Australian Government
Anti-Dumping Commission

PUBLIC RECORD

INVESTIGATION 216

ALLEGED DUMPING OF PREPARED OR PRESERVED PEACH PRODUCTS

EXPORTED FROM SOUTH AFRICA

VISIT REPORT - EXPORTER

LANGEBERG & ASHTON FOODS (PTY) LTD

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 ANTI-DUMPING COMMISSION

September 2013

CONTENTS

ABBREVIATIONS

$	Australian dollars
The Act	*Customs Act 1901*
ADN	Anti-Dumping Notice
The applicant	SPC Ardmona Operations Ltd
CFR	Cost and freight
COGS	Cost of goods sold
Commission	Anti-Dumping Commission
CTM	Cost to make
CTMS	Cost to make & sell
CTS	Cost to sell
EBIT	Earnings before interest and tax
EDITA	Earnings before interest, tax, depreciation and amortisation
FOB	Free On Board
EQR	Exporter Questionnaire Response
GAAP	Generally accepted accounting principles
L&AF	Langeberg & Ashton Foods (Pty) Ltd
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
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 Industry
USP	Unsuppressed Selling Price

1 BACKGROUND AND PURPOSE

1.1 Background

On 17 June 2013, an application was lodged by SPC Ardmona Operations Limited (SPCA) requesting that the relevant Minister publish a dumping duty notice in respect of prepared or preserved peach products exported to Australia from South Africa.

SPCA alleges the Australian industry has suffered material injury caused by prepared or preserved peach products exported to Australia from South Africa at dumped prices.

The applicant claims the industry has been injured through:

- loss of sales volume;
- reduced market share;
- reduced revenues;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced return on investment and loss of economies of scale associated with processing operations; and
- reduced capacity utilisation.

Public notification of initiation of the investigation was made on 10 July 2013 in *The Australian* newspaper and Australian Dumping Notice No. 2013/54.

1.2 Purpose of visit

The purpose of the visit was to verify information submitted in the exporter questionnaire response (EQR). Information verified during the visit has been used to make preliminary assessments regarding:

- like goods;
- who is the exporter and who is the importer;
- export prices;
- normal values; and
- dumping margins.

1.3 Meeting details

Company	Langeberg & Ashton Foods (Pty) Ltd
Dates of visit	4 – 6 September 2013

The following were present at various stages of the meetings.

Langeberg & Ashton	Nassos Martalas – Executive Director: Chief Operating Officer Leon Heunis – Customer Executive Henriette Hoon – Financial Executive Ian Glen – Market Development Manager Annelie Swart – Export Administrator Dewald Wessels – Assistant Accountant Hano Liebenberg – Management Accountant Mariam Latief – Financial Accountant Lizl van Rooyen – Cost Accountant
Trade Law Chambers	Rian Geldenhuys
Anti-Dumping Commission	Nicole Platt – Manager – Operations 2 Mick Kenna – Manager – Operations 3

1.4 Investigation process and timeframes

We advised the company of the investigation process and timeframes as follows:

- The investigation period is 1 July 2012 to 30 June 2013.
- The injury analysis period is from 1 January 2009 for the purpose of analysing the condition of the Australian industry.
- A preliminary affirmative determination (PAD) may be made no earlier than day 60 of the investigation (8 September 2013) and provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made.

  The Commission will not make a PAD until (and if) it becomes satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.

  This was distinguished from the 'reasonable grounds' threshold for initiation of the investigation.
- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 28 October 2013, or such later date as the Minister allows under s.269ZHI of the *Customs Act 1901* (the Act).

  The SEF 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 is due no later than 12 December 2013, unless an extension to the SEF is approved by the Minister.

1.5 Visit report

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

We explained that, in consultation with the company, we would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

2 COMPANY INFORMATION

2.1 General

In 2005, Langeberg Foods International, which was part of the Tiger Brands Group, merged with the privately owned Ashton Canning Company to form Langeberg & Ashton Foods (Pty) Ltd (L&AF). Both companies had been in operation for over 50 years. The merger resulted in the establishment of one of the world's biggest deciduous canned fruit manufacturing and marketing businesses.[1] In 2011 L&AF became a 100% owned subsidiary of Tiger Consumer Brands Ltd.

L&AF manufacture canned fruit and fruit purees for both the domestic and international markets. Around 90% of the company's production is exported to over 30 countries under a variety of brand labels. It is the largest food group in South Africa.

2.2 Corporate, organisational and ownership structure

L&AF is a private company which is a wholly owned subsidiary of the publically listed company, Tiger Consumer Brands Ltd. The company provided a copy of the ownership structure (**confidential attachment 1**).

2.3 Relationship with suppliers and customers

L&AF sells peach products to a number of domestic customers, only one of which is a related party, Tiger Consumer Brands Ltd. We calculated the total percentage of domestic sales of peach products to this related party as [redacted]% by volume. The remainder of sales were to unrelated entities.

L&AF purchases raw fruit from farmers in the area. The company advised that while less than [redacted]% of raw produce intake was from a farmer that holds a minor shareholder interest in L&AF, all other purchases were from providers with no shareholding interests and therefore unrelated.

2.4 Accounting structure and details of accounting system

L&AF operate an integrated accounting system, Oracle. Wages are recorded separately using the SAP accounting system which is reconciled and then loaded into SAP each pay period. L&AF's financial year is from 1 October to 30 September.

Each year budgets are prepared for the upcoming year after preparation of the previous year's annual financial statements. The forecast is updated quarterly as the company assesses ongoing production and performance. KPMG monitor and audit the transaction process controls during the year. The accounting process is outsourced as part of the Tiger Consumer Brands group. The company maintains an internal audit team and is audited annually by Ernst and Young.

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[1] Langeberg & Ashton Foods (Pty) Ltd company brochure.

3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS

3.1 The goods

The goods the subject of the application (the goods) are:

> Prepared or preserved peach products either whole (peeled or unpeeled) or in pieces (including halves, slices, diced), with or without added sugar or other sweetening matter or spirit, prepared or preserved in container sizes from 300 grams (g) up to and including 1.5 kilograms (kg).

Goods excluded from this application are:

- Individually packed prepared or preserved peach products of less than 300g which are sold for snacking purposes;
- Peaches mixed with other fruit types such as pears, apples or nectarines;
- Sizes greater than 1.5kg, which are more common in the food service channel; and
- Multiple packs of individual packs of prepared or preserved peach products, each less than 300g, which are sold together to aggregate to greater than 300g.

3.1.1 Tariff classification

The goods are classified to the following tariff subheading 2008.70.00 in Schedule 3 to the *Customs Tariff Act 1995* with statistical code 51.

The general rate of duty is currently 5 per cent for goods imported from South Africa.

3.2 Product range and manufacturing facilities

3.2.1 Product range

As one of the largest canned deciduous fruit processors, the company produces a range of canned products in different canning sizes and cuts including:

- Peaches;
- Apricots;
- Pears;
- Apples;
- Guavas; and
- Mixed fruit combinations.

3.2.2 Manufacturing facilities

L&AF has two manufacturing plants located in the Western Cape of South Africa. Together the facilities have a production capacity of [redacted] million basic cartons per year. A basic carton consists of twenty four cans of 825g and is the referred unit of measure when analysing production levels and cost allocations.

3.2.3 Production process

L&AF described the production process as follows:

1. Raw peach product is delivered to the factory and either processed immediately or sent to cold storage, depending upon need. The farmers deliver to one of seven depots where L&AF weigh and grade the raw peaches before entering the delivery into the time away system. Different grades of fruit are priced at different levels;

2. The raw peaches which move to processing are then washed and the skins are removed;

3. The raw peaches then enter an automated cutting machine where the stone is removed and the peach is cut to the required size;

4. After cutting, the peaches are graded for consistency in size and colour;

5. The peaches are then canned;

6. A liquid medium of either syrup or juice is added;

7. Finally the filled can is sealed and cooked. Once this stage is complete the cans are referred to as a "brite".

8. As a brite, and prior to labelling, the cans are moved to the warehouse for storage until orders are placed, the labels are applied and then shipped out as required.

A summary of the production process and quality control procedures was provided (**confidential attachment 3**).

3.2.4 Goods exported to Australia

L&AF advised that the products exported to Australia are made from the same source material and go through the same production process as the goods sold on the domestic market.

L&AF exported six peach products to Australia during the investigation period. The six product codes represent a range of peach products varying according to cut (slices, halves), fruit grade (choice or standard), container size (eg 410g, 825g and 1kg), packing medium (syrup, natural juice), packaging type (standard can, easy opening can, plastic jar). More details on the exported products can be found in section 4 below.

3.2.5 Like goods

L&AF sell a range of peach products in South Africa that have similar characteristics to peach products sold to Australia. The products are similar in terms of the fruit content, packaging, packing medium, end-use and both are primarily sold through retail supermarket chains.

L&AF advised that they produce two grades of peach product, choice and standard. The company explained that there is a difference in the quality of the product based on irregularities in the peach cut sizes and some bruising levels. The difference is not always distinguishable visually, but based mostly on aesthetics. The difference between the standard and the choice grading was described as follows:

Choice: must have less than [redacted] blemishes per [redacted] pieces of fruit, must be [redacted], the fruit must be a [redacted] and the [redacted]. [product standard details]

Standard: must have less than [redacted] blemishes per [redacted] pieces of fruit, [redacted], the fruit may be [redacted] than a choice product and there is [redacted]. [product standard details]

Different varieties of peaches are used over the course of the canning season based on different harvesting times. The company also used cold store rooms for the peaches to prolong the life of the peach to enable a longer canning period.

L&AF provided a document showing the pack plan (including the drained weight) and quality specifications for each pack item (**confidential attachment 7**).

3.3 Like goods – preliminary assessment

We are satisfied that the prepared or preserved peach products produced by L&AF for domestic sale in South Africa are like goods to those exported to Australia in terms of subsection 269T(1).

4 SALES TO AUSTRALIA

4.1 General

4.1.1 Products sold to Australia

L&AF exported the following peach products to Australia during the investigation period:

Product code	Cut	Grade	Packing medium	Carton make-up	Container type	Brand	Kgs
15-50480	Slices	Choice	Clear juice	6 x 1kg	Plastic jar	Home Brand	[redacted]
15-49445	Slices	Choice	De-ion juice	12 x 820g	Ezo can	Select	[redacted]
15-15200	Halves	Standard	Syrup	12 x 825g	Std can	Home Brand	[redacted]
15-49894	Slices	Choice	De-ion juice	12 x 410g	Ezo can	Select	[redacted]
15-50202	Slices	Standard	Syrup	12 x 415g	Std can	Home Brand	[redacted]
15-50201	Slices	Standard	Syrup	12 x 825g	Std can	Home Brand	[redacted]
Total							[redacted]

4.1.2 Customers in Australia

L&AF's sole customer in Australia during the investigation period was Woolworths International Logistics (Woolworths).

4.1.3 Tender process

All sales of peach products to Australia in the investigation period were part of a tender won by L&AF to supply these and other fruit products to Woolworths. L&AF explained that around November each year, Woolworths release a tender offer for the purchase of approximately [redacted] to [redacted] [a range of food products] food products. The tender process is handled by L&AF's agent in Australia, Jamieson Trading Co., Ltd (Jamieson).

Jamieson provides L&AF with a guide on prices that are likely to win the tender and L&AF assesses these returns before deciding to proceed with the tender application. L&AF advised that it understood that SPCA historically did not want to supply generic label products to Woolworths and Coles and therefore the supermarket chains needed to look overseas to secure supply of these products.

The tender requirements specify the quantity requirements which have a tolerance of +/- [redacted]%. In its EQR, L&AF provided copies of Woolworths "Controlled Product Specification" sheets for the peach products (**confidential attachment 4**). It also provided contracts with Woolworths for the supply of various fruit products, including peaches, in 2011 and 2012 (**confidential attachment 5**). The 2012 contracts specify that the goods the subject to the contracts are to be supplied [redacted] [confidential contract terms] stated in the contract. The contract price is specified in Australian dollars per running carton. A running carton is the standard carton packed with a certain number of cans depending on the size of the can. For example, 410g cans are packed in running cartons of 12, whilst 825g cans are packed in running cartons of 6.

L&AF explained that no negotiation is entered with Woolworths in respect of the contract price and no rebates or discounts apply to the sales. At the visit, L&AF provided advice from Woolworths notifying that L&AF had been successful in the tender process for 2012 (**confidential attachment 6**).

L&AF explained that the exportation of food products is closely monitored by the South African government. An official certificate must be issued by the government authority under the Agricultural Product Standards Act in respect of each export consignment. A copy of the export standards applied for fruits was provided (**confidential attachment 8**).

L&AF advised that, since the end of the investigation period, it had ceased to supply Woolworths Select products to Woolworths, which it understands is now supplied by SPC-Ardmona, and now only supplied Home Brand products.

L&AF explained that a significant quantity of peach products exported to Woolworths in the investigation period had been at prices pursuant to contracts agreed in 2011 and 2012. L&AF provided a schedule to show the quantities of peach products exported in the investigation period that were subject to the 2011 and 2012 pricing (**confidential attachment 9**).

4.1.4 Sales process

Woolworths places a purchase order with L&AF when it wishes to purchase products under the tender contract. The order is generally met from stocks of 'brite cans' that L&AF maintains to meet the contract requirements of its various domestic and export customers.

The brite cans are labelled according to Woolworths instructions and the goods are delivered to L&AF's shipping agent, South African Container Depot (SACD), who loads the containers on the agreed vessel.

All sales to Woolworths were free-on-board (FOB) Cape Town. Woolworths is responsible for arranging and paying for ocean freight and marine insurance. Credit terms are [redacted] days [credit terms] from the bill of lading.

4.1.5 Pricing

The price of peach products exported to Australia by L&AF during the investigation period was subject to contracts between Woolworths and L&AF executed as per the tender processes won by L&AF. The Australian dollar export price per carton for each product code did not change throughout the investigation period.

4.2 Verification of export sales up to audited financial statements

We asked L&AF to provide evidence that its Australian sales listing represented a complete list of sales of peach products exported to Australia during the investigation period. L&AF provided a report showing its income statement for the financial year to September 2012, the year-to-date statement to June 2012 and the year-to-date statement to June 2013 (**confidential attachment 10**). We saw how L&AF had deducted the year-to-date June 2012 figures from the September 2012 financial statement amounts and added the amounts for year-to-date June 2013 to present an income statement for the investigation period. The income statement for the investigation period shows total sales of [redacted] [actual volume of basic cartons] basic cartons with a net sales value of ZAR [redacted] [actual sales value of basic cartons].

L&AF provided a schedule of sales volumes to each country in the period October 2012 to June 2013 (**confidential attachment 11**). The total sales volume matches the amount in the income statement for the period. The schedule shows sales of [redacted] [actual volume of basic cartons] basic cartons of all products were exported to Australia in the nine month period. L&AF provided a report showing a breakdown of all products exported to Australia in the period (**confidential attachment 12A**). A further report extracted peach products the subject of the investigation (**confidential attachment 12B**). After converting the basic carton numbers to running cartons, we were able to match the quantities sold with transactions in the Australian sales spreadsheet for the same period. On this basis we were satisfied that the Australian sales listing is complete and relevant.

4.3 Verification of export sales down to source documents

4.3.1 Exports to Australia

Prior to the visit, we selected six export sales from the detailed Australian export sales spreadsheet and requested that L&AF provide source documents in relation to each invoice.

For each selected invoice, L&AF provided copies of the following documents:

- sales contract with Woolworths;
- purchase order;
- commercial invoice;
- official export certificate under the Agricultural Product Standards Act;
- proof of payment by Woolworths;
- bill of lading; and
- invoices for export charges.

We were able to match the sales information in the source documents to the data contained in the detailed sales spreadsheet. The source documents, including proof of payment of the selected sales, are at **confidential attachment 13.**

Documents evidencing the payment of the [redacted]% commission to Jamieson are at **confidential attachment 14**.

4.3.2 Inland transport

The spreadsheet of export sales submitted in L&AF's EQR includes amounts for inland transportation expenses. L&AF provided a copy of its transport supply contract supporting the cost used by L&AF for transporting a container of product to the port in Cape Town (**confidential attachment 15**). To calculate and allocate an amount for inland transport to each export sale listed in the response, L&AF divided the number of running cartons per sale by the total number of running cartons able to be packed in each container and then multiplied the result by the rate specified in the contract. We were satisfied with the methodology used by L&AF in its Australian sales spreadsheet to calculate an inland transport expense for each transaction line.

4.3.3 Export expenses

L&AF uses SACD to pack containers for export. L&AF provided correspondence from SACD setting out the rates for various packing and unpacking services (**confidential attachment 16**). The rate for container packing ([redacted] ZAR per container) corresponds with the rate applied in the Australian sales spreadsheet. The per container cost has been apportioned to particular transaction lines according to how many cartons of a particular product code fit in a container.

We asked L&AF to provide documents to support the amount for other export related expenses included in the Australian sales spreadsheet. L&AF provided a schedule of expenses incurred per container exported for various expenses (eg terminal handling charges, container haulage to port, export service fee) (**confidential attachment 17**). The expenses listed in the schedule are supported by freight forwarder invoices provided for the selected export transactions.

4.3.4 Exchange rates

We used Reserve Bank of Australia (RBA) published exchange rates to convert L&AF's Australian dollar export prices to South African rand to compare with domestic sales prices in rand. The RBA rates are very similar to those listed by L&AF in its Australian sales spreadsheet.

4.3.5 Conclusion

Having been able to reconcile L&AF's export sales spreadsheets down to source documents, we are satisfied that the spreadsheets are accurate.

4.4 Date for comparison of export and domestic sales

The Commission usually regards the invoice date as the date of sale (that is, the date that best represents when the material terms of the sale have been established) unless there is clear evidence to indicate that another date is appropriate. L&AF stated that the invoice date was the date of sale for sales of peach products exported to Australia and sold in South Africa. We have no reason to propose any other date.

4.5 The exporter

We consider L&AF to be the exporter of peach products exported to Australia from South Africa. L&AF:

- is the manufacturer of the goods;
- manufactured the goods to the specific order of Woolworths; and
- sent the goods for export to Australia and was aware of the identity of the Australian customer.

4.6 The importer

We consider that for export sales of peach products to Australia in the investigation period, Woolworths was the beneficial owner of the goods at the time of importation. We noted that Woolworths:

- negotiated with L&AF with the assistance of L&AF's agents, Jamieson;
- is named as the consignee on the bills of lading; and
- arrange and pay ocean freight and marine insurance, and all other importation expenses.

We consider Woolworths to be the importer.

4.7 Arms length

In respect of the sales to the Australian customers 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 consider the export sales of peach products to the Australian customers were arm's length transactions.

4.8 Export price – preliminary assessment

We are satisfied that:

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

We therefore consider that the export price for these sales can be determined under s. 269TAB(1)(a) of the Act based on the price paid or payable for the goods by the importer.

The weighted average quarterly FOB export prices in South African Rand per kg are summarised in the table below:

[confidential table indicating weighted average quarterly FOB export prices for various exported products]

Product code	Sep-12	Dec-12	Mar-13	Jun-13	Grand Total
[redacted]			[redacted]		[redacted]
[redacted]	[redacted]	[redacted]	[redacted]		[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]		[redacted]
[redacted]	[redacted]	[redacted]	[redacted]		[redacted]

Details of the export price calculations are at **confidential appendix 1.** A summary of export prices by product code by quarter is at **confidential appendix 2**.

5 COST TO MAKE & SELL

5.1 Approach to verification

In its EQR, L&AF provided cost to make and sell (CTMS) data by product code supplying several different spreadsheets detailing the required information by quarter for both the domestic and Australian market sales (**confidential attachment 1**). The company provided costs based on standard costs with fixed overhead costs being allocated across products based on sales volume quantities. The data was broadly categorised and presented as:

- material costs;
- direct labour;
- manufacturing overheads;
- selling costs;
- administration costs; and
- financial costs.

We noted that some quarters within the domestic CTMS spreadsheets did not have any costs recorded despite sales being made during that quarter. L&AF explained that this was because of the cost records selected as representing a particular product may have multiple product codes with labelling being the only difference between the products. Therefore, while sales of a certain can size may be recorded for the quarter, the particular product code that was selected for CTMS purposes did not have sales and so no costs have been recorded against that particular product code. Sales data is not recorded by product code which is why there are gaps in the CTMS spreadsheets. During the visit, L&AF provided revised domestic CTMS spreadsheets to match the actual products sold (contained in electronic file labelled COSTS 2013).

L&AF advised that the sales figures and the cost to manufacture figures were specific downloaded amounts from the Oracle accounting system, however all other costs recorded in the CTMS information were allocated figures based on quantity proportions. Fixed costs had been allocated as product was sold over the period as a percentage of total sales.

We selected the September 2012 quarter to examine in detail and match to the audited 2012 financial statements.

5.2 Cost Verification – reconciliation to financial statements

To check the completeness and relevance of L&AF's CTMS data, we sought to verify the information contained in the EQR upwards through management reports to the audited financial statements (**confidential attachment 18**).

L&AF provided its business income statements for the 2012 financial year together with year to date figures to June 2013 and totals for the investigation period (**confidential attachment 19**) which incorporated figures for all products made and sold by the company. The total year to date figures for the period ending September 2012 cross matched to the 2012 audited financial statements which were provided in the EQR (**confidential attachment 18**).

L&AF demonstrated how it derived the figures for the investigation period from the system using the completed 2012 financial year and year to date figures for the 2013 period. They showed how the June 2012 year to date figures were subtracted from the September 2012 final figures, the result of which was then added to the June 2013 year to date figures for the 2013 financial year to obtained figures for the investigation period. We are satisfied that the correct procedure was conducted by L&AF in order to extract information required for the investigation period.

5.3 Production volume

Different varieties of peaches are used over the course of the canning season. The company is able to extend the season and increase production levels by utilising cold store rooms to prolong the life of the raw peaches. Early variety fruit produces a greater yield. The older the fruit and the use of cold store fruit lessen the potential output levels per amount of raw fruit processed. Weather factors which affect season start dates can dramatically affect costs and labour expenses for each production season.

L&AF's two manufacturing plants operate with similar technology. There are [redacted] [actual number] cookers on one side and [redacted] [actual number] cookers on the other. Each cooker is size specific and this limits production capacity. The factory architect determines what products are to be packed, as each cooker can process different fruits at different times. Each cooker has its own production line and the number of cookers functioning determines the level of output. L&AF advised that the maximum output it can produce per season is up to [redacted] [actual production capacity] tonnes of peaches if the plants are running at full capacity.

L&AF's production schedule of prepared or preserved peach products runs over a 3 to 4 month period. After that time the finished products are shipped over the following 12 months at regular intervals in relatively even quantities throughout the year.

The company explained and then demonstrated how the sales per quarter recorded in the CTMS were derived from the Oracle accounting system and recorded in basic cartons. Within the reporting model it was shown how filters were applied first at country level then by category, specifically peaches. We verified the quarterly totals to the CTMS spreadsheets provided in the EQR.

5.3.1 Verification of volumes

We asked the company to demonstrate how the quantities in the CTMS spreadsheets were calculated. The company provided us with a spreadsheet that listed production volumes for all fruit products during the selected months by export country (**confidential attachment 11**). The company then filtered the information to extract only peaches from the data (**confidential attachment 12**). We matched the volumes from this spreadsheet to the quantities in the CTMS spreadsheets.

5.4 Manufacturing costs

L&AF informed us that costs are based on standard costs rather than actual costs. In order to apportion the costs of raw materials and overheads to each product the company used the Oracle data system to calculate the costs based on the standard costs recorded in each of the bill of materials (BOM) for each product line. The standard costs recorded in each of the BOMs is established at the commencement of each season. However we observed that the standard was revised twice during the investigation period.

We requested and L&AF supplied BOMs and details of standard costs for selected peach products for one quarter to see the basis of each of the standard costs (**confidential attachments 20 & 21**). The BOM identify the quantities of raw materials required to produce a particular product. We examined the major components of each BOM being the following items:

- raw peaches
- cans and can ends, plastic jars (packaging)
- sugar
- production labour
- indirect overheads

<u>Raw Material – Peaches</u>

Around [redacted] [actual number] farmers supply between and 8 and 10 different peach varieties to L&AF. The company maintains a two year notice period with each farmer defining the quantity of hectares to be purchased and the scale of payment to be applied to the purchases. L&AF provides incentives for providing "best tip" at delivery stage and applies penalties for giving lower quality produce. The price of the raw peaches is established by a formula that creates a scale of payment depending on the quality of product delivered to the factory. The formula factors in the average annual selling price of the finished products. L&AF provided a copy of the raw peach purchase price (rand per tonne) for the 2012/2013 period (**confidential attachment 22**). Juice grade and orchard grade (both used in canning) peaches are paid a flat rate per tonne. Each farmer is guaranteed [redacted]% of the value of the product delivered paid proportionately from the date of delivery through until the following September, with the remaining [redacted]% paid mid-November each year. The final amount owed to the farmer may change over the course of the year depending on selling prices obtained by L&AF for the finished products.

<u>Packaging</u>

Prepared or preserved peach products are packaged and sold in a variety of sizes. One of the main cost components of the finished product is the can, can end or plastic container used for packaging. Cans and can ends vary depending on whether the product is produced as an 'easy open' can with a ring pull or a standard can end. Can sizes may be produced in either 825g or 410g whilst plastic jars are used for 1kg varieties. L&AF advised that it does not sell a 1kg plastic container size product on the domestic market, only the export market. All plastic jars used in the production process are imported from India.

<u>Sugar</u>

Sugar is one of the main ingredients used in the production of prepared or preserved peach products, no matter what the finished packaging size. The sugar used may be brown or white depending on the recipe requirements. L&AF receives a rebate for sugar from the South African Sugar Association (SASA)at the end of each financial year. The rebate amount is calculated by the industry association using a formula that takes into account international sugar prices, South African sugar prices, lag and lead times. The company explained the South African sugar price is regulated by the local industry association (SASA). The standard in the BOM is based on the invoiced sugar price, as the rebate amount is not known until the end of each financial year.

Production Labour

Production labour figures are recorded in the BOM based on an average of the total cost per basic carton derived from the previous year's total. Records are kept at each of the manufacturing plants and then recorded in the company's accounting system.

Indirect Fixed Overheads

The standard recorded in the BOM for indirect fixed overheads is based on amounts calculated from the previous year's figures. It is a flat rate applied to all products and then allocated based on the proportion of basic cartons produced of each different fruit.

5.4.1 Verification of costs to source documents

We selected both a standard 825g can of sliced peaches and a choice grade 1kg plastic jar of sliced peach BOM to examine in detail and trace to source document level.

Raw Materials - Peaches

We examined the raw fruit payment scale based on the formula used to grade payments and cross matched the cost per tonne to the BOMs examined at the verification. The price scale provides the range of prices a farmer may obtain when selling raw fruit to L&AF. The range of grades goes in 1% steps from 100%, being the best possible price that could be received for an unblemished, high quality delivery, down to 85% which takes into account more damage and lower yielding fruit quantities. The company explained that the BOMs include the cost based on the average grade of fruit they receive which is around the 94-95% range not the 100% basis. We observed that the rate included in the BOMs examined was recorded at the 93% range. Those BOMs that included raw fruit purchases of juice grade peaches matched the flat rate cost per tonne provided in **confidential attachment 22**.

We requested a copy of an invoice for purchase of raw peaches during the month of February 2013 which the company provided (**confidential attachment 23**). The invoice shows the different grades of peaches provided by the particular producer, the quantity delivered and the actual price per tonne in Rand applied to those amounts. The invoice showed that this particular farmer was paid a price for the canning grade 1 fruit based on the 96% price range quoted in the price table provided which was just above the standard recorded in the BOM. The company then showed records from the Oracle accounting system demonstrating the [redacted] [actual ratio of upfront and final payment] payment plan established for the particular delivery, how it is recorded in the system and showing that the final amount owed to the farmer was to be paid on 30 September 2013 (**annexed to confidential attachment 23**).

Packaging

L&AF provided copies of invoices for both easy opening and regular 825g cans (**confidential attachment 24**) together with copies of invoices for 1kg plastic jars (**confidential attachment 25**). The canning invoices showed minor variances between the actual invoice amounts paid and the standard recorded in the BOM (less than 1.4% each). However the plastic jars showed a much greater variance between the [redacted] rand per jar recorded in the BOM and the actual amount of [redacted] rand per jar paid on the invoice ([redacted]%). L&AF explained that the plastic jar invoice is paid in US dollars so the exchange rate fluctuations create variances to the standard. The invoice for plastic jars provided was dated December 2011. We noted that this invoice was being compared to a 2013 BOM standard. The company advised that this invoice was the most recent invoice paid for plastic jars which further explains the reason for the variance between the two amounts. As the company was unable to provide a more recent invoice and did not demonstrate the basis the plastic jar standard cost had been updated in the BOM, we were unable to be satisfied that the standard cost recorded in the system was accurate.

Sugar

We asked L&AF to provide some examples of sugar invoices for February 2013. The company provided examples of both white and brown sugar purchases together with a reconciliation of the invoice price to the amount recorded in the BOM (**confidential attachment 26**). The documents showed a difference between the standard recorded in the BOM for white sugar and the actual invoice amount paid of [redacted] rand [actual cost] per kilogram or [redacted]% [actual percentage difference], and for brown sugar [redacted] rand [actual cost per kilogram or [redacted]%[actual percentage difference]. We consider these variances to be immaterial.

Production Labour

We chose to examine the period January to February 2013 as that is during peak production season. L&AF provided a copy of the consolidated manufacturing production volumes by month for the 2013 financial year (October to September) of all fruits produced in basic carton volumes together with the total manpower related costs for the months January 2013 to March 2013 (**confidential attachment 27**). These documents demonstrated the average total actual labour cost per basic carton over the selected 3 month period was [redacted] rand [actual cost] per hour. We noted that the standard cost contained within the BOM was [redacted] rand [actual cost] per hour. We observed the actual average rand per hour was approximately [redacted]% [actual percentage difference] less than that recorded in the BOM and noted this material variance to the company. The actual rand rate per hour provided over the 3 month period when examined month by month, fluctuated both above and below the standard rate recorded in the BOM. The company advised that this was normal over the course of the production season due to the factors that could affect production levels and therefore they did not consider the variances to be an issue. Whilst a variance of [redacted]% [actual percentage difference] is significant, over the entire course of the investigation period, L&AF demonstrated that the variances overall netted each other out.

Indirect Fixed Overhead Cost

L&AF provided a print out of the consolidated manufacturing fixed overheads for the year to date to 31 January 2013 (**confidential attachment 28**). This summary showed the actual cost per basic carton to be [redacted] rand [actual cost]. We noted that the figure recorded as standard in the BOMs was [redacted] rand [actual cost] per basic carton. The company explained that the standard cost recorded was based on the prior year's budget for the current production season. The company was unable to provide any evidence of the budget that established the amount as staff involved with the process were no longer employed there and they were unable to locate any records to support this amount. Again we note that a variance of [redacted]% [actual percentage difference] would be considered material. As L&AF was unable to provide any further evidence we were unable to be satisfied that the standard cost recorded in the system was accurate.

5.5 Selling, general and administration (SG&A) expenses

As noted above the manufacturing costs were based on actual amounts recorded throughout the production process. SG&A costs were derived from the total cost recorded for all products and then allocated based on quantity produced. A copy of the income statement for the investigation period, itemising each of the SG&A categories was provided (**confidential attachment 29**). L&AF demonstrated how the figures recorded cross matched first to those totals recorded in the audited financial statements and then how each amount was allocated to peach production specifically (**confidential attachment 30**). We are satisfied with the methodology used and the accuracy of the figures produced.

5.6 By products

L&AF advised that there is a high proportion of waste created during the production process after the removal of the stone and skins of the raw fruit. Approximately 30% of the raw peach is lost, which is mostly from the stone of the fruit. Around 50% of the raw peach material makes it into canning, whilst the remaining 20% of raw material produces pulp which is then sold to the juice industry. Within each of the peach product BOMs (**confidential attachment 21**) the gross weight of the raw peaches purchased is accounted for, then a negative amount is recorded on a separate line to account for the credit obtained for the amount of by-product which is created and then redirected elsewhere for production.

The peach pulp that is created and on-sold gets costed into sales of pulp within the accounting system. Large amounts of peach pulp by-product is not desirable as the consistency of the peach pulp does not run through the machines at the manufacturing plant as well as pulp from other fruits.

5.7 Variances

L&AF provided copies of reports generated from the Oracle accounting system. These report contained standard costs at any point in time.

L&AF demonstrated by reference to different variance reports, how variances are calculated and recorded to adjust standard costs when calculating actual costs for reporting. L&AF provided a copy of variance to standard costs summary for the 2011 and 2012 financial years for peaches and the company as a whole (**confidential attachment 31**).

We asked L&AF to demonstrate how the variances impacted on the actual cost of goods sold (COGS) recorded in its financial statements. L&AF provided a report showing the reconciliation of COGS to its financial statements for the period to June 2013 (**confidential attachment 32**). The report shows how the COGS for the period of ZAR [redacted] [actual amount of COGS], representing the total of the various BOMs of all products manufactured and sold, reconciles to the actual COGS of ZAR [redacted] [actual amount of COGS] recorded in L&AF financial statements and management reports.

We verified the total COGS based on the BOMs by reference to a download of the annual and year-to-date sales and standard cost file for each product code provided in the confidential electronic file entitled [[redacted]]. [file name]

From the reconciliation report we were able to observe the variance accounts and their impact on the COGS based on the standard costs. The variance amounts could be traced to the various general ledger accounts contained in L&AF's trial balance.

As discussed above, L&AF reported its costs to make and sell at standard. The variance components that contribute to the variance total are:

- Sugar rebates – calculated and adjusted at the end of the financial year;
- peach purchase price variance (PPV) – created by the difference paid to farmers over the course of the season;
- producers purchase price variance – adjustment of payment to growers for canning grade fruit based on sale price obtained for finished products;
- revaluations – of prior year stock still on hand, total stock is revalued each year and then added back on a per carton basis as sales occur;
- materials variance – some materials are bought at a fixed price. If the company negotiates a better price than that recorded as the standard in the BOM then a variance is created;
- conversion cost variances – labour and overheads;
- imputed interest – extensive credit terms on materials including sugar, peaches and cans.

We found that, when taken together, the positive and negative variances represented a very small proportion of the COGS ([redacted]%). On this basis we are satisfied that the standard costs presented by L&AF for each product code reasonably and reliably reflect the cost of production for those goods and that the variance with actual costs is not material.

5.8 Tiger Consumer Brands Ltd's costs

At the visit we requested and L&AF supplied CTMS schedules for Tiger Consumer Brand Ltd's sales of three peach products to customers in South Africa in case these were necessary to establish normal values for exports to Australia (**confidential attachment 33**). The Tiger Consumer Brands Ltd's sales listing also included amounts for various expenses incurred by Tiger Consumer Brands Ltd in the sale of peach products on the domestic market of South Africa. We verified the amounts included for these expenses in the Tiger Consumer Brands Ltd sales listing against the company's income statements for canned fruit products (**confidential attachment 34A**) and peaches (**confidential attachment 34B**).

5.9 Costs to make and sell - conclusion

We consider that L&AF's cost to make and sell data is a complete, relevant and accurate reflection of the actual costs to make and sell prepared or preserved peach products during the period from 1 July 2012 to 30 June 2013.

We consider sufficient cost to make and sell information was obtained and verified to conduct ordinary course or trade assessments and/or determine normal values under section 269TAC(2)(c) of the Act.

A summary of CTMS for export and comparable domestic product codes is at **confidential appendix 3**.

6 DOMESTIC SALES

6.1 General

L&AF advised that there are three major supermarket chains in South Africa (Shoprite, Pick n Pay and Spar). These three chains represent approximately 90 per cent of the supermarket retail industry in South Africa. L&AF stated that each of the supermarket chains has a premium and standard house brand product for canned fruits, including peaches. L&AF stated that its Koo brand of peach products holds about [redacted] per cent of the domestic market and that it primarily supplies the Pick n Pay chain.

L&AF's competitor for packaged fruit products, including peaches, is the Rhodes Food Group. The supermarket chains also import packaged fruit products if the exchange rate is favourable.

L&AF has three domestic customers for peach products that represented the following proportions of the volume of L&AF's peach product sales in the investigation period [the table shows the actual percentage of L&AF's sales to customers]:

Customer	%
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]
	100.00

Tiger Consumer Brands is L&AF's parent company and 'sales' to Tiger Consumer Brands are made on the basis of fully absorbed cost. M & L Distributors provides house brand products to the Pick N Pay group. Patleys Ltd is a distributor of specialty brands of food products. Its range includes the Weigh Less brand of canned peaches, which is supplied by L&AF. The products purchased by Patleys Ltd are choice grade peaches in clear juice.

6.2 Levels of trade

L&AF advised that it regards its customers as being at the same level of trade. It stated that selling prices to Tiger Consumer Brands and M & L Distributors were very similar, however the price to M & L Distributors has a profit margin factored into the price. L&AF said that prices to Patley Ltd were higher as they purchase a specialised juice pack aimed at a specific market (weight loss market).

6.3 Sales to related parties

L&AF sells the majority of its peach products in South Africa ([redacted]% by volume) to its parent company, Tiger Consumer Brands. The sales are made on a fully absorbed cost basis.

We requested, and L&AF provided, a listing of sales of peach products by Tiger Consumer Brands in the investigation period. This is contained in the confidential electronic file *DOMESTIC SALES (*[redacted]). [file name]

6.4 Domestic sales process, pricing, terms and payment

6.4.1 General

L&AF sells to its three domestic customers under contracts established towards the end of each calendar year. The contracts specify quantities and fixed prices for each packaged fruit product applying until the end of the following calendar year. In the EQR, L&AF provided copies of the relevant contracts for the investigation period.

L&AF advised that prices are set in accordance with reference to costs and prevailing market conditions including competitor activity.

Domestic customers place a purchase order with L&AF in accordance with the negotiated annual contract. Product is labelled and ready for despatch within three weeks. An invoice is raised at the time of despatch.

6.4.2 Delivery terms

Peach products sold to M&L Distributors and Patleys Ltd are on [redacted] [actual terms] terms. Sales to Tiger Consumer Brands are sold [redacted] [actual terms].

6.4.3 Payment terms

Tiger Consumer Brands pays L&AF in lump sums in advance which are acquitted via credit notes as the goods are ordered and collected. M&L Distributors' terms are [redacted] days from the date of statement, whilst Patleys Ltd terms are [redacted] days from the date of statement per the invoice documentation examined.

6.4.4 Rebates, discounts and commissions

No rebates or discounts apply to the sales to Tiger Consumer Brands. Sales to M&L Distributors are subject to an on-invoice discount of [redacted] per cent known as a 'swell allowance' which covers damaged or spoilt product. An on-invoice volume discount of [redacted] per cent may also apply depending on the purchase order quantity. M&L also receive an early payment rebate of [redacted] per cent if payment is made within [redacted] days. L&AF provided evidence that M&L Distributors availed themselves of the early payment discount throughout the investigation period (**confidential attachment 35**).

6.5 Verification of domestic sales up to the audited financial statements

We undertook the same process as we did for Australian sales (described in 4.2 above) for sales by L&AF in South Africa. L&AF provided a report showing a breakdown of all sales volumes (in basic cartons) of all products in the period October 2012 to June 2013 (confidential attachment 12C). The total basic cartons matches quantity for South Africa in the country sales breakdown (**confidential attachment 11**).

L&AF provided a further report showing the sales volumes of basic cartons of each peach product in the period October 2012 to June 2013 (**confidential attachment 12D**). The report contains peach products that are not goods the subject of the investigation as well as the products that meet the goods under investigation description. After converting the basic cartons to running cartons for the subject goods, we were able to match the volumes sold with volumes in the domestic sales listing for the same period. On this basis we were satisfied that the domestic sales listing provided by L&AF is a complete listing of its sales of peach products under investigation during the investigation period.

6.6 Verification of domestic sales down to source documents

Prior to the visit, we selected nine domestic sales transactions from the detailed domestic sales spreadsheet and requested that L&AF provide source documents in relation to each sale.

For each selected invoice, L&AF provided copies of the following documents during the visit:

- Sales contract (which is also used as the production order);
- Commercial invoice;
- Proof of payment.

We matched the sales information in the source documents to the data contained in the detailed sales spreadsheet. The source documents, including proof of payment, of the selected sales are at **confidential attachments 36**.

We concluded that the domestic sales spreadsheet provided by L&AF contained an accurate list of domestic sales of like goods for the investigation period.

We also selected a number of Tiger Consumer Brand's sales of peach products from the listing provided and asked L&AF to provide the corresponding invoices (**confidential attachment 33**).

6.6.1 Inland transport

L&AF explained that the inland transportation costs for deliveries to M & L Distributors and Patleys Ltd in Cape Town are subject to the same contract as deliveries to SACD for export shipments. L&AF provided its contract for the transportation of product from Ashton to Cape Town supporting the cost of ZAR [redacted] [actual cost] per trip (**confidential attachment 15**). L&AF used the typical truck load gross weight of 36 metric tonnes to calculate a cost of in land transport, assuming a gross weight per basic carton of 22 kg. We are satisfied that L&AF's allocation of inland transportation expenses to peach products and included in the domestic sales spreadsheet is reasonable.

6.7 Arm's length

In respect of L&AF's domestic sales of peach products to M&L Distributors and Patleys Ltd, 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;
- the buyer, or an associate of 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 L&AF's domestic sales to unrelated parties are arm's length transactions.

However, we consider that the price for goods sold to Tiger Consumer Brands has been influenced by the relationship between L&AF and Tiger Consumer Brands. Fruit products sold by L&AF to Tiger Consumer Brands are at a price equivalent to L&AF's fully absorbed cost and do not take into account factors such as competitor activity which is the case with sales to unrelated parties. Accordingly, we consider that the sales of peach products made by L&AF to Tiger Consumer Brands in the investigation period were not arm's length transactions.

6.8 Ordinary course of trade and sufficiency tests

In order to test whether the domestic sales made to unrelated parties were in the ordinary course of trade (OCOT), we first tested the profitability of each transaction by comparing the net unit selling price (after discounts and rebates) to the corresponding quarterly weighted average CTMS for each comparable product code. For sales made in 2012, we used the 2012 CTMS and for sales made in 2013 we used the 2013 CTMS. Although L&AF could not precisely identify which sales were made from fruit packaged in which season, as the canning process begins early in each calendar year, it makes sense that product sold before January 2013 would be canned during the 2012 season and incur 2012 costs.

For three product codes (15-46172, 15-49032 and 15-49033) we found that sales at a loss were not in substantial quantities (they were less than 20 per cent of sales volumes over the investigation period) and therefore all sales of these product codes were taken to have been made in the OCOT.

For other product codes, sales at a loss were in substantial quantities (greater than 20 per cent of the total sales volume over the investigation period). For sales of these product codes found to be sold at a loss, we then tested their recoverability by comparing the net unit selling price to the weighted average CTMS of the relevant product code over the whole of the investigation period. Profitable and recoverable loss making sales of these product codes were considered to be in the OCOT.

Our ordinary course of trade test calculations are **at confidential appendix 4**. A table showing the quantity of sales at a loss for each product code is a **confidential appendix 5**. A summary of sales considered to be in the ordinary course of trade and a test of their sufficiency to establish normal values is at **confidential appendix 6.** Domestic sales of a model proposed to be used for comparison purposes must be greater than 5% of the export quantity of the model it will be compared against. In this case, there were sufficient volumes in OCOT for all the proposed domestic codes selected.

6.9 Domestic sales – preliminary assessment

Following our verification, we consider that L&AF's domestic sales information is reliable. We also consider that L&AF's sales to unrelated parties can be considered arms' length transactions while we consider sales to its parent, Tiger Consumer Brands, are not arms' length.

7 THIRD COUNTRY SALES

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

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8 ADJUSTMENTS

We considered the following adjustments to domestic selling prices to ensure they were properly comparable to export prices of peach products exported to Australia in the investigation period.

8.1 Domestic inland freight

As discussed in the preceding sections, we verified the inland freight costs for domestic sales and were satisfied that the amounts included in the domestic sales spreadsheet were accurate. We made a downwards adjustment to the normal value for domestic inland freight.

8.2 Export inland freight

We verified the inland freight costs for export sales and were satisfied that the amounts included in the Australian sales spreadsheet were accurate. We made an upwards adjustment to the normal value for export inland freight.

8.3 Export handling charges

We made an upwards adjustment to the normal value based on the verified information for export handling charges.

8.4 Physical specification adjustment

L&AF do not sell peach products on the domestic market that are identical to peach products exported to Australia over the investigation period. Examples of differences are net weight, standard can versus easy opening can versus plastic jar, syrup versus clear juice. To account for physical specification differences between comparable domestic models and exported models, we made certain adjustments to the normal vales.

The cost of production of the export model was deducted from the cost of production of the domestic model. The difference was uplifted by the percentage of profit represented of the domestic sale. The uplifted cost of production difference was added to or subtracted from (as appropriate) the normal value.

8.5 Export commission

L&AF pays Jamieson a commission equivalent to [redacted]% of the FOB value of the shipment for services it provided in respect to L&AF's exports to Australia. L&AF does not incur sales commissions on the domestic market. We have made an upward adjustment to the normal value of [redacted]%.

8.6 Credit term adjustment

L&AF's export to Australia in the investigation period were at terms of [redacted] days from the bill of lading date. Comparable sales on the domestic market were at either [redacted] or [redacted] day terms. We have made an upward adjustment to normal values for the additional cost of credit incurred in relation to export sales. The amount of the adjustment was based on

L&AF's verified short term borrowing interest rate of [redacted]%. Documents to support the interest rate used in the credit terms adjustment are at **confidential attachment 37**.

8.7 Adjustment for plastic jars

We observed that the margin achieved by L&AF on exports of peach product in 1kg plastic jars to Australia was considerably higher than on canned products. Information provided by L&AF indicated that exports of 1kg plastic jar peach products to New Zealand achieved a similarly high margin.

L&AF explained that products in plastic jars are premium range products and are positioned in the market as such. It stated that the market allows a better return on plastic containers compared to the heavily traded can market.

We consider that an upward adjustment is required to make the export sales of the plastic jar product comparable to the normal value based on cans sold in South Africa. In the absence of the sale of peach products in plastic jars in South Africa, we have calculated the quarterly difference between the profitability of the product in plastic jars exported to Australia and the profitability of the comparable canned product sold in South Africa. We have made an upward adjustment to the normal values for plastic jars to account for the difference.

Our calculation of the adjustment for plastic jars is at **confidential appendix 7**.

9 NORMAL VALUE

As discussed above, we consider that L&AF's sales to its parent company, Tiger Consumer Brands, are not arms' length transactions and should therefore not be used to calculate normal values.

We consider we have sufficient arms' length sales of peach products in the ordinary course of trade on the domestic market to L&AF's two other domestic customers, M&L Distributors and Patleys Ltd, to calculate normal values.

From the arms' length domestic sales in the ordinary course of trade in sufficient quantities to match with export sales, we selected the closest matching product as follows:

Export product code	Domestic product code
15-50480 Homebrand 1kg slices – choice grade	15-49032 Weighless 400g slices – choice grade
15-49445 Select 825g slices easy open – choice grade	15-49033 Weighless 400g halves easy open – choice grade
15-49894 Select 410g slices easy open – choice grade	15-49033 Weighless 400g halves easy open – choice grade
15-50200 Homebrand 825g halves – standard grade	15-46158/15-49158 Farm Girl/Mayfair 825g slices – standard grade
15-50201 Homebrand 825g slices – standard grade	15-46172/15-48944 Farm Girl/Mayfair 410g slices – standard grade
15-50202 Homebrand 415g slices – standard grade	15-46172/15-48944 Farm Girl/Mayfair 410g slices – standard grade

A full description of the products exported to Australia and the comparable domestic volumes is at **confidential appendix 8**.

As described at section 8.4 above, we made cost-based specification adjustments to account for all physical differences between the exported product and the comparable domestic product.

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(1). We have made adjustments to the normal value under s. 269TAC(8), as applicable, for inland freight, terminal handling charges, commission and credit terms.

Normal value calculations are at **confidential appendix 9**. A summary of normal values by product code and quarter is at **confidential appendix 10**.

10 DUMPING MARGIN

In calculating the dumping margin we used the invoice date to compare each export transaction with the normal value for the closest matching product code of peach product sold in arms' length transactions in the ordinary course of trade.

We calculated a weight average product dumping margin of **1.77 per cent**. The dumping margin calculations are at **confidential appendix 11**.

11 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Detailed export price calculations
Confidential Appendix 2	Export price summary
Confidential Appendix 3	CTMS summary
Confidential Appendix 4	Ordinary course of trade test
Confidential Appendix 5	Volume of sales at a loss
Confidential Appendix 6	OCOT summary and sufficiency test
Confidential Appendix 7	Plastic jar adjustment
Confidential Appendix 8	Model matching table
Confidential Appendix 9	Normal value calculations
Confidential Appendix 10	Normal value summary
Confidential Appendix 11	Dumping margin calculations
Confidential Attachment 1	Corporate structure chart
Attachment 2	L&AF company brochure
Confidential Attachment 3	Production process & quality control summary
Confidential Attachment 4	Woolworths “controlled product specifications” sheets
Confidential Attachment 5	Contracts with Woolworths 2011 & 2012
Confidential Attachment 6	Notification from Woolworths to L&AF of successful tender
Confidential Attachment 7	Canning Specification – fruit quantity
Confidential Attachment 8	PPCEB standards and deviations allowed for exports
Confidential Attachment 9	Summary of 2011/2012 product sold in 2013

Confidential Attachment 10	Calculation of income statement derived from audited financial statements for IP
Confidential Attachment 11	Summary of sales volumes by country for the period October 2012 to June 2013
Confidential Attachment 12A	Summary of cartons sold to Australia and South Africa; total fruit
Confidential Attachment 12B	Summary of cartons sold to Australia and South Africa; peaches only
Confidential Attachment 13	Export sales invoices – selected transactions
Confidential Attachment 14	Jamieson commission evidence
Confidential Attachment 15	Inland transport contract - Manline
Confidential Attachment 16	SACD packing cost contract
Confidential Attachment 17	Schedule of expenses – rates used for transport and handling costs
Confidential Attachment 18	L&AF 2012 audited financial statements
Confidential Attachment 19	Income statement demonstrating calculation of investigation period figures
Confidential Attachment 20	825g BOM by quarter
Confidential Attachment 21	1kg BOM by quarter
Confidential Attachment 22	Raw peach purchase price per tonne table
Confidential Attachment 23	Invoice for raw peach purchases Feb 2013
Confidential Attachment 24	Can invoice
Confidential Attachment 25	Plastic jar purchase invoice
Confidential Attachment 26	Sugar purchase invoice
Confidential Attachment 27	Production labour report
Confidential Attachment 28	Indirect Fixed Overhead Summary October 2012 to January 2013
Confidential Attachment 29	Income statement reconciled to audited financial statements

Confidential Attachment 30	Verified SG&A calculation
Confidential Attachment 31	PPV summaries
Confidential Attachment 32	Variance reconciliations
Confidential Attachment 33	Tiger Brand invoices
Confidential Attachment 34A	Tiger Brand Profit & Loss statement – canned fruit products
Confidential Attachment 34B	Tiger Brand Profit & Loss statement – peach products only
Confidential Attachment 35	M&L billing and receipt ledger – [redacted]% settlement discount example
Confidential Attachment 36	Domestic sales invoices
Confidential Attachment 37	Short term borrowing rates