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**Public File Version**

Mr Con Soumbassis  
Case Manager  
Anti-Dumping Commission  
Level 35, 55 Collins Street  
Melbourne Victoria 3000  
By email: con.soumbassis@adcommission.gov.au

Dear Mr Soumbassis

**Golden Circle Limited comments on Statement of Essential Facts 333 – Consumer Pineapple Exported from the Philippines and Thailand**

**1. Executive summary**

Golden Circle Limited (**GCL**) welcomes the findings of the Anti-Dumping Commission that the expiration of the measures applicable to consumer pineapple exported from the Philippines and Thailand would lead, or would be likely to lead, to a continuation of, or a recurrence of, the dumping and the material injury that the anti-dumping measures were intended to prevent.

The Commission’s conclusions were based upon findings of changes in the variable factors applicable to the exported goods. The Commission determined preliminary dumping margins for applicable exporters in the Philippines and Thailand during 2015 as follows:

<b>Country</b>	<b>Exporter</b>	<b>Dumping Margin</b>
The Philippines	Dole Philippines Inc	6.2%
	All other exporters	25.0%
Thailand	All exporters	15.4%

The Commission determined that locally produced consumer pineapple is price sensitive to imported consumer pineapple from the Philippines and Thailand. If the measures were allowed to expire, the Commission considered that “it is reasonable to assume that as the prices of the manufacturer and retailer ‘branded’ products are reduced” the Australian industry would be forced to reduce its prices, resulting in reduced profit and profitability.

GCL concurs with the Commission’s conclusions and requests the Commission to recommend to the Parliamentary Secretary that the measures applicable to consumer pineapple exported from the Philippines and Thailand not be allowed to expire. It is further recommended that the measures be revised to reflect the changed variable factors established by the Commission in its investigations.

## 2. Changes in variable factors

The Commission received cooperation from the following exporters in Investigation 333:

- (i) Dole Philippines Inc. (**Dole**); and
- (ii) Prime Products Industry Co. Ltd (**Prime**) (Thailand).

### *(i) The Philippines*

The Commission determined that some domestic sales of consumer pineapple sold by Dole were sold in the ordinary course of trade. For the remaining models, normal values were determined under s 269TAC(2)(c) using Dole's weighted average cost to make the exported goods, plus amounts for selling, general and administrative expenses, plus an amount for profit. The Commission adjusted Dole's normal values to align with export sales for consumer pineapple to Australia.

GCL notes that the normal values (and assessed dumping margins) established for uncooperative exporters of the Philippines have been determined upon "weighted average normal values established for Dole in the review period". GCL understands that the normal values have not been adjusted for verified cost differences that formed the basis for adjustments to normal values determined for Dole. The weighted average dumping margin for Dole has been calculated by the Commission at 6.2 per cent. The weighted dumping margin for uncooperative exporters in the Philippines has been assessed at 25.0 per cent.

The dumping margin differential between Dole and the uncooperative exporters in the Philippines may be a consequence of the weighted average export prices. However, GCL requests the Commission to re-examine the adjustments afforded to Dole for customs duties and specification adjustments for surrogate models (for content and can ends). Adjustments for duty drawback must only be granted where it can conclusively be validated that Dole paid the customs duties upon importation (for cans and can ends) and that the relevant duty drawback documentation has been provided to the government of the Philippines for the goods exported to Australia. A sufficient and adequate document trail linking the importation of the dutiable goods with the exported consumer pineapple to Australia, must be verified by the Commission. In terms of the specification adjustments, the adjustment for content must reflect actual costs incurred and verified by the Commission (again including validation of duty drawback on can ends).

### *(ii) Thailand*

The Commission determined that information provided by the cooperative exporter Prime was insufficient for the Commission to establish export prices and normal values, and therefore could not be relied upon for determining a dumping margin.

The Commission therefore determined export prices on the basis of weighted average export prices for all Thai exporters, and normal values based upon the best available information. It is not clear to GCL what "best available information" was relied upon for normal value purposes, as no verification report was published in respect of Prime.

### *(iii) Conclusions on dumping*

The Commission has established that on the basis of verified information in the Philippines and the best available information for Thailand, that exports of consumer pineapple from the Philippines and

Thailand during 2015 were at dumped prices. The dumping by exporters in the Philippines and Thailand during 2015 has occurred whilst dumping measures have remained in place.

Contrary to increases in normal values during 2015 (and earlier) exporters in the Philippines and Thailand have failed to raise export prices in line with increases in normal values (i.e. reflecting domestic selling prices) on the respective home markets.

### **3. Economic condition of Australian industry**

The Commission confirmed that the Australian industry lost market share in 2014 and further again in 2015 to imported volumes of consumer pineapple from the Philippines, despite reduced harvests of fresh pineapple fruit availability in these periods.

In terms of price, the Commission identified an increase in price competition between the major grocery chains (that account for over 90 per cent of the Australian market for consumer pineapple) over the last seven year period.<sup>1</sup> The Commission also recognized that GCL branded product achieved a premium over homebrand product, which typically sold at the lowest prices.

The Commission's price analysis of Australian industry selling prices versus the import prices of two importers confirmed the findings in earlier investigations that substantial levels of price undercutting are apparent (refer Figures 11 and 12, SEF 333. P.26). The level of price undercutting is an influential factor in the pricing strategies for participants in the Australian consumer pineapple industry. GCL notes the Commission's findings that the Australian industry operated profitably in 2014 and 2015, however, the level of profitability achieved cannot be considered an acceptable return on assets employed in local consumer pineapple production by GCL.

### **4. Threat of future material injury**

GCL agrees with the Commission's assessment that given the additional production capacities of exporters in the Philippines and Thailand, combined with the importance placed on export markets, it is likely that under normal market conditions, dumping by exporters in the Philippines and Thailand will continue to recur. This view is supported by past findings that despite measures being in place, exporters in the Philippines and Thailand have continued to export consumer pineapple at dumped prices.

The Commission's research has confirmed that with increased competition in the retail sector, the "price" of consumer pineapple is the key consideration in the customers' purchasing decision. Although GCL branded product may sell at a premium due to consumer preference of 'Australian Made' and brand loyalty, there exists price sensitivity associated with the pricing of branded product domestic and imported consumer pineapple, as well as with homebranded product (i.e. typically imported consumer pineapple), with the imported product typically imported from suppliers the subject of the anti-dumping measures.

The price undercutting of the Australian industry's selling prices by the dumped exports from the Philippines and Thailand has been confirmed by the Commission in this investigation, and has also been cited from past investigations involving the review and/or continuation of measures inquiries.

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<sup>1</sup> Statement of Essential Facts 333, Section 5.5., P.19.

GCL acknowledges the Commission's assessment that in the absence of measures it is likely that, where consumers make purchasing decisions in a price sensitive market, GCL's 'value proposition' associated with the GCL brand "will be less attractive" than if the measures were to continue. GCL therefore concurs with the Commission's finding that should the measures be allowed to expire the *"dumped consumer pineapple from the Philippines and Thailand would likely lead to a continuation of the material injury previously experienced by the Australian industry in the form of price suppression and price depression, loss of sales and market share, and reduced profits."*

GCL would also highlight that it has been hampered in 2014/15 and 2015/16 with raw material pineapple purchases, and that it has forecast increased production utilization in each of 2016/17 and 2017/18. The Commission has, however, recognized GCL's improved competitive position relative to earlier periods but, despite this, GCL remains susceptible to material injury from dumping.

The Commission is therefore correct with its finding that should the anti-dumping measures be allowed to expire, it is considered likely that any growth in utilization rates would be jeopardized or severely curtailed by the imminent and foreseeable dumping from exporters in the Philippines and Thailand.

The Commission's investigation has confirmed that:

- exporters in both the Philippines and Thailand are export focused as domestic markets are low or even non-existent;
- despite raw material pineapple availability in 2014 and 2015, exporters in the Philippines were able to increase export volumes to Australia (i.e. have maintained distribution links) at dumped prices;
- the Australian market for consumer pineapple is price sensitive; and
- in the absence of anti-dumping measures, GCL's selling prices for consumer pineapple would fall in response to lower import prices from the Philippines and Thailand that undercut GCL's selling prices.

The impact on the Australian industry is that it will experience reduced sales volumes and market share, with pricing impacts through price depression, resulting in reduced profit and profitability. GCL would again encounter a recurrence of the material injury that the anti-dumping measures are intended to prevent.

GCL also submits that anti-dumping measures based upon the combination method are deemed necessary in light of past behavior by exporters to "dump" into the Australian market even though measures have applied. Measures based upon a fixed and variable component are warranted to ensure exporters do not reduce export prices to increase volumes as raw material pineapple supply returns to historic levels in the Philippines and Thailand.

## **5. Conclusion and recommendations**

GCL requests the Commission to recommend to the Parliamentary Secretary that:

- the anti-dumping measures relating to exports of consumer pineapple from the Philippines and Thailand (except by TPC) not be allowed to expire from the respective expiry dates;
- in continuing the anti-dumping measures, the dumping duty notice be altered as if different variable factors had been fixed for all exporters generally;
- the combination fixed and variable duty method continue to apply in relation any interim dumping duty that may become payable; and

- the full dumping margins determined in sections 8.3 and 8.4 be applied to any fixed component of interim dumping duty that may become payable.

It is considered that the proposed recommendations are supported by the findings contained in SEF 333, The Commission has confirmed that exporters of consumer pineapple in the Philippines and Thailand have exported at dumped prices even though anti-dumping measures were in place. Exporters of consumer pineapple in the Philippines grew export volumes to Australian in 2014 and 2015 - with dumping occurring in 2015 - even though raw material pineapple was in short supply.

The Commission's investigation into consumer pineapple exported from the Philippines and Thailand has confirmed that in a price sensitive market such as consumer pineapple, the expiry of measures will likely lead to a recurrence of material injury (in the form of reduced sales volumes and market share, price depression and price suppression, and reduced profit) that the anti-dumping measures were intended to prevent.

For these reasons, GCL urges the Commission to recommend to the Parliamentary Secretary that the anti-dumping measures applicable to consumer pineapple exported from the Philippines and Thailand not be allowed to expire.

If you have any questions concerning this submission, please do not hesitate to contact the writer on (03) 9861 5701 or GCL's representative John O'Connor on (07) 3342 1921.

Yours sincerely



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