



**CONTINUATION INQUIRY
AND
REVIEW OF ANTI-DUMPING MEASURES**

**ANTI-DUMPING MEASURES IN RESPECT OF CURRANTS
EXPORTED FROM GREECE**

VISIT REPORT

DRIED FRUITS AUSTRALIA

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN
WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT
THE FINAL POSITION OF THE ANTI-DUMPING COMMISSION**

August 2013

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ABBREVIATIONS

\$	Australian dollars
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
Aeghion	Agricultural Co-Operative Union Aeghion
The applicant	Sunbeam Foods Pty Ltd
APDF	Australian Premium Dried Fruits
BidMod	BidMod for Dried Grapes
the Commission	Anti-Dumping Commission
the Commissioner	Anti-Dumping Commissioner
Currants	Processed dried currants
DFA	Dried Fruits Australia
SEF	Statement of Essential Facts
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Home Affairs
Sunbeam	Sunbeam Foods Pty Ltd

1 BACKGROUND AND PURPOSE

1.1 Background

The anti-dumping measures applying to processed dried currants (currants) exported to Australia from Greece were initially imposed by public notice on 14 January 2009 by the Minister for Home Affairs (the Minister) following consideration of Trade Measures Report No. 140 (REP 140).

On 13 May 2013 the Minister revised the level of measures relating to exports of currants from Greece by one exporter, Agricultural Co-Operative Union Aeghion (Aeghion), after consideration of International Trade Remedies Branch Report No. 192.

The anti-dumping measures in so far as they relate to exporters other than Aeghion have not been reviewed since their introduction in 2009.

The existing anti-dumping measures are due to expire on 14 January 2014.

On 11 July 2013 the Anti-Dumping Commission (the Commission), following receipt of an application made by Sunbeam Foods Pty Ltd (Sunbeam) representing the Australian industry, initiated a continuation inquiry into whether the measures should be continued for another 5 years.

On 25 July 2013, the Commission initiated a review after a request was made by the Minister to review the anti-dumping measures applying to currants exported to Australia from Greece. The review period is 1 July 2012 to 30 June 2013, and covers all exporters of the goods from Greece. The review will examine whether the variable factors relevant to the taking of the measures have changed.

Dried Fruits Australia (DFA) was identified in the application as the industry association representing growers of dried fruits, including currants. The Commission notified DFA of the initiation of the continuation inquiry and review and sought assistance in obtaining information on the economic condition of upstream currants growers.

1.2 Purpose of visit

The purpose of the visit was to:

- obtain general information about the Australian market for currants;
- discuss the growing conditions of currants over the last 5 years;
- obtain data about the production volume, revenue and costs of growing currants; and
- discuss the economic outlook for the growers if anti-dumping measures were allowed to expire or if anti-dumping measures continued.

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1.3 Meeting details

Company	Dried Fruits Australia
Dates of visit	21 August 2013

The following were present at various stages of the meetings.

Dried Fruits Australia	Phil Chidgzey – Chief Executive Officer John Hawtin – Industry Development Officer Ashley Johnstone – Dried Fruits Grower
John O'Connor & Associates Pty Ltd	John O'Connor
The Commission	Joanne Reid – Director – Operations 2 An Chew - A/g Manager - Operations 2 Cathy Cole – Supervisor - Operations 1

1.4 Investigation process and timeframes

We advised DFA of the inquiry and review process and timeframes as follows:

- The review period for ascertaining variable factors is 1 July 2012 to 30 June 2013.
- The Statement of Essential Facts (SEF) for the continuation inquiry is due to be placed on the public record by 29 October 2013 and for the review by 29 November 2013, or such later date as the Minister allows under s.269ZHI of the *Customs Act 1901* (the Act). However, the Commission is aiming to publish the SEF in relation to the review at the same time as the SEF for the continuation inquiry.

The SEFs will set out the material findings of fact on which the Commission intends to base its recommendations to the Minister, and will invite interested parties to respond, within 20 days, to the issues raised therein.

- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Minister.

This final report for the continuation inquiry is due no later than 13 December 2013 and for the review by 27 December 2013, unless an extension to the SEF is approved by the Minister. However, as with the SEF, the Commission intends to report to the Minister in relation to the review at the same time as the continuation inquiry.

1.5 Visit report

We explained to DFA that we would prepare a report of our visit (this report) and provide it to DFA to review its factual accuracy, and to identify those parts of the report it considers to be confidential.

PUBLIC RECORD

We explained that, in consultation with DFA, we would prepare a non-confidential version of the report, and place this on the public record.

1.6 The Industry Association

DFA is the peak industry body representing the interests of dried vine fruit growers, including growers of unprocessed currants. It stated that its membership includes growers, processor and other affiliate members. DFA estimated that it has 50% of dried vine fruit growers on its membership.

The DFA Board comprises of seven dried vine fruit growers, two from Sunbeam and two from Australian Premium Dried Fruits (APDF).

DFA stated that it is has links with Horticulture Australia Limited, Plant Health Australia and the National Farmers Federation.

2 THE GOODS

2.1 Description

The goods the subject of the anti-dumping measures (the goods) are processed dried currants of the grape variety *Vitis Vinifera L. Black Corinth*. Sultanas, Muscat raisins, unprocessed currants or blended dried fruit mixtures are excluded from the measures.

During the original investigation, Sunbeam defined the meaning of “processed” in the context of dried currants as:

Processing of sun dried currants involves a multi-staged procedure which includes the separation of good fruit from stems, capstems, poor fruit, grit, and other foreign matter through a riddle and cone system. The fruit then passes onto a belt where it is examined and unsuitable fruit or foreign matter not removed earlier is removed via hand-picking, prior to washing of the fruit and then passing to a de-watering procedure via a spinner. Finally, a light oil is sprayed onto the fruit before packing for sale.

2.2 Tariff classification

The goods are classified to the following tariff subheading 0806.20.00, statistical code 29 in Schedule 3 to the *Customs Tariff Act 1995*.

2.3 Close Processed Agricultural Goods

Section 269T(4A) provides that where the like goods are close processed agricultural goods, then the Australian industry in respect of those close processed agricultural goods consists not only of the person or persons producing the processed goods, but also the person or persons producing the raw agricultural goods from which the processed goods are derived.

Section 269T(4B) provides that the processed agricultural goods derived from raw agricultural goods can be taken to be close processed agricultural goods where the Minister is satisfied that:

- (a) the raw agricultural goods are devoted substantially or completely to the processed agricultural goods; and
- (b) the processed agricultural goods are derived substantially or completely from the raw agricultural goods; and
- (c) either:
 - (i) there is a close relationship between the price of processed agricultural goods and the price of the raw agricultural goods; or
 - (ii) a significant part of the production cost of the processed agricultural goods, whether or not there is a market in Australia for those goods, is, or would be, constituted by the cost to the producer of those goods of the raw agricultural goods.

PUBLIC RECORD

REP 140 found that, consistent with section 269T(4B), currants are close processed agricultural goods, therefore, the Commission considers that the Australian industry of currants consists not only the processors of currants, but also the growers of the currants.

3 AUSTRALIAN MARKET

3.1 General

DFA explained that there are three processors of currants in Australia, Sunbeam being the largest, followed by APDF then Murray River Organics. It advised that Murray River Organics is a specialty processor of currants that produces organically grown currants.

DFA stated that dried vine fruit growers generally grow currants as part of a portfolio of dried vine fruits, such as sultanas, raisins and currants, and that the size of growers can range from small hobby farmers to large commercial growers.

DFA advised that the species of currants grown in Australia are carina currants. It explained that carina currants are a highly fruitful and resilient crop compared to zante currants that were grown in Australia prior to 2006, which were prone to damage. DFA explained that in 2006, growers across the region removed plantings of zante crop due to damage caused by drought conditions during that time.

3.2 Relationship between currants growers and processors

DFA stated that the majority of currant growers have contracts with processors. It advised that the contract lists a base price, which is the minimum price that processors will pay growers for the unprocessed currants. DFA indicated that each processor generally has a standard contract that it exchanges with its growers. It advised that the contract ranges from two to five years and generally, the longer the contract period, the lower the contract base price.

DFA explained that the purpose of the base price is to give certainty to the growers of the minimum price for its produce, however the seasonal price can be set higher than the base price. It advised that the seasonal price is set in January each year by the processors with different prices for contracted growers and non-contracted growers. It explained that prices to non-contract growers are lower than those for contracted growers.

DFA advised that generally, growers supply unprocessed currants to only one of the three processors, however, some growers may supply to multiple processors.

DFA provided us with a copy of an APDF contract at **confidential attachment 1**.

3.3 Growing conditions between 2009 and 2013

DFA stated that since measures were imposed five years ago, currant growers have been impacted by several natural weather events that affected the quality and quantity of currants grown in Australia.

It advised that growing conditions were affected by the drought and heatwave that impacted Southeast Australia in 2009. It explained that the flowering of the currants crop coincided with high temperatures that affected the volume of currants harvested in 2010. DFA stated that during that time, water allocations to growers were at around 35% and the market price for water was exorbitantly high.

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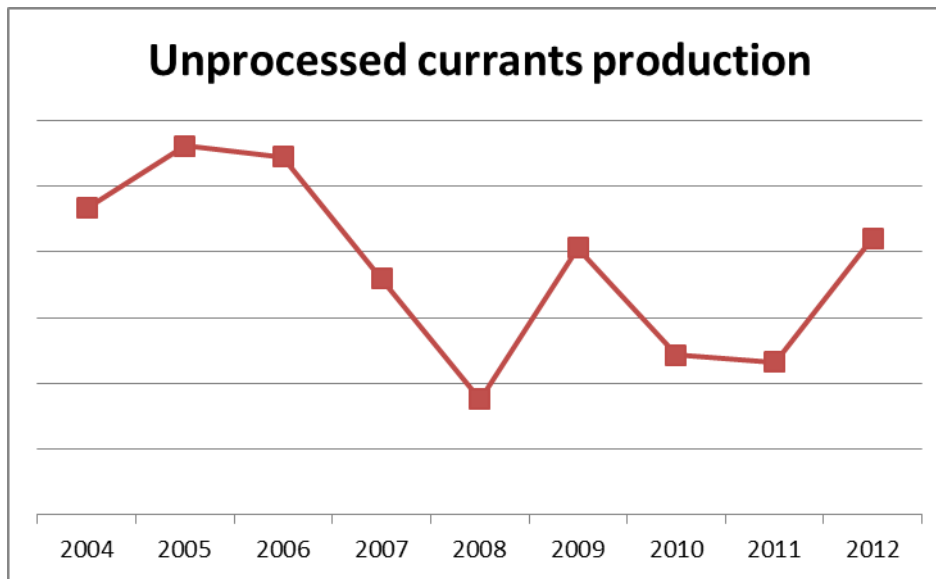
DFA stated that, conversely, 2010/11 saw torrential rain and flooding in the region that impacted on the quality of the 2011 crop of currants. It explained that the region had over 600mm of rain in a 6 month period, where the average annual rainfall for the region was 280mm. As a result, the crop was affected by disease, including downy mildew, and splitting of the fruit. The flooding also produced immature fruit during harvesting where not much sugar was produced, resulting in currants being half their usual weight.

DFA advised that good growing conditions and no severe weather events have resulted in good volumes for the 2013 harvest.

4 ECONOMIC CONDITION OF CURRANT GROWERS

4.1 Production volume

During the visit, DFA provided us with currants production data from 2008 to 2013, which was obtained through Horticultural Australia Limited (HAL) (**confidential attachment 2**). The data shows the volume of dried vine fruit supplied by growers to the major processors. DFA also provided us with a spreadsheet showing the volume of currants received by processors back to 1993 (**confidential attachment 3**). We note that the 2008 to 2013 figures matches the data in the HAL figures. The following graph shows the volume of unprocessed currants received by the major processors from the growers between 2005 and 2012.

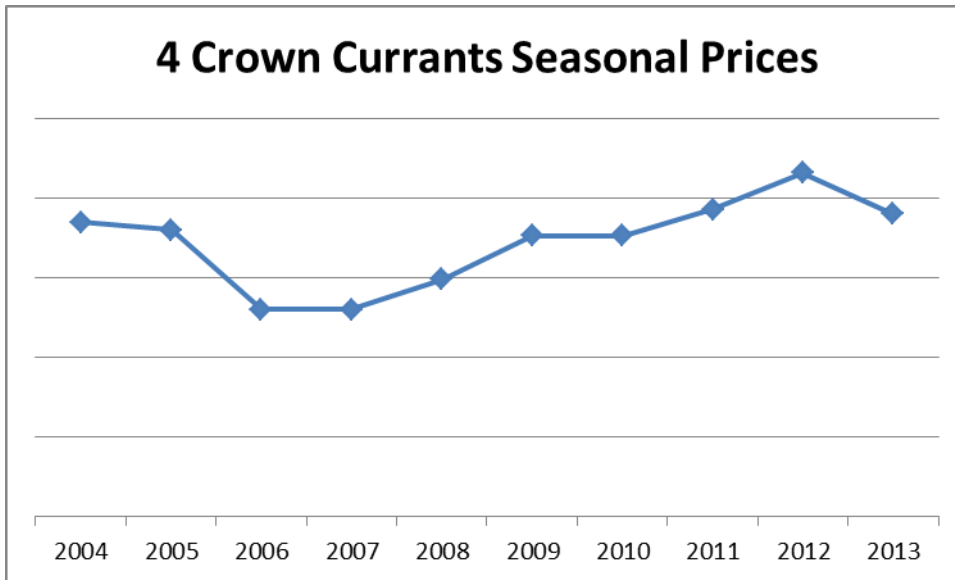


The production quantity of currants contracted significantly from 2006, which is in line with DFA's explanation that currant crops were removed at that time, bottoming in 2008. Production then recovered in 2009 but at levels that were still lower than those in 2006, before contracting again in 2010 and 2011, due to the climatic events as discussed in section 3.3 above. In 2012, the production volume of currants has recovered, but remains lower than 2006 levels.

4.2 Prices to growers

At the visit, DFA provided us with seasonal pricing documents that list prices paid by Sunbeam and APDF to growers for unprocessed currants (**confidential attachment 4**). The documents provided included the 2011-2013 uncontracted seasonal prices from Sunbeam, the 2011 contracted seasonal pricing from Sunbeam and the 2012 and 2013 seasonal pricing from APDF.

After the visit, DFA was able to provide us with Sunbeam's historic seasonal pricing data (**confidential attachment 5**). The following graph shows the trend of Sunbeam's seasonal prices for contracted growers between 2004 and 2013.



The graph shows that prices of currants to growers fell significantly in 2006 before recovering in 2009. This coincides with anti-dumping measures being imposed on Greek currants. From 2009, the prices gradually increased, peaking in 2012, before falling back in 2013, but still above 2009 prices.

4.3 Cost of growing currants

DFA advised that it has commissioned a program called *BidMod for Dried Grapes* (BidMod) that models various financial data, including costs to grow dried vine fruits, to assist growers in making decisions by providing simulations of different management strategies. DFA suggested that this program could assist in modelling the average cost to grow currants. During the visit, DFA provided us with a report that provides details on BidMod at **attachment 6**.

DFA modelled several scenarios with the following seasonal prices (per tonne):

- \$600
- \$1300
- \$1700
- \$1825
- \$2160

DFA explained that \$600 was indicative of prices that existed prior to the imposition of anti-dumping measures in 2006 for uncontracted growers.

The main assumptions used in modelling these scenarios are outlined in the table below:

Total Area of property	18 Hectares
Area of currants	2 Hectares
Production	10 dried tonnes/Ha
Value of land	\$ [redacted] /Ha
Volume of Permanent water	9 ML/Ha
Value of Water on area	\$ [redacted] = \$ [redacted] /ML

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Direct costs	\$█ + finish drying \$█/dry tonne + gas \$█/dry tonne
Overhead costs	\$█/year
Lower Murray Water	\$█/ML
Equipment on proportional basis of overall property	\$█
Cash interest rate	4%
Core loan interest rate	6%
Overdraft interest rate	7%
Equipment loan interest rate	6%
Tax rate	20%
Required rate of return on investment	█%

The model showed negative cash flow in the scenario where the seasonal price is \$600 and positive cash flow \$1300 and above. Similarly, the model showed negative gross margins in the scenario with a seasonal price of \$600 and positive gross margin for \$1300 and above.

Based on the model with the assumptions listed above, the price which generates no gross margin is approximately \$█ per tonne.

The BidMod model data is at **confidential attachment 7**.

4.4 Summary

Since the imposition of anti-dumping measures in 2009, the seasonal price of unprocessed currants to growers has steadily increased, peaking in 2012, as production volumes declined due to climatic events affecting growing conditions.

Growing conditions have returned to normal in 2012, which saw production volumes recover and season prices soften in 2013 to similar prices as in 2011 but well above levels that existed in the years preceding the imposition of anti-dumping dumping measures. If prices were to revert back to 2006 prices, the BidMod model indicated that the seasonal uncontracted prices would be unprofitable for the average grower.

5 IMPACT OF THE EXPIRY OF ANTI-DUMPING MEASURES

We discussed with DFA the likely impact on the growers should measures be allowed to expire. It argued that upstream growers are most affected by price pressures caused by imports of currants at dumped prices. It explained that as the growers are price takers and the seasonal prices received by the growers are determined by the processors, any price reduction for the processors will be passed onto growers through lower seasonal prices.

DFA stated that at the current seasonal pricing levels, growing currants is a profitable business. It expressed concerns that if measures were allowed to expire, and prices returned to pre-2009 prices, many growers will find growing currants unprofitable and consequently cease growing currants. It stated that the currant growers are vulnerable to injury caused by imports of currants at dumped prices as depressed demand for currants is already putting pressure on seasonal prices.

DFA also stated that growers of currants in Greece receive payments from the European Union which could affect the export prices of Greek currants, and therefore the market price of currants in Australia.

6 ATTACHMENTS

Confidential Attachment 1	APDF grower's contract
Confidential Attachment 2	Currants production data from HAL
Confidential Attachment 3	Currants production data spreadsheet
Confidential Attachment 4	Sunbeam and APDF seasonal price lists
Confidential Attachment 5	Sunbeam's historic seasonal pricing data
Attachment 6	BidMod report
Confidential Attachment 7	BidMod data