pineapple sales by volume for each month of the inquiry period. **Confidential attachment EXP9** is a sample invoice from the month of September for a sale to another country. We were able to reconcile this invoice to the September sales listing.

We also compared the import data from the CRE database (refer **confidential attachment EXP10**) to the export sales spreadsheet for the above period. We found that the volume and value reconciled.

On the basis of our verification, we are satisfied that the export sales listing is complete, accurate and relevant.

## 6.9 Forward orders

There have been no export sales since the inquiry period.

## 6.10 The exporter

We consider Tipco to be the exporter of canned pineapple shipped from Thailand to Australia as Tipco:

- is the manufacturer of the goods and manufactured the goods to the specific order of the Australian customer;
- owned the goods at the time of export; and
- made the decision to export to the selected market and selected customer and was aware of the identity of the purchaser of the goods.

## 6.11 The importer

Tipco exported FSI pineapple, [REDACTED]  
[REDACTED]-[description of export process].

Sales to [REDACTED] are destined to the FSI market.

Tipco invoices [REDACTED] and on the bill of lading [REDACTED] is nominated as the consignee. In these transactions, [REDACTED] is considered to be the importer.

## 6.12 Arms length

For all of Tipco's sales of FSI pineapple to the Australian customer during the inquiry period [REDACTED], we found no evidence that:

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- 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, 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.

We therefore consider all of Tipco's export sales to Australia during the inquiry period to be at arms length.

### 6.13 Export price – preliminary assessment

In the case of export sales of FSI pineapple to Australia by Tipco we consider:

- that the goods have been exported to Australia otherwise than by the importer and have been purchased by the importer from the exporter; and
- the purchases of the goods were arms length transactions.

Therefore, we consider that the export price for FSI pineapple exported by Tipco can be determined under s. 269TAB(1)(a), having regard to all the circumstances of the exportation.

Export prices have been calculated for each export transaction using the price between Tipco and [REDACTED]. The individual transactions have been used to determine a weighted average export price for all shipments exported during the investigation period. The export price for FSI pineapple is detailed at **confidential appendix 1**.

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**7 NORMAL VALUE****7.1 Price paid or payable in domestic sales****7.1.1 Domestic sales**

Tipco sells fresh pineapple and pineapple in containers in Thailand.

Consumer Pineapple

Tipco stated that it had no domestic sales of consumer pineapple during the review period.

Tipco explained that there is no market for consumer pineapple in Thailand given the availability of fresh pineapple.

FSI pineapple

Tipco stated that it had no domestic sales of FSI pineapple during the review period.

Tipco advised that the FSI sector was a small market. Tipco explained that it had been approached to be part of a tender for FSI pineapple but that Tipco has never been successful with the prices they have offered.

**7.1.2 Domestic sales verification**

At the visit Tipco provided a detailed listing of sales to domestic traders that were exporting to third countries (**confidential attachment DOM1**). During the inquiry period Tipco sold canned pineapple (consumer and FSI) to third countries via domestic traders in the following volumes:

Type	Quantity (Kgs)
Consumer	
FSI	
<b>Grand Total</b>	

The total value of Tipco's exports to third countries via domestic traders within the inquiry period was:

Type	Total revenue (FOB, THB)
Consumer	
FSI	
<b>Grand Total</b>	

We asked Tipco to demonstrate these sales to domestic traders in the inquiry period were exported.

We selected a number of the sales to domestic traders and Tipco provided us with a label for a consumer pineapple can that was printed in [REDACTED] and another that was

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printed in [REDACTED] and a label for a FSI pineapple can that was printed in [REDACTED] **confidential attachment DOM2**.

## 7.1.3 Domestic sales - summary

Based on the information provided by Tipco and the verification processes conducted on site, the investigating team is reasonably satisfied that there are no domestic sales of canned pineapple (consumer and FSI).

Therefore we consider that we are unable to establish normal value under s. 269TAC(1) of the Act.

## 7.2 Third country sales by the exporter

In its exporter questionnaire responses for FSI and consumer, Tipco provided summaries of its sales to countries other than Australia.

Tipco noted that these sales to countries other than Australia were for different products, different terms and conditions of sale, different volumes, different customer relationships and different market conditions.

At the visit Tipco provided us with a revised listing of sales to third countries for FSI pineapple (**confidential attachment TCS1**). In the revised listing Tipco reduced the net weight and value for the [REDACTED] and the [REDACTED]. Tipco also provided a revised sales summary (**confidential attachment TCS2**).

Because we considered that we were in possession of enough verified information from the submission and our visit to calculate normal values using a construction method, we did not undertake verification of the third country data.

## 7.3 Costs to make and sell

In the absence of:

- domestic sales by Tipco of like goods sold in the ordinary course of trade for home consumption; and
- sales of like goods sold in the ordinary course of trade in arms length transactions for exportation to an appropriate third country

we have calculated normal values under subsection 269TAC(2)(c) of the Act. We have used verified costs of production for the selected pineapple products. As Tipco has no sales of like goods in Thailand sold for home consumption in the ordinary course of trade we have used verified selling, general and administrative costs incurred in relation to Tipco's export sales to Australia (in accordance with Regulation 181(3)(c).

We have not given consideration to an amount for profit in the normal value calculation but understand that the Case Team may consider this issue further once all verification visits have been completed.

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At the visit, Tipco submitted that Customs and Border Protection should be cautious in applying profit rates from other manufacturers in constructing a normal value for Tipco. It stated that the variation in costing methodologies employed within the pineapple manufacturing industry (eg actual vs net realisable value) meant that profit levels for one company could not necessarily be readily applied to another company.

We have calculated constructed normal values (excluding profit) for the months of the FSI shipments to Australia and for the investigation period for FSI and consumer products.

### 7.4 Adjustments

To ensure comparability with export prices we considered the following adjustments to normal values based on the construction method.

#### 7.4.1 Inland transport

##### *FSI Pineapple*

In its EQR Tipco provided actual costs incurred for the [REDACTED] shipments during the inquiry period.

##### *Consumer Pineapple*

In its EQR Tipco stated that average total cost of moving consumer pineapple from the factory to FOB in exports to other countries during the review period was THB [REDACTED]/kg. This includes transportation and all shipping and handling costs.

At the visit Tipco provided us with a copy of page 12 of the REQ that was missing from the electronic version (**confidential attachment ADJ1**).

#### 7.4.2 Export handling costs

In its EQR Tipco advised that handling and other costs included in attachment B-4 are all actual costs incurred in the movement of the goods from the factory to FOB, excluding inland freight. They include shipping, port and terminal handling charges (THC).

#### 7.4.3 Export packing costs

Tipco stated that no adjustment cost for packing is necessary as the cost would be the same if there were domestic sales.

#### 7.4.4 Export selling costs (commission)

Tipco advised that all export sales to Australia were [REDACTED] [summary of export process]. Tipco does not provide any warranties, guarantees or after sales services for these sales.

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### 7.4.5 Export credit

Tipco stated that there are [REDACTED] as the payment term is [REDACTED].

### 7.4.6 Summary

We are satisfied that Tipco has sufficiently demonstrated that adjustments should be made to the cost to make and sell, in accordance with s. 269TAC(9) for the following factors:

- Export inland transport;
- Export handling costs; and
- Export selling costs (commission).

Adjustment information is at **confidential appendix 4**.

## 7.5 Normal Value – preliminary assessment

We consider that information gathered from all sources and detailed in this report and its attachments, can be relied upon to establish normal values under s. 269TAC(2)(c) of the Act.

The team considers adjustments are required in assessing a normal value properly comparable to export price. The adjustments, outlined in the section above, are recommended in terms of s. 269TAC (9) of the Act.

Our preliminary normal value calculations are at **confidential appendix 5**.

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## 8 COSTS TO MAKE &amp; SELL

## 8.1 Background

In its response to the exporter questionnaire, Tipco provided spreadsheets showing fully absorbed ex-factory costs for [REDACTED] types of consumer pineapple product (one including three product codes) and [REDACTED] FSI pineapple products. Tipco advised that the selected products were products it was likely to export to Australia in the future, in addition to the [REDACTED] FSI product it exported to Australia in the investigation period ([REDACTED] [product description]).

We selected costs for the following products in the month of December 2011 for detailed verification:

- 5A-C, 5ADC, 5AHC (30oz consumer can – [REDACTED] [product description]);
- A16F3C (A10 FSI – [REDACTED] [product description]).

We chose the month of December as it could be reconciled to audited financial statements.

Tipco provided a worksheet (**confidential attachment CTMS1**) showing the cost of goods sold for each of the selected products. The worksheet shows the following cost breakdown for the selected pineapple products:

- fruit cost;
- can cost;
- sugar cost;
- direct labour;
- steam;
- electricity;
- water;
- variable overhead;
- fixed overhead; and
- depreciation and amortisation.

Another worksheet provides the cost per kg for each of the cost items (**confidential attachment CTMS2**). Tipco also provided a report on the cost of canned pineapple (**confidential attachment CTMS3**) for December 2011 broken down by product groups defined by the can size and type of pineapple cut. The selected product codes fall within the 24/30 oz sliced in light syrup category (1155A5) and A10 size



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can of pizza cut in light syrup (1195F5). The report shows the number of cans, actual cases and standard cases produced in the month and the amount of each cost item.

Tipco provided its inventory movement report for the selected product categories (**confidential attachment CTMS4**). The report shows the value of opening inventory, receipt of finished goods, goods sold and adjustments for goods used in quality assessment and reprocessing and ending inventory for the month of December 2011. The figures in this report can be reconciled to the amounts shown in Tipco's inventory movement report for all products (**confidential attachment CTMS5**).

We asked Tipco to demonstrate how the cost of goods sold figure in the inventory movement report for December 2011 reconciled to its audited financial statements for 2011. Tipco provided the cost of goods sold account from its [REDACTED] system (**confidential attachment CTMS6**). **Confidential attachment CTMS7** provides a breakdown of the cost of goods sold for each canned pineapple product category, other product and traded product (goods bought and sold) which reconciles to the total sales value in the [REDACTED] cost of goods sold account.

## 8.2 Cost of production

### 8.2.1 Fruit cost

Tipco provided a worksheet to show total actual pineapple costs for December 2011 were allocated to the cost of production in the month (**confidential attachment CTMS8**). The worksheet shows how bill of material information is used to allocate actual fruit costs across the [REDACTED] production lines that use the pineapple fruit (eg canned pineapple, tropical fruit salad, pineapple crush).

Tipco explained that the fruit costs are [REDACTED] [allocation method]. It explained that the average unit cost of pineapple in each product category for the month as the data is compiled according to what is produced each day and so takes into account variations in fruit costs across the month. The average cost of pineapple fruit consumed in December 2011 was [REDACTED] bht per kg. The average cost applied to canned pineapple was [REDACTED] baht per kg.

**Confidential attachment CTMS9** shows a more detailed breakdown of pineapple fruit costs by product. The quantity of each product produced is recorded in standard cases. **Confidential attachment CTMS10** provides the coefficient to convert standard cases to actual cases for the selected products.

We selected three pineapple purchases in December 2011 and asked Tipco to provide evidence of the purchases (**confidential attachment CTMS11**). The documents show that the typical purchase price for pineapple fruit in December 2011 was [REDACTED] baht per kg for

### 8.2.2 Can costs

Tipco provided a report showing the actual cost of producing the various size cans in December 2011 (**confidential attachment CTMS12**). The report shows the quantity of each can produced and provides a breakdown of raw material costs (eg tinplate,

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lacquer, thinner), direct labour, variable overheads and fixed overhead costs for can bodies and ends. The report shows that tinplate used to produce 30 oz cans in December 2011 cost approximately [REDACTED] baht per kg.

The figures from the can production report have been used to show the usage and cost of cans used for the selected products in December 2011 (**confidential attachment CTMS13**). The total cost figures agree with the can cost used in the cost of canned pineapple worksheet (confidential attachment CTMS1).

We asked Tipco to provide an invoice for the purchase of tinplate used in December 2011. Tipco provided a purchase order, delivery statement, commercial invoice and payment voucher and receipt for a purchase from its supplier, [REDACTED] (**confidential attachment CTMS14**). The invoice shows a unit price of [REDACTED] baht per kg.

### 8.2.3 Overheads

Tipco provided a schedule showing the method of allocating overheads to the various product groups for December 2011 (**confidential attachment CTMS15**). The report shows the cost driver for each overhead expense, the criteria for allocating and the percentage allocated to each product. **Confidential attachment CTMS16** shows how the proportion of cost item CP0061 was allocated to certain products based on [REDACTED] [allocation method]. Similarly, confidential attachment shows the calculation of allocation ratios for pineapple preparation and trimming costs to products that contain solid pineapple.

### 8.2.4 Labour and utilities

**Confidential attachment CTMS17** shows the actual consumption of various utilities in December 2011. **Confidential attachment CTMS18** provides the allocation of steam costs, firstly between solid products ([REDACTED]%) and juice products ([REDACTED]%) and then to the individual product categories based on [REDACTED]. Similarly, **confidential attachment CTMS19** provides the allocation to product groups for electricity costs.

**Confidential attachment CTMS20** sets out the amounts for labour, steam and electricity allocated to each product grouping in December 2011. **Confidential attachment CTMS21** shows how the labour, steam and electricity costs for canned pineapple are allocated to the pineapple product categories according to [REDACTED]. The amounts allocated for the selected products reconcile with the amounts included in the cost of pineapple production worksheet (confidential attachment CTMS1) and the costs included in the Tipco EQR. Tipco provided a general ledger printout from its [REDACTED] system showing the expeamounts incurred for labour, steam and electricity in December 2011.

## 8.3 Selling, general and administrative (SG&A) and financial expenses

Tipco provided a worksheet showing its selling, general and administration expenses for December 2011 (**confidential attachment CTMS22**). The worksheet was supported by Tipco's profit and loss statement for December 2011 printed from its

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██████ system (**confidential attachment CTMS23**). **Confidential attachment CTMS24** shows the amounts recorded for selling, administration and general expenses and financial expenses for each month of the investigation period. **Confidential attachment CTMS25** shows how SG&A and financial expenses have been allocated to canned pineapple products based on ██████████ [allocation method], and then an amount per kg calculated by dividing the allocation by the total volume of pineapple products sold in the month.

**Confidential attachment CTMS26** provides support for the total volume of pineapple products sold in December 2011. **Confidential attachment CTMS27** is a monthly breakdown of the volume of each size of pineapple product sold in the investigation period. **Confidential attachment CTMS28** shows the monthly SG&A and finance expenses for each month in 2011. This allowed us to reconcile the monthly amount for December to the audited financial statements for 2011.

### 8.4 Cost to make and sell – summary

The CTMS amounts calculated for the exported goods manufactured by Tipco are at **confidential appendix 6**. We are satisfied that these costs are derived from records kept in accordance with the generally accepted accounting principles of Thailand and reasonably reflect the costs associated with manufacture of pineapple in Thailand by Tipco and SG&A costs associated with sales to Australia in the review period.

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## 9 DUMPING MARGIN – PRELIMINARY ASSESSMENT

We calculated constructed normal values in the relevant months for FSI pineapple exported to Australia in the review period. The normal values do not include a profit amount and indicate that exports to Australia were undumped with the margin of minus 23%.

We have also calculated constructed normal values for the review period for the FSI and consumer models selected by Tipco as being ones they are likely to export to Australia in the future.

Our calculations of the dumping margins are at **confidential appendix 7**.

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## 10 GENERAL COMMENTS

Tipco advised that according to market research done to date FSI is most likely to be exported to the Australian market.

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## 11 LIST OF APPENDICES AND ATTACHMENTS

### Appendices

Confidential Appendix 1	Export price calculations
Confidential Appendix 2	Ordinary course of trade calculations
Confidential Appendix 3	Sufficiency test
Confidential Appendix 4	Adjustments
Confidential Appendix 5	Normal value calculations
Confidential Appendix 6	Cost to make and sell
Confidential Appendix 7	Dumping margin calculations

### Attachments

Confidential Attachment GEN1	Export market brochure
Confidential Attachment GEN2	Tipco financial statements 2012
Confidential Attachment GEN3	Tipco P&L 2011
Confidential Attachment GEN4	Code types for canned pineapple
Confidential Attachment GEN5	Explanation of product codes
Confidential Attachment GEN6	Product specification sheets – FSI
Confidential Attachment GEN7	Product specification sheets - consumer
Confidential Attachment EXP1	Revised export sales spreadsheet
Confidential Attachment EXP2	Export documents for selected sales to Australia
Confidential Attachment EXP3	██████████ invoice and GL
Confidential Attachment EXP4	Evidence of payment – inland freight, port charges
Confidential Attachment EXP5	Sales and GL reports for Australian sales
Confidential Attachment EXP6	Tipco sales report for the inquiry period – all products
Confidential Attachment EXP7	Monthly sales summary – all canned pineapple
Confidential Attachment EXP8	Detailed listing of all canned pineapple sales - monthly
Confidential Attachment EXP9	Sample invoice
Confidential Attachment EXP10	Tipco exports to Australia from CRE system
Confidential Attachment DOM1	Label samples
Confidential Attachment TCS1	Revised listing of third country sales - FSI
Confidential Attachment TCS2	Revised sales summary - FSI
Confidential Attachment ADJ1	Consumer EQR – page 12
Confidential Attachment CTMS1	Cost of goods sold for selected products
Confidential Attachment CTMS2	Cost per kg for each of the cost items
Confidential Attachment CTMS3	Cost of canned pineapple – Dec 2011
Confidential Attachment CTMS4	Inventory movement report – summary
Confidential Attachment CTMS5	Inventory movement report - detailed
Confidential Attachment CTMS6	Cost of goods sold totals – Dec 2011
Confidential Attachment CTMS7	Breakdown of cost of goods sold for each product
Confidential Attachment CTMS8	Allocation of pineapple costs to products
Confidential Attachment CTMS9	Detailed breakdown of pineapple costs
Confidential Attachment CTMS10	Conversion of actual cases to standard cases

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Confidential Attachment CTMS11	Pineapple purchases
Confidential Attachment CTMS12	Can costs
Confidential Attachment CTMS13	Usage and cost of cans used for selected products
Confidential Attachment CTMS14	Tin plate purchases
Confidential Attachment CTMS15	Overhead allocation
Confidential Attachment CTMS16	Allocation of cost item CP0061
Confidential Attachment CTMS17	Utility consumption – Dec 2011
Confidential Attachment CTMS18	Allocation of steam costs
Confidential Attachment CTMS19	Allocation of electricity costs
Confidential Attachment CTMS20	Allocation calculation for labour, steam and electricity
Confidential Attachment CTMS21	Allocation of costs according to standard cases produced
Confidential Attachment CTMS22	S,G&A expenses – Dec 2011
Confidential Attachment CTMS23	Tipco's P&L statement – [REDACTED] printout
Confidential Attachment CTMS24	SG&A allocation worksheet
Confidential Attachment CTMS25	SG&A allocation to canned pineapple
Confidential Attachment CTMS26	Pineapple sales volume – Dec 11
Confidential Attachment CTMS27	Pineapple sales for the inquiry period
Confidential Attachment CTMS28	Monthly SG&A and finance expenses - 2011