



Exporter Verification Report

ADC Case: 478

Verification & Case Details

Initiation Date	18/06/2018	ADN:	2018/101
Case:	Consumer Pineapple - Review of variable factors – All exporters – Thailand		
Exporter	Prime Products Industry Co Ltd		
Location	The Kingdom of Thailand		
Verification from	8/08/2018	To	14/08/2018
Review Period	1/04/2017	To	31/03/2018

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

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1 COMPANY BACKGROUND

1.1 Corporate Structure and Ownership

Prime Products Industry Company Limited (PPI) is a private, family owned, company that was established on 6 October 2004.

PPI's head office is located at 589/163 Central City Tower, 32nd floor, Bangna, Bangkok. PPI's factory is located in Chon-buri, 200 km from Bangkok.

According to PPI's company brochure and website, the company's product range includes canned pineapple, pineapple juice and tropical fruit salad. The canned pineapple it produces are of various cuts, tin size and packing media. PPI also derives revenue from sales of packaging, and scrap sales of by-products from pineapple.

There are no companies that are related to PPI by direct ownership, although there are companies and a pineapple farm that are related by common ownership, or common directors. PPI stated that the following companies are related entities.

PGS Corporation

The related entity PGS Corporation (PGS) is co-located with PPI in the Bangkok head office. PGS is a trading company that buys and sells all types of goods for export, capitalising on PPI's customer base. PPI stated that there are no shared services or shared staff with PGS.

Home Quarter Company Limited

The related entity Home Quarter Company Limited (Home Quarter) provides logistics support to PPI. PPI stated that Home Quarter meets approximately one third of PPI's logistics requirements.

Pineapple farm

The owners of PPI also own farm land in Chonburi province. PPI sources a small share of its raw pineapple from the related farm.

1.2 Related Parties

The verification team examined the relationships between related parties involved in the manufacture and sale of the goods.

1.2.1 Related Customers

The visit team compared the list of related entities to the sales listings of the goods, and could confirm that PPI made no sales of consumer pineapple to related parties during the review period.

1.2.2 Related Suppliers

Pineapple farm

PPI owns a pineapple farm that supplies a small share of the raw pineapple used for processing the goods and like goods. The verification team has compared PPI's

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purchases of raw pineapple from the related farm to the purchases made from unrelated contract farms and traders, and found that they were comparable to the prices paid to unrelated farmers.

Home Quarter

Home Quarter is an entity related to PPI by common ownership. Home Quarter provides transport and handling services to PPI for a proportion of PPI's export sales of the goods. The verification team compared the transport and handling fees paid to Home Quarter to the payments made to unrelated suppliers by unit. The verification team concluded that the costs were comparable to those incurred to unrelated entities, and PPI's transactions with Home Quarter are therefore considered to be at arm's length. The verification team's analysis is contained at **Confidential Attachment 1**.

2 THE GOODS AND LIKE GOODS

2.1 Production Process

PPI receives fresh fruit from its suppliers daily during days of production. The fruit is usually processed on the day of delivery to the factory. The fruit is inspected and weighed. Accepted fruit is peeled and processed at 14 production lines. The fruit is automatically sliced on the production line. The slices are further inspected for imperfections, and imperfect slices are diverted to tidbits and crush. The fresh pineapple of various cuts (slices, tidbits and crush) are put in cans, packing media is then added (being natural juice, light or heavy syrup), and the cans are sealed with lids. The sealed cans are treated in a sterilising processes and then labelled and packed in cartons.

2.2 The goods exported to Australia

The verification team were satisfied that PPI produced and exported consumer pineapple to Australia during the review period.

2.3 Like goods sold on the domestic market

PPI did not sell consumer pineapple in its domestic market during the review period.

2.4 Model matching

As there were no domestic sales of like goods, the verification team constructed normal values based on costs. PPI provided cost data by its internal product code which enabled the verification team to compare the normal value to export price by matching the product code. The verification team considered the following parameters when constructing normal values.

Parameter	Rationale for Model Matching	Used in Model Matching
Tin size	The tin size affects the cost of packaging.	Y
Cutting	The cut (slice, tidbits or crush) affects the price that PPI can achieve in the market for the goods.	Y
Packing medium	The packing medium (heavy syrup, light syrup or natural juice) affects the cost to make.	Y

3 UPWARDS VERIFICATION OF SALES

3.1 Verification of Sales Completeness and Relevance

Verification of relevance and completeness is conducted by reconciling selected data submitted "upwards" through management accounts up to audited financial accounts. The verification team verified the completeness and relevance of the export listing provided in the response to the exporter questionnaire (REQ) by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.1.1 Exceptions during Verification of Sales Completeness and Relevance

No.	Exception	Resolution	Evidence Relied On
1	PPI had entered volume data in cans only, whilst the visit team had requested this information in kg.	PPI provided a revised upwards sales reconciliation that reconciled volume (kg), and value (THB and USD).	PPI sales database and trial balance for the review period.
2	PPI had entered an incorrect value for the third country sales.	PPI corrected this error in the revised upwards sales reconciliation.	PPI sales database.
3	The verification team noted that the sales data base relied upon is excel based and that data is entered manually, which may pose a risk to the accuracy and completeness of the data	PPI explained that there is a limited number of staff who are authorised to enter data into the sales database, and that reports are run and reconciled monthly.	Advice from PPI staff, and reconciliation of the database to audited financial statements

3.2 Completeness and Relevance Finding

The verification team are satisfied that the sales data provided in the REQ by PPI, including any required amendments as outlined as an exception above, is complete and relevant.

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Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

4 DOWNWARDS VERIFICATION OF SALES

4.1 Verification of Sales Accuracy

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data and cost data down to source documents. This verifies the accuracy of the data (e.g. for sales data, the volume and value of the records for selected transactions are accurate and reflect sales that did occur) The verification team verified accuracy of the export sales listings submitted in the REQ by reconciling these to audited financial statements in accordance with ADN. No 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

4.1.1 Exceptions during Verification of Sales Accuracy

No.	Exception	Resolution	Evidence Relied On
1	Incorrect allocations of inland transport and handling costs	PPI provided revised sales listings that were verified by the verification team	Source data relating to inland transport and handling costs

4.2 Sales Accuracy Finding

The verification team are satisfied that the sales data provided in the REQ by PPI, including any required amendments as outlined as an exception above, is accurate.

Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

5 COST TO MAKE AND SELL

5.1 Verification of completeness and relevance of CTMS data

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information provided during the verification visit by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

5.1.1 Exceptions during Verification of Completeness and Relevance of CTMS data

No.	Exception	Resolution	Evidence Relied On
1	Minor discrepancy observed between production quantities recorded in accounts and source documents.	None required as discrepancy immaterial.	General ledger, monthly production report.

5.2 Completeness and Relevance Finding of CTMS data

The verification team are satisfied that the CTMS data provided in the exporter questionnaire response by including any required amendments as outlined as an exception above, is complete and relevant.

5.3 Completeness and Relevance Finding of CTMS data

The verification team are satisfied that the CTMS data provided during the verification visit is complete and relevant.

5.4 Verification of CTMS Allocation Methodology

The verification team verified the reasonableness of the methodology used to allocate the CTMS information provided in the REQ to the relevant models, in accordance with ADN No. 2016/30.

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Cost Area	Methodology Applied	Evidence Relied On
Raw Materials	Allocated to canned pineapple based on production weight output and recovery rate	Pineapple fruit purchasing ledger and purchase receipts, costing model
Scrap Allocation	Treated as a negative cost.	Scrap sales receipts, revenue ledger, costing model
Manufacturing Overheads	Allocated based on production weight output.	Electricity receipt and general ledger, costing model
Labour	Allocated based on production weight output.	Wage, salary and subcontractor bills and general ledger, costing model
Depreciation	Fixed assets are valued at cost and depreciated using the straight-line method. Useful life for equipment is 10 years; major buildings is 20 years.	Asset register, general ledger, costing model
Packaging	Allocated direct to can by unit produced for each can size.	Package purchasing ledger, receipts, costing model

The verification team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

5.4.1 Verification of CTMS Allocation Methodology Exceptions

No.	Exception	Resolution	Evidence Relied On
1	CTMS data did not reflect the different value of pineapple used in various cut types.	A net realisable adjustment was made to reflect the value of pineapple used in different cut types.	Indicative price lists for different cuts observed over the review period.

5.5 Verification of CTMS Methodology Finding

The verification team are satisfied that the allocation methodology for the CTMS data provided in the REQ by PPI, including any required amendments as outlined as an exception above, is reasonable.

5.6 Verification of Accuracy of CTMS data

The verification team verified the accuracy of the CTMS information provided in the REQ by reconciling it to source documents in accordance with ADN No. 2016/30.

5.6.1 Exceptions during Verification of Accuracy of CTMS data

No.	Exception	Resolution	Evidence Relied On
1	Revised CTM data submitted, which provides for more precise model matching.	Revised CTM data tested by the visit team.	PPI costing model, general ledger, source documents for various cost items.
2	Discrepancy as between source documents for labour costs and amounts observed in the general ledger	Further information was provided in the form of detailed ledgers and payment vouchers, which showed the actual amounts paid, which were reconciled with the CTMS.	Wages, subcontractor and salary source documents, general ledger.

5.7 Accuracy Finding of CTMS data

The verification team are satisfied that the CTMS data provided at the visit by PPI including any required amendments as outlined as an exception above, is accurate.

Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

6 EXPORT PRICE

6.1 The importers

In relation to the goods exported by PPI to Australia, the verification team considers that the customers listed for each shipment were the beneficial owners of the goods at the time of importation, and therefore were the importers of the goods.

6.2 The exporter

The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

The verification team were satisfied that for all Australian export sales made during the period, PPI was the exporter of the goods.

6.3 Arm's length

In respect of PPI's Australian sales of the goods during the period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, was directly or indirectly reimbursed, compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.¹

The verification team therefore considers that all export sales to Australia made by PPI during the period were arm's length transactions.

6.4 Export Price – assessment

In respect of Australian sales of the goods by PPI, the verification team recommends that the export price be determined under paragraph 269TAB(1)(a), as the price paid by the importer to the exporter less transport and other costs arising after exportation.

The verification team's preliminary export price calculations are at **Confidential Appendix 1**.

¹ Section 269TAA of the Act refers.

7 DOMESTIC SALES SUITABILITY

PPI reported no domestic sales of consumer pineapple for the review period. The verification team has reviewed PPI's sales data and is satisfied that since there is an absence of domestic sales the normal value cannot be assessed under subsection 269TAC(1).

7.1 Suitability of domestic sales

Subparagraph 269TAC(2)(a)(i) provides that the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1) where there is an absence, or low volume, of sales of like goods in the market of the country of export. Low volume is defined by subsection 269TAC(14) as the domestic sales of like goods being less than 5 per cent of the total volume of exports of the goods. Since there is an absence of domestic sales the normal value cannot be assessed under subsection 269TAC(1).

Therefore, the verification team constructed the normal value under subsection 269TAC(2)(c).

7.2 Profit

Where the Commission is required to calculate a normal value under section 269TAC(2)(c), an amount of profit must be determined. The verification team has therefore calculated an amount of profit.

As PPI did not make domestic sales of consumer pineapple during the review period, the verification team was unable to calculate profit based on domestic sales of like goods made in the ordinary course of trade under subsection 45(2) of the *Customs (International Obligations) Regulation 2015* (the Regulation). Instead, profit has been calculated pursuant to subsection 45(3)(c) of the Regulation, using any other reasonable method and having regard to all relevant information.

Specifically, the verification team based its calculations on the profit realised by PPI on sales of FSI pineapple during the review period. The verification team considers this a reasonable method having had regard to all relevant information.

In accordance with subsection 45(4) of the Regulation, if an amount of profit is calculated under subsection 45(3)(c) of the Regulation, this amount must not exceed the amount of profit normally realised by other exporters or producers on sales of goods of the same general category in the domestic market of the country of export. To satisfy this requirement, the profit calculated for PPI under subsection 45(3)(c) of the Regulation was compared to profits achieved by other exporters during the most recently completed reviews and inquiries, where exporters from Thailand cooperated.

The most contemporaneous information available is from Review No. 195 (REP195). Relying on information from this review, the verification team found that the profit amount calculated under subsection 45(3)(c) exceeded the weighted average profit achieved by the exporters examined in REP195. The verification team therefore disregarded the amount by which the amount worked out exceeded the weighted average profit achieved by the exporters examined in REP195.

8 NORMAL VALUE

The verification team is satisfied that because of the absence of sales of like goods in the market of the country of export that would be relevant for the purpose of determining a normal value, the normal value of goods exported to Australia cannot be ascertained under subsection 269TAC(1).

The verification team has therefore calculated a preliminary normal value under subsection 269TAC(2)(c) and in accordance with the Regulation.

The verification team proposes that the normal value be constructed under subsection 269TAC(2)(c) using PPI's:

- cost to make of the goods exported to Australia, including an adjustment to account for the net realisable value of different cuts of pineapple, in accordance with subsection 43(2) of the Regulation;
- SG&A amounts on the assumption that the goods, instead of being exported, were sold domestically (at delivered term), in accordance with 44(3)(a) of the Regulation; and
- profit calculated under subsection 45(3)(c) of the Regulation, using any other reasonable method and having regard to all relevant information. Specifically, PPI's profit has been calculated using PPI's profit achieved on domestic sales of FSI pineapple. This profit figure has been adjusted downwards pursuant with subsection 45(4) of the Regulation.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

9 ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has considered the following adjustments in accordance with subsection 269TAC(9).

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9.1 Rationale and Methodology

Adjustment Type	Rationale for Adjustment	Calculation Methodology	Claimed in REQ?
Domestic inland transport	Since the domestic SGA amount included in the normal value is at delivered basis an adjustment is needed to arrive at a normal value at Ex-Works terms.	Based on actual costs incurred by PPI for domestic inland transport of FSI pineapple.	N
Domestic Handling and other	Since the domestic SGA amount included in the normal value is at delivered basis an adjustment is needed to arrive at a normal value at Ex-Works terms.	Based on actual costs incurred by PPI for domestic handling and other of FSI pineapple.	N
Export Inland transport	Adjustment needed to arrive at a normal value at FOB terms.	Based on actual costs	N
Export Handling and other	Adjustment needed to arrive at a normal value at FOB terms.	Based on actual costs	N
Export incentive	PPI receives a refund from the Thai tax office as an export incentive. A downwards adjustment is needed to ensure that the normal value is comparable.	Allocated as a percentage of export revenue based on actual export incentive rate for the review period.	N
Export credit terms	PPI extends credit terms to export sales. As the existing measures have been calculated on the basis of FOB cash an upwards adjustment is required to ensure that the normal value is comparable.	Credit days as per credit terms of the sales at the short term credit rate.	N

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9.2 Adjustments

Adjustment Type	Deduction/addition
Domestic inland transport	Deduction
Domestic handling and other	Deduction
Export inland transport	Addition
Export handling and other	Addition
Export incentive	Deduction
Export credit terms	Addition

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

10 DUMPING MARGIN

The dumping margin has been assessed by comparing weighted average Australian export prices to the corresponding quarterly weighted average normal value for the investigation period, in accordance with paragraph 269TACB(2)(a) of the Act.

The dumping margin in respect of the goods exported to Australia by PPI for the investigation period is **negative 11.7 per cent**.

Details of the preliminary dumping margin calculation are at **Confidential Appendix 5**.

11 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 4	Normal Value
Confidential Appendix 5	Dumping Margin
Confidential Attachment 1	Verification work program