



Chememan Company Limited – Thailand

Introduction

Chememan Company Limited (“Chememan”) of Thailand operates an integrated quicklime producer that produces quicklime from using limestone that is sourced from the company’s quarry at Tubkwang.

Chememan operates a quarry (70 Million tonnes or reserves) and accompanying crushing plant (annual production capacity of 2 million tonnes). It also has a dressing plant (120,000 tpa) where the limestone is milled. Chememan has two quicklime kilns at Kangkoi, with a combined annual production of 150,000 tpa. Chememan is seeking to increase production of quicklime at Kangkoi with expansion projects planned to 500,000 tpa.

Chememan’s plant at Prabuddhabaht has two gas-firing vertical kilns with an annual quicklime production capacity of 350,000 MT.

Rayong is Chememan’s recently established facility with a production capacity of over 70,000 tpa. This plant is located in the Amata City Industrial Estate, 35km from Laem Chabang Port. It was expected that this plant would be expanded in 2015 or 2016.

Chememan has plans to be in the top 10 producers of quicklime with plans to expand production in Laos, Myanmar, Malaysia and Indonesia.

Exporter Questionnaire Response

Key points:

- Chememan has identified the Prabuddhabaht plant as the source of the quicklime exported to Australia from Thailand. The Commission to investigate whether any quicklime produced at Kangkoi and Rayong has been exported to Australia. Additional cost implications may arise if sourced from more than one plant;
- Confirms Chememan is a processor of limestone, quicklime and hydrated lime products. Of consideration is how costs are isolated for quicklime, and on what basis any shared costs are allocated;
- Mixed soil from limestone crushing plant is considered a by-product and is assigned a cost. Lime dust is a by-product of quicklime production but is not assigned a cost;

- Like goods – Chememan does not consider it produces ‘like goods’ to the quicklime produced by the Australian industry;
- States that price depends upon distribution channel – this would appear to be basis for ‘level of trade’ adjustment. Sales to Australia are via the related party distributor, Chememan Australia;
- Adjustment sought for allocation of selling expenses between domestic and export sales. Commission will need to thoroughly examine whether the identified selling expenses do in fact relate solely to domestic v export activities;
- Further adjustments identified for inland freight, handling expenses, credit charges between domestic and export sales, packing expenses;
- All costs are on basis of “actual” costs incurred;

Issues for review

(i) Raw material input cost

As a fully integrated manufacturer of quicklime, the Anti-Dumping Commission (“Commission”) will be required to examine the transfer pricing of the raw materials used in quicklime production via the varying manufacturing processes. The transfer prices declared in the accounts of the company must reflect full cost recovery, and not be based upon prevailing market (or global) prices for the input.

For example, the limestone is required to be transferred to the crushing plant at cost which includes the cost of mining, and transportation to the crushing plant. The transfer price of the crushed limestone must reflect the full cost upon entering the crushing facility (including freight), plus the cost of crushing, etc. Similarly, the transfer price for the milled limestone into the kilns must be at full cost.

(ii) Like Goods

Chememan does not consider it produces like goods to quicklime manufactured by the Australian industry. It claims that as the base raw material is rock (as opposed to shell-sand) the composition of Chememan’s quicklime give its customers a “non-price base incentive” to purchase Chememan quicklime.

Chememan product has a purity of 90 per cent and is described as “standard” domestic market concentration. It further claims that the 90% concentration translates to +/- 85 per cent available as CaO.

This issue has been previously debated in Report No. 179. Whilst it is anticipated that the Commission will re-examine the matter, there has been no change in production techniques, quality of product or marketing of product since Investigation No. 179.

The claim that the applicant company cannot produce lump or aggregate form is not a consideration for customers. Similarly, the key purchasing issue for customers is price.

Chememan International Pte Ltd – Vietnam

Introduction

Chememan International Pte Ltd (“CMM-INTER”) has identified its source of exported quicklime as manufactured by Binh Son Investment and Mineral Company Limited (“BSIM”), located in the Ky Son Commune, Thuy Nguyen District, Hai Phong City.

The contact details for CMM-INTER are for its office in Thailand. CMM-INTER is the export arm of the Chememan Group.

It is claimed that CMM-INTER has collaborated with BSIM to complete the exporter questionnaire response. It is not clear from the public file (redacted) version of the EQR whether CMM-INTER and BSIM are related companies.

In the event the companies are unrelated, it is not clear whether CMM-INTER has full and complete access to BSIM’s domestic and export sales, and production and selling cost information for 2015.

Exporter Questionnaire Response

- CMM-INTER exported goods produced by BSIM in Vietnam;
- Neither CMM-INTER or BSIM sold quicklime domestically in 2015;
- BSIM values inventories on the actual, weighted average cost;
- BSIM uses standard costs that are adjusted to actual at month’s end;
- Prices are negotiated between CMM-INT and BSIM. It does not appear that any cost-based references are used as benchmarks in pricing decisions;
- There is a ‘sales agreement’ in place between CMM-INTER and BSIM. It is alleged (at B-2) that these agreements did not affect the transactional basis upon which the price and quantity was determined. How can these be established by the Commission?
- BSIM appears to purchase limestone from local limestone suppliers in Vietnam. It does not appear that it is related to suppliers (Commission to verify).

Key Points

As a trader in quicklime manufactured in Vietnam, it would be expected that CMM-INTER would not be able to access the production costs of quicklime produced by BSIM.

What is the relationship between CMM-INTER and BSIM?

It is stated that BSIM does not sell on the domestic market. This would seem unlikely. Cockburn Cement would like to understand how the Commission will ‘test’ whether BSIM has not actually sold quicklime on the domestic market?

It is noted at Section F-2 of the EQR that “BSIM’s third country sales were of quicklime product it had purchased, rather than product itself”. How will the Commission be satisfied that the quicklime allegedly purchased from BSIM by CMM-INTER is in fact quicklime manufactured by BSIM in Vietnam?

CI Lime Sdn Bhd – Malaysia

Introduction

RCI Lime Sdn Bhd (“RCI Lime”) is a private company owned by Mega First Corporation Berhad (“MFCB”). The parent company is a diversified company involved in power and steam generation, property investment and development, plantation, automotive engineering components and packaging materials.

Exporter Questionnaire Response

- RCI Lime pays a management fee to an intermediate holding company and to MFCB;
- RCI Lime is a fully integrated producer of quicklime involved in the extraction of limestone, processing of limestone into quicklime and hydrated lime;
- RCI Lime’s kilns are located next to its quarry at Gopeng, Perak;
- RCI Lime sells to an Australian importer, Merchant Cement and Lime Pty Ltd (on an FOB basis);
- RCI Lime states that its quicklime sold domestically and for export to Australia is “not differentiated”, hence are identical goods;
- Sells domestically to end-users and trading companies, however RCI Lime indicates there is no (price) difference between end-user and trading companies;
- RCI Lime uses petcoke as a solid fuel raw material in its kilns;
- Actual costs of production are recorded by RCI Lime;
- Re-asserts no cost differences between domestic and exported quicklime (or hydrated lime).

Key Issues

It is noted that RCI Lime does not raise the issue of its goods exported to Australia not being like goods to the goods manufactured by the Australian industry. RCI Lime’s quicklime is manufactured from limestone (as is Chememan’s sourced quicklime) yet, the issue of like goods has not been raised by RCI Lime.

Unichamp Mineral Sdn Bhd – Malaysia

Introduction

Unichamp Mineral Sdn Bhd (“Unichamp”) operates its own limestone quarries/resources and exploration and mining leases in Malaysia (and other South-East Asian countries including Australia).

Exporter Questionnaire Response

The following matters are for consideration:

- Unichamp sells for export in jumbo bags, whereas domestically is sold in bulk containers. Adjustments for differences in packaging between domestic and export sales required;
- No physical differences apparent between quicklime sold domestically and for export to Australia;

Costs to be considered for all producers

- Mining lease costs (renewals / rent / min expenditure)
- Royalties
- Rehab / mine closure costs / securities
- Mine planning
- Overburden removal
- Drill & Blast
- Mobile plant
- Screening
- Crushing
- Screening
- Washing
- Stockpiling (kiln feed)
- Waste removal
- Stockpiling (waste)
- Transport to ROM (kiln feed)
- Conveying ROM to Kiln
- Calcination (energy / power / refractory)
- Cooling / screening / milling (final product)
- Maintenance
- Labour
- Waste disposal (LKD)
- Operating overheads
- Bulk storage
- Transfer to packing plant
- Package and packaging cost (Jumbo bags)
- Mobile plant
- Waste handling (broken bags)
- Storage / handling
- Jumbo bag packing into containers
- Container transport to Port (~1800 MR)
- Container storage, hire and cleaning
- Port charges / customs charges
- Overheads / marketing / administration / depreciation / regulatory requirements