



Australian Government
Anti-Dumping Commission

Exporter Questionnaire

Product: Prepared or preserved tomatoes

From: Italy, exported by Feger di Gerardo Ferraioli S.p.A. and La Doria S.p.A.

Period of Investigation: 1 January 2014 to 31 December 2014

Response due by: 26 February 2015

Investigation case manager: MrsThalia Brazdil

Phone: +61 3 9244 8609

Fax: 1300 882 506 or

E-mail: operations1@adcommission.gov.au

Anti-Dumping Commission website: www.adcommission.gov.au

**Return completed
questionnaire to:**

Anti-Dumping Commission
1010 La Trobe Street
Docklands VIC 3008

Attention: Director Operations 1

TABLE OF CONTENTS

TABLE OF CONTENTS.....	2
GOODS UNDER CONSIDERATION	3
INSTRUCTIONS.....	4
WHY YOU HAVE BEEN ASKED TO FILL OUT THIS QUESTIONNAIRE?	4
WHAT HAPPENS IF YOU DO NOT RESPOND TO THIS QUESTIONNAIRE?.....	4
DUE DATE FOR RESPONSE	4
CONFIDENTIAL AND NON-CONFIDENTIAL SUBMISSIONS.....	5
EXPORTER'S DECLARATION	5
VERIFICATION OF THE INFORMATION THAT YOU SUPPLY	5
IF YOU DO NOT MANUFACTURE THE GOODS	6
IF YOU DO NOT EXPORT THE GOODS.....	6
OUTLINE OF INFORMATION REQUIRED BY THIS QUESTIONNAIRE	6
SOME GENERAL INSTRUCTIONS FOR PREPARING YOUR RESPONSE	7
INSTRUCTIONS ON PROVIDING ELECTRONIC DATA.....	7
FURTHER INFORMATION	8
SECTION A COMPANY STRUCTURE AND OPERATIONS.....	9
A-1 IDENTITY AND COMMUNICATION.....	9
A-2 REPRESENTATIVE OF THE COMPANY FOR THE PURPOSE OF INVESTIGATION	9
A-3 COMPANY INFORMATION	9
A-4 GENERAL ACCOUNTING/ADMINISTRATION INFORMATION.....	11
A-5 INCOME STATEMENT.....	15
A-6 SALES	17
SECTION B SALES TO AUSTRALIA (EXPORT PRICE).....	18
SECTION C EXPORTED GOODS & LIKE GOODS	25
SECTION D DOMESTIC SALES.....	31
SECTION E FAIR COMPARISON.....	38
E-1 COSTS ASSOCIATED WITH EXPORT SALES	39
E-2 COSTS ASSOCIATED WITH DOMESTIC SALES	42
E-3 DUPLICATION.....	49
SECTION F EXPORT SALES TO COUNTRIES OTHER THAN AUSTRALIA (THIRD COUNTRY SALES).....	51
SECTION G COSTING INFORMATION AND CONSTRUCTED VALUE.....	52
G-1. PRODUCTION PROCESS AND CAPACITY	52
G-2. PROVIDE INFORMATION ABOUT YOUR COMPANY'S TOTAL PRODUCTION IN THE FOLLOWING TABLE:.....	53
G-3. COST ACCOUNTING PRACTICES.....	53
G-4 COST TO MAKE AND SELL ON DOMESTIC MARKET.....	54
G-5 COST TO MAKE AND SELL GOODS UNDER CONSIDERATION (GOODS EXPORTED TO AUSTRALIA)	57
G-6 MAJOR RAW MATERIAL COSTS	58
SECTION H PARTICULAR MARKET SITUATION	63
H1 – THE PREPARED OR PRESERVED TOMATOES SECTOR	65
SECTION I EXPORTER'S DECLARATION.....	71
SECTION J CHECKLIST	72
APPENDIX GLOSSARY OF TERMS.....	73

GOODS UNDER CONSIDERATION

The goods under consideration (the goods) ie the goods exported to Australia, allegedly at dumped prices and/or in receipt of subsidies, are:

Tomatoes (peeled or unpeeled) prepared or preserved otherwise than by vinegar or acetic acid, either whole or in pieces (including diced, chopped or crushed) with or without other ingredients (including vegetables, herbs or spices) in packs not exceeding 1.14 litres in volume (prepared or preserved tomatoes), exported from Italy by La Doria S.p.A. and Feger di Gerardo Ferraioli S.p.A. The following tomato products do not form part of this application: pastes, purees, sauces, pasta sauces, juices and sundried tomatoes.

The application contains the following further information in relation to the goods the subject of the application:

The common container sizes of the imported prepared or preserved tomatoes the subject of this application are 300grams to 850grams, but the application covers all container sizes up to and including 1.14L.

The imported goods could be packaged in different containers such as cans, glass jars, pouches or Tetra packs.

Products sold in multi-unit packs, for example 3x400gram cans, are to be considered as three single packs.

The imported prepared or preserved tomatoes can be labelled with a generic, a house brand / private label for retailer or a proprietary label. The imported goods the subject of this application covers all imported prepared or preserved tomatoes regardless of how labelled.

The goods are currently classified to the tariff subheading 2002.10.00 (statistical code 60) of Schedule 3 to the *Customs Tariff Act 1995*.

These goods are subject to 5% Customs duty.

INSTRUCTIONS

Why you have been asked to fill out this questionnaire?

The Anti-Dumping Commission (the Commission) is responsible for investigating the allegation that prepared or preserved tomatoes have been exported to Australia from Italy by Feger di Gerardo Ferraioli S.p.A. and La Doria S.p.A. at prices less than their normal value and that the dumping has caused material injury to the Australian industry.

The Commission will also investigate whether there is a situation in the Italian domestic market that renders domestic sales unsuitable for determining normal values (i.e. that a 'particular market situation' exists).

The Commission will use the information you provide to determine normal values and export prices over the investigation period. This information will determine whether prepared or preserved tomatoes exported to Australia from Italy by Feger di Gerardo Ferraioli S.p.A. and La Doria S.p.A. is dumped. You may make separate submissions concerning any other matter, for example injury.

The Commission investigation will be carried out under the provisions of the Part XVB of the *Customs Act 1901*.

What happens if you do not respond to this questionnaire?

You do not have to complete the questionnaire. However, if you do not respond, do not provide all of the information sought, do not provide information within a reasonable time period, or do not allow the Commission to verify the information, we may deem you uncooperative. In that case, the Commission may be required to rely on information supplied by other parties (possibly information supplied by the Australian industry). In that case we may assess a dumping margin for your company based upon normal values that may be the highest determined in your country during the investigation period.

It is in your interest, therefore, to provide a complete and accurate submission, capable of verification.

Due date for response

Manufacturers and exporters are requested to respond to this questionnaire and return it to the Commission within the time specified on the cover page. There is a statutory time limit imposed for the investigation. The Commission may not be able to consider submissions received after the due date.

If you cannot lodge your submission by the due date, please advise the investigation case manager as soon as possible.

Confidential and non-confidential submissions

You are required to lodge one confidential version (for official use only) and one non-confidential version (for public record) of your submission by the due date. Please ensure that *each page* of information you provide is clearly marked either “FOR OFFICIAL USE ONLY” or “PUBLIC RECORD”.

All information provided to the Commission in confidence will be treated accordingly. The non-confidential version of your submission will be placed on the public record.

Please note, Australia’s anti-dumping and countervailing legislation requires that to the extent that information given to the Commission is claimed to be confidential or whose publication would adversely affect a business or commercial interest, the person giving the information must ensure that a summary of that information contains sufficient detail to allow a reasonable understanding of the substance of the information, but does not breach confidentiality nor adversely affect those interests.

The legislation allows that a person is not required to provide a summary for the public record if the Commission can be satisfied that no such summary can be given that would allow a reasonable understanding of the substance of the information. However, such a summary would add considerably to an interested party’s understanding of information contained in a document.

As provided for in Australia’s anti-dumping and countervailing legislation, all submissions are required to have a bracketed explanation of deleted or blacked out information for the non-confidential version of the submission. Note that if such an explanation is not provided, the Commission may disregard the information in the submission. An example of a statement to accompany deleted/blacked out text is:

[explanation of cost allocation through the divisions].

If, for some reason, you cannot produce a non-confidential summary, please contact the investigation case manager.

Exporter’s declaration

At section I, you are required to make a declaration that the information contained in your submission is complete and correct. Alternatively, if you did not export the goods during the period of investigation, you may make a declaration to that effect.

You must return a signed declaration with your response to the questionnaire.

Verification of the information that you supply

The Commission will seek to verify the information provided in your submission. Where there are a large number of exporters, the Commission may have to verify information from selected exporters only. The purpose of the visit is to verify the information submitted in response to this questionnaire. It is not meant to be a chance for you to provide new or additional information. The Commission expects your response to the questionnaire to be complete and accurate.

Verification visits take several days. We will want to examine in detail your company's records in respect of the goods and will ask for copies of documents relating to the manufacture and sale of the goods. We will need to consult with your staff, particularly your financial controller (or accountant) and your domestic and export sales people. We may also need to see your factory, in which case we will need to consult with your operational managers.

After gathering the information we will prepare a report of the visit. We will provide you with a draft of the report and then respond to any questions you have. We will ask you to prepare a non-confidential copy of the report for the public record.

If you do not manufacture the goods

You may export but not produce or manufacture the goods (for example, you are a trading company, broker, or vendor dealing in the goods). In such cases it is important that you forward a copy of this questionnaire to the relevant manufacturers **immediately**. You should also inform the investigation case officer of the contact details for these manufacturers.

You should complete those sections of the questionnaire that you are reasonably able to complete. If, for example, you are unable to supply details of production costs, you should clearly explain why the section does not apply to your company.

If you do not export the goods

Depending on the arrangement for sale of the goods to Australia through an intermediary, the Commission will have to determine who is the exporter of the goods for the purpose of this investigation.

In any case, information (such as cost of production data) supplied by the manufacturer will be relevant to establishing the normal value of the goods. In the absence of verified information, the Commission may use other available information. This information may result in a decision less favourable to your company.

Outline of information required by this questionnaire

- | | |
|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Section A | General information relating to your company including financial reports. |
| Section B | A complete list of your company's exports to Australia over the investigation period. |
| Section C | A list of goods sold on the domestic market of the country of export (like goods) that may be compared to the goods under consideration (the goods). |
| Section D | A detailed list of all of your company's sales of like goods in your domestic market. |
| Section E | Information to allow a fair comparison between export and domestic prices. |
| Section F | Information in relation to your company's exports of like goods to |

countries other than Australia.

Section G Costs to make and sell, for exports to Australia and for the domestic market.

Section H Market Situation.

Section I Your declaration.

Section J A checklist.

Appendix 1 A glossary of terms used in this questionnaire

Some general instructions for preparing your response

When answering the questionnaire please carefully read all instructions. The Commission requires a response to *all* sections of this questionnaire. Please provide an explanation if a question is not relevant to your situation.

- Answer questions in the order presented in the questionnaire. Please ensure that information submitted conforms to the requested format and is clearly labelled. Please repeat the question to which you are responding and place your answer below it.
- Identify source documents and advise where they are kept. During on-site verification you should be prepared to substantiate all the information you have submitted. Every part of the response should be traceable to company documents that are used in the ordinary course of business.
- We recommend that you retain all work sheets used in answering the questionnaire, in particular those linking the information supplied with management and accounting records. This will help us to verify the information.
- Clearly identify all units of measurement and currencies used. Apply the same measurement consistently throughout your response to the questionnaire.

Instructions on providing electronic data

- It is important that information is submitted in electronic format.
- Electronic data should be emailed or submitted on a CD-ROM, in IBM/MS-DOS format, or another operating system whose disk format is compatible with this MS-DOS version.
- The data must be created as spreadsheet files, preferably in Microsoft Excel, or alternatively in an Excel compatible format (for example, Excel can normally access data in Dbase or as an ASCII file).
- The Excel files must be compatible to the USA version.

- If you cannot present electronic data in the requested format contact the investigation case officer as soon as possible.

Further information

Before you respond to the questionnaire you should read all the documentation enclosed with this application including the applicant's non-confidential submission, the booklet *Australia's Anti-Dumping and Countervailing Administration* and the Anti-Dumping Notice notifying the initiation of the investigation. We also advise that you read the attached glossary of terms.

If you require further assistance, or you are having difficulties completing your submission, please contact the investigation case manager. The Commission will need to know the reasons.

SECTION A

COMPANY STRUCTURE AND OPERATIONS

This section requests information relating to company details and financial reports.

A-1 Identity and communication

Please nominate a person within your company who can be contacted for the purposes of this investigation:

Head Office:

Name: Maurizio Ferraioli
Position in the company: Managing Director
Address: Via Nazionale 236 - Angri (Sa)
Telephone: +39 335624 9722
Facsimile number: +39 081948529
E-mail address of contact person: maurizio.ferraioli@feger.it

Factory:

Address: Via Nazionale, 236 Angri (Sa)
Telephone: 0039 081 5139211
Facsimile number: +39 081 948529
E-mail address of contact person: maurizio.ferraioli@feger.it

A-2 Representative of the company for the purpose of investigation

If you wish to appoint a representative to assist you in this investigation, provide the following details:

Name: Gabriele Coppo
Address: Avenue Louise 165 1050 Brussels Belgium
Telephone: +32(0)2.647.73.50
Facsimile/Telex number: +32(0)2.640.64.99
E-mail address of contact person: gcoppo@vbb.com

Note that in nominating a representative, the Commission will assume that confidential material relating to your company in this investigation may be freely released to, or discussed with, that representative.

A-3 Company information

1. What is the legal name of your business? What kind of entity is it (eg. company, partnership, sole trader)? Please provide details of any other business names that you use to export and/or sell goods.

PUBLIC RECORD

10

**The legal name of the business is Feger di Gerardo Ferraioli SpA ("Feger").
Feger is a company limited by shares.**

[REDACTED]

2. Who are the owners and/or principal shareholders? Provide details of shareholding percentages for joint owners and/or principal shareholders. (List all shareholders able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company).

[REDACTED]
• [REDACTED]
• [REDACTED]

3. If your company is a subsidiary of another company, list the principal shareholders of that company.

Not applicable, in that Feger is not a subsidiary of any other company.

4. If your parent company is a subsidiary of another company, list the principal shareholders of that company.

Not applicable, in that Feger is not a subsidiary of any other company.

5. Provide a diagram showing all associated or affiliated companies and your company's place within that corporate structure.

Feger is a family company and is not part of any group of company. Feger is

[REDACTED]

6. Are any management fees/corporate allocations charged to your company by your parent or related company?

Not applicable

7. Describe the nature of your company's business. Explain whether you are a producer or manufacturer, distributor, trading company, etc.

Feger is a production and sales company.

PUBLIC RECORD

11

8. If your business does not perform all of the following functions in relation to the goods under consideration, then please provide names and addresses of the companies which perform each function:

- produce or manufacture
- sell in the domestic market
- export to Australia, and
- export to countries other than Australia.

Feger performs all of these functions.

9. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

Please refer to Annex 1 – Feger company organization chart [CONFIDENTIAL]

10. Provide a copy of your most recent annual report together with any relevant brochures or pamphlets on your business activities.

11.

There are no such brochures or pamphlets published by Feger.

A-4 General accounting/administration information

1. Indicate your accounting period.

Calendar year

2. Indicate the address where the company's financial records are held.

Via Nazionale, 236 – 84012 Angri (SA) 84102 Italy

3. Please provide the following financial documents for the two most recently completed financial years plus all subsequent monthly, quarterly or half yearly statements:

As explained under question no. 1 above, Feger's last accounting period ended on 31 December 2014. The draft 2014 financial statement shall be approved pursuant to Article 2364 of the Italian Civil Code by the end of April.

- chart of accounts;

Please see Annex 2 – Feger chart of accounts [CONFIDENTIAL]

- audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);
- internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods under consideration.

These documents should relate to:

- the division or section/s of your business responsible for the production and sale of the goods under consideration, and
- the company.

For the requested documentation, please refer to:

Annex 3 – Feger financial accounts for the years 2012 [CONFIDENTIAL]

Annex 4 – Feger financial accounts for the years 2013 [CONFIDENTIAL]

Annex 5 – Feger draft balance sheet for the year 2014. [CONFIDENTIAL]

4. If you are not required to have the accounts audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

Not applicable

5. Do your accounting practices differ in any way from the generally accepted accounting principles in your country? If so, provide details.

No

6. Describe:

The significant accounting policies that govern your system of accounting, in particular:

- the method of valuation for raw material, work-in-process, and finished goods inventories (eg last in first out –LIFO, first in first out- FIFO, weighted average);

Weighted average cost method

- costing methods, including the method (eg by tonnes, units, revenue, direct costs etc) of allocating costs shared with other goods or processes (such as front office cost, infrastructure cost etc);

PUBLIC RECORD

13

The method used is an allocation based on direct labour hours.

- valuation methods for damaged or sub-standard goods generated at the various stages of production;

Damaged or non-compliant goods are valued at the end of the financial year according to their preservation status. In general they are valued with a depreciation of 50%.

- valuation methods for scrap, by products, or joint products;

The value of no longer marketable goods is brought to zero.

- valuation and revaluation methods for fixed assets;

The pricing method of tangible fixed assets is realized according to the historical cost. Such values are subject to revaluations, in conformity with applicable law.

- average useful life for each class of production equipment and depreciation method and rate used for each;

The useful life and the depreciation rate of the assets changes according to the category:

- land and buildings - 3%
- specific facilities and machineries - 7.5%
- generic facilities and machineries - 14%
- furniture - 12%
- electric machines - 20%
- motor cars - 25%
- trucks - 20%
- concessions and brands - 20%
- telephone central office - 20%
- mobile phones - 20%

- treatment of foreign exchange gains and losses arising from transactions;

Values expressed in foreign currency, except for those related to tangible fixed assets, are inscribed in the exchange rate at the closing date of financial year, and the relative profits and losses are accounted for under section 17 of the balance sheet under the heading "Profits and losses on exchange".

- treatment of foreign exchange gains/losses arising from the translation of balance sheet items;

Values expressed in foreign currency, except for those related to tangible fixed

PUBLIC RECORD

14

assets, are inscribed in the exchange rate at the closing date of financial year, and the relative profits and losses are accounted for under section 17 of the balance sheet under the heading "Profits and losses on exchange".

- inclusion of general expenses and/or interest;

They are provided to properly cover the expenses and interests that can be defined according to the nature, certainty and probability of the event, but not identifiable according to the amount and date of occurrence.

- provisions for bad or doubtful debts;

The credits of operating assets are inscribed according to the presumable realization value through the creation of provisions for doubtful debts, determined based on the losses for bad debts which are reasonably predictable.

- expenses for idle equipment and/or plant shut-downs;

Not applicable to the POI.

- costs of plant closure;

Not applicable to the POI.

- restructuring costs;

Not applicable to the POI.

- by-products and scrap materials resulting from your company's production process; and

Not applicable to the POI.

- effects of inflation on financial statement information.

Not applicable to the POI.

7. In the event that any of the accounting methods used by your company have changed over the last two years provide an explanation of the changes, the date of change, and the reasons for it.

The accounting system is realized in conformity with the Articles of the Civil Code. The evaluation criteria have not changed since the last financial year.

A-5 Income statement

Please fill in the following table. It requires information concerning all products produced and for the goods under consideration (*'goods under consideration'* (the goods) is defined in the Glossary of Terms in the appendix to this form). You should explain how costs have been allocated.

	Most recent completed financial year (specify)		Investigation period	
	All products	Goods Under Consideration	All products	Goods Under Consideration
Gross Sales (1)				
Sales returns, rebates and discounts (2)				
Net Sales (3=1-2)				
Raw materials (4)				
Direct Labour (5)				
Depreciation (6)				
Manufacturing overheads (7)				
Other operating expenses (8)				
Total cost to make (9=4+5+6+7+8)				
OPERATING INCOME (10=3-9)				
Selling expenses (11)				
Administrative & general expenses (12)				
Financial expenses (13)				
SG&A expenses (14)=(11+12+13)				
INCOME FROM NORMAL ACTIVITIES (15)=(10-14)				
Interest income (16)				
Interest expense (enter as negative) (17)				
Extraordinary gains and Losses – enter losses as negative (18)				
Abnormal gains and losses – enter losses as negative (19)				
PROFIT BEFORE TAX (20)=(15+16+17+18+19)				

PUBLIC RECORD

16

Tax (21)				
NET PROFIT (22)=(20-21)				

Note: if your financial information does not permit you to present information in accordance with this table please present the information in a form that closely matches the table.

Prepare this information on a spreadsheet named "**Income statement**".

Please refer to Annex 6 – Table A-5 Feger income statement [CONFIDENTIAL]

This information will be used to verify the completeness of cost data that you provide in Section G. If, because of your company's structure, the allocations would not be helpful in this process, please explain why this is the case.

A-6 Sales

State your company's net turnover (after returns and all discounts), and free of duties and taxes. Use the currency in which your accounts are kept, in the following format:

	Most recent completed financial year (specify)		Investigation period	
	Volume	Value	Volume	Value
Total company turnover (all products)				
Domestic market				
Exports to Australia				
Exports to Other Countries				
Turnover of the nearest business unit, for which financial statements are prepared, which includes the goods under consideration				
Domestic market				
Exports to Australia				
Exports to Other Countries				
Turnover of the goods under consideration				
Domestic market				
Exports to Australia				
Exports to Other Countries				

Prepare this information in a spreadsheet named "TURNOVER".

Please refer to Annex 7 – Table A-6 Feger turnover. [CONFIDENTIAL]

This information will be used to verify the cost allocations to the goods under consideration in Section G.

Also, you should be prepared to demonstrate that sales data shown for the goods is a complete record by linking total sales of these goods to relevant financial statements.

SECTION B

SALES TO AUSTRALIA (EXPORT PRICE)

This section requests information concerning your export practices and prices to Australia. You should include costs incurred beyond ex-factory. Export prices are usually assessed at FOB point, but the Commission may also compare prices at the ex factory level.

*You should report prices of **all** goods under consideration (the goods) **shipped** to Australia during the investigation period.*

The invoice date will normally be taken to be the date of sale. If you consider:

the sale date is not the invoice date (see 'date of sale' column in question B4 below) and;

an alternative date should be used when comparing export and domestic prices

*you **must** provide information in section D on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the investigation period.*

B-1 For each customer in Australia to whom you shipped goods in the investigation period list:

name;

address;

contact name and phone/fax number where known; and

trade level (for example: distributor, wholesaler, retailer, end user, original equipment).

Please refer to Annex 8 - Feger Australian customer list. [CONFIDENTIAL]

The Australian market for OEM product is concentrated and practically dominated by two retailers: [REDACTED]

These two retailers market processed tomatoes as "private labels" (also known as "home brand"). The private labels used are brands directly owned and managed by the three retailers. These brands include [REDACTED]

[REDACTED] each year conduct tenders which are directed at obtaining supply offers from Italian processors. [REDACTED]

Once a supplier is awarded a contract, it will produce the processed tomatoes as ordered and make them available for export to Australia [REDACTED]

PUBLIC RECORD

19

Italian suppliers are keen to service the Woolworths/Coles requirements because the order sizes are very large. It is much less expensive to service their requirements, due to the scale benefits of the large orders placed. This streamlines production and selling activities over much larger volumes, which reduces costs significantly on a per unit basis.

B-2 For each customer identified in B1 please provide the following information.

- (a) Describe how the goods are sent to each customer in Australia, including a diagram if required.

The goods are sent by Feger to the company [REDACTED]
• [REDACTED]
• [REDACTED]
[REDACTED] takes care of labelling and loading the goods in containers for further shipping to Australia. This takes place under a service contract agreement with Feger.

- (b) Identify each party in the distribution chain and describe the functions performed by them. Where commissions are paid indicate whether it is a pre or post exportation expense having regard to the date of sale.

Feger sells to the customers referred to in the Australian customer list. [REDACTED] takes care of the activities referred to in B-2(a) above.

[REDACTED]
[REDACTED]
[REDACTED]

- (c) Explain who retains ownership of the goods at each stage of the distribution chain. In the case of DDP sales, explain who retains ownership when the goods enter Australia.

[REDACTED]

- (d) Describe any agency or distributor agreements or other contracts entered into in relation to the Australian market (supply copy of the agreement if possible).

Not applicable, in that Feger does not have any such contracts.

PUBLIC RECORD

20

- (e) Explain in detail the process by which you negotiate price, receive orders, deliver, invoice and receive payment. If export prices are based on price lists supply copies of those lists.

Feger does not issue price lists. Each year Feger participates in customer tender processes [REDACTED] in which the customer describes its technical requirements and in response to which Feger will offer its competitive prices [REDACTED]

After labelling Feger loads the goods into the containers and the containers are delivered to the port. Invoices are issued the same day as the loading date of the goods into the containers.

Feger receives the B/L from the shipping company as a certificate of receipt of the goods. Feger then receives the payment in accordance with the contract and invoice terms. [REDACTED]

- (f) State whether your firm is related to any of its Australian customers. Give details of any financial or other arrangements (eg free goods, rebates, or promotional subsidies) with the customers in Australia (including parties representing either your firm or the customers).

Feger is not related to any of its Australian customers.

- (g) Details of the forward orders of the goods under consideration (include quantities, values and scheduled shipping dates).

Please refer to Annex 9 – Feger forward orders. [CONFIDENTIAL]

- B-3** Do your export selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

Feger has only two distribution channels to the Australian customers:

Feger's customers in these two channels are evidently at different levels.

[REDACTED] Feger can enjoy cost benefits on production, planning, labelling, shipping and accounts and payments activities based on these factors.

Customers require off-take volumes and have ordering and shipping procedures which reduce cost on a per unit basis. Feger takes these cost-saving considerations

into account when making its price offers.

- B-4** Prepare a spreadsheet named “Australian sales” listing all shipments (i.e. transaction by transaction) to Australia of the goods under consideration in the investigation period. You must provide this list in electronic format. Include the following export related information:

Column heading	Explanation
Customer name	names of your customers
Level of trade	the level of trade of your customers in Australia
Model/grade/type	commercial model/grade or type
Product code	code used in your records for the model/grade/type identified. Explain the product codes in your submission.
Invoice number	invoice number
Invoice date	invoice date
Date of sale	refer to the explanation at the beginning of this section. If you consider that a date <i>other than</i> the invoice date best establishes the material terms of sale, report that date. For example, order confirmation, contract, or purchase order date.
Order number	if applicable, show order confirmation, contract or purchase order number if you have shown a date other than invoice date as being the date of sale.
Shipping terms	Delivery terms eg. CIF, C&F, FOB, DDP (in accordance with Incoterms)
Payment terms	agreed payment terms eg. 60 days=60 etc
Quantity	Quantity in units shown on the invoice. Show basis eg kg.
Gross invoice value	gross invoice value shown on invoice <i>in the currency of sale, excluding taxes</i> .
Discounts on the invoice	if applicable, the amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column.
Other charges	any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide a description.
Invoice currency	the currency used on the invoice
Exchange rate	Indicate the exchange rate used to convert the currency of the sale to the currency used in your accounting system
Net invoice value in the currency of the exporting country	the net invoice value expressed in your domestic currency as it is entered in your accounting system
Rebates or other allowances	the amount of any deferred rebates or allowances paid to the importer in the currency of sale
Quantity discounts	the actual amount of quantity discounts not deducted from the invoice. Show a separate column for each type of quantity discount.
Ocean freight**	the actual amount of ocean freight incurred on each export shipment listed.
Marine insurance	Amount of marine insurance
FOB export price**	the free on board price at the port of shipment.
Packing*	Packing expenses
Inland transportation costs*	inland transportation costs included in the selling price. For export sales this is the inland freight from factory to port in the country of export.
Handling, loading & ancillary expenses*	handling, loading & ancillary expenses. For example, terminal handling, export inspection, wharfage & other port charges, container tax, document fees & customs brokers fees, clearance fees, bank charges, letter of credit fees, & other ancillary charges incurred in the exporting country.

Warranty & guarantee expenses*	warranty & guarantee expenses
Technical assistance & other services*	expenses for after sale services, such as technical assistance or installation costs.
Commissions*	Commissions paid. If more than one type is paid insert additional columns of data. Indicate in your response to question B2 whether the commission is a pre or post exportation expense having regard to the date of sale.
Other factors*	any other costs, charges or expenses incurred in relation to the exports to Australia (include additional columns as required). See question B5.

** FOB export price and Ocean Freight:

FOB export price: An FOB export price must be calculated for each shipment - regardless of the shipping terms. FOB price includes inland transportation to the port of exportation, inland insurance, handling, and loading charges. It excludes post exportation expenses such as ocean freight and insurance. Use a formula to show the method of the calculation on each line of the export sales spreadsheet.

Ocean freight: as ocean freight is a significant cost it is important that the actual amount of ocean freight incurred on each exportation be reported. If estimates must be made you must explain the reasons and set out the basis - estimates must reflect changes in freight rates over the investigation period.

Freight allocations must be checked for consistency.

* All of these costs are further explained in section E-1.

Please refer to Annex 10 – Table B-4 Feger Australian sales. [CONFIDENTIAL]

- B-5** If there are any other costs, charges or expenses incurred in respect of the exports listed above which have not been identified in the table above, add a column (see “other factors” in question B-4) for each item, and provide a description of each item. For example, other selling expenses (direct or indirect) incurred in relation to the export sales to Australia.

Please refer to Annex 10 – Table B-4 Feger Australian sales. [CONFIDENTIAL]

- B-6** For each type of discount, rebate, allowance offered on export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met by the importer to obtain the discount.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amount shown in your response to question B4. If they vary by customer or level provide an explanation.

The allowances applied to Feger’s export sales include the following:

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

B-7 If you have issued credit notes (directly or indirectly) to the customers in Australia, in relation to the invoices listed in the detailed transaction by transaction listing in response to question B4, provide details of each credit note if the credited amount has **not** been reported as a discount or rebate.

[REDACTED]

- B-8** If the delivery terms make you responsible for arrival of the goods at an agreed point within Australia (eg. delivered duty paid), insert additional columns in the spreadsheet for all other costs incurred. For example:

Import duties	Amount of import duty paid in Australia
Inland transport	Amount of inland transportation expenses within Australia included in the selling price
Other costs	Customs brokers, port and other costs incurred (itemise)

- B-9** Select two shipments, in different quarters of the investigation period, and provide a complete set of all of the documentation related to the export sale. For example:

- the importer's purchase order, order confirmation, and contract of sale;
- commercial invoice;
- bill of lading, export permit;
- freight invoices in relation to movement of the goods from factory to Australia, including inland freight contract;
- marine insurance expenses; and
- letter of credit, and bank documentation, proving payment.

The Commission will select additional shipments for payment verification at the time of the visit.

Please refer to Annex 11 - Feger export sale documentation [CONFIDENTIAL]

SECTION C

EXPORTED GOODS & LIKE GOODS

- C-1** Fully describe all of the goods you have exported to Australia during the investigation period. Include specification details and any technical and illustrative material that may be helpful in identifying, or classifying, the exported goods.

Feger exported

- C-2** List each type of goods exported to Australia (these types should cover all types listed in spreadsheet “**Australian sales**” – see section B of this questionnaire).

The types of goods exported to Australia by Feger within the POI were as follows:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

- C-3** If you sell like goods on the domestic market, for each type that your company has exported to Australia during the investigation period, list the most comparable model(s) sold domestically;

The comparable goods sold on the domestic market to those exported to Australia by Feger within the POI were as follows:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

• [REDACTED]

In order to ensure a fair comparison of prices of the product under investigation sold by Feger on the Australian market with the like product sold on the Italian market during the investigation period, the following methodology was followed.

[REDACTED]

• [REDACTED]

• [REDACTED]

• [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

PUBLIC RECORD

27

[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]

Example of a product code used by Feger:

[REDACTED] Standard chopped tomato in 500gr can manufactured by Feger

PUBLIC RECORD

[REDACTED]	
• [REDACTED]	[REDACTED]
• [REDACTED]	[REDACTED]
• [REDACTED]	[REDACTED]
<p>Bearing the above in mind, in order to ensure, on the one hand, a reasonable matching between products exported and products sold in the domestic market and, on the other hand, a fair comparison between these products, Feger has grouped the different models in categories which reflect the main physical characteristics of the products (i.e. those characteristics which have an impact on their cost and market value) while ignoring negligible differences between similar products.</p> <p>These categories of models are identified by a 'product type code' ('PTC'), which is constructed as follows:</p>	
Field description	Example and explanation
[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]

The proposed methodology to construct the categories for the purposes of a fair comparison is fully in line with the Commission's findings in previous investigation No. 217, in which the case team concluded as follows [REDACTED]

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Feger is available to further substantiate and demonstrate the completeness and the accuracy of the above information as may be required by the Commission. Without prejudice of the above claim, for sake of good cooperation all the relevant data are provided on the basis of both codes, namely Feger's internal product code and the proposed PTC.

- and provide a detailed explanation of the differences where those goods sold domestically (ie. the like goods – see explanation in glossary) are not identical to goods exported to Australia.

EXPORTED TYPE	DOMESTIC TYPE	IDENTICAL?	DIFFERENCES
Product code of each model of the goods exported to Australia	Product code of comparable model sold on the domestic market of the country of export	If goods are identical indicate "YES". Otherwise "NO"	Where the good exported to Australia is not identical to the like goods, describe the specification differences. If it is impractical to detail specification differences in this table refer to documents

PUBLIC RECORD

30



			which outline differences
--	--	--	---------------------------

Feger submits that a huge difference exists between on the one hand, chopped round tomatoes and, on the other hand, whole long tomatoes, organic tomatoes (round and long), cherry tomatoes and San Marzano tomatoes. See Annex 12 - Types of tomatoes.

Since SPCA only produces chopped round tomatoes, Feger submits that (i) whole long tomatoes (ii) whole long tomatoes organic, (ii) chopped round tomatoes organic, (iii) cherry tomatoes; (iv) cherry tomatoes organic, and (v) San Marzano tomatoes should be excluded from the scope of the investigation.

- C-4** Please provide any technical and illustrative material that may be helpful in identifying or classifying the goods that your company sells on the domestic market.

See Annex 12 - Types of tomatoes.

Whole plum tomato 500gr	Chopped tomato 500gr
	

SECTION D DOMESTIC SALES

This section seeks information about the sales arrangements and prices in the domestic market of the country of export.

*All domestic sales made during the investigation period must be listed transaction by transaction. If there is an extraordinarily large volume of sales data and you are unable to provide the complete listing electronically you **must** contact the case officer **before** completing the questionnaire. If the case officer agrees that it is not possible to obtain a complete listing he or she will consider a method for sampling that meets the Commission requirements. If agreement cannot be reached as to the appropriate method the Commission may not visit your company.*

The Commission will normally take the invoice date as being the date of sale in order to determine which sales fall within the investigation period.

If, in response to question B4 (Sales to Australia, Export Price), you have reported that the date of sale is not the invoice date and you consider that this alternative date should be used when comparing domestic and export prices –

*you **must** provide information on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the investigation period.*

If you do not have any domestic sales of like goods you must contact the case officer who will explain the information the Commission requires for determining a normal value using alternative methods.

D-1 Provide:

- a detailed description of your distribution channels to domestic customers, including a diagram if appropriate;
- information concerning the functions/activities performed by each party in the distribution chain; and
- a copy of any agency or distributor agreements, or contracts entered into.

If any of the customers listed are associated with your business, provide details of that association. Describe the effect, if any, that association has upon the price.

Feger sells in Italy mainly to retailers, using their own “private label” brand.

The Italian market is not dominated by three major retailers as is the case in the Australian market. There is a very large number of independent retailers in the Italian market. The “private label” concept is not a dominant marketing form as it is in countries such as Australia and the UK.

The main differences between Italian and Australian retailers are as follows:

- (a) In Australia the three retailers [REDACTED] have a dominant and consistent market share in the retail food business. In Italy there are many retailer companies competing in the market. The retailer food business is fragmented between many competitors.**
- (b) In Italy “private labels”, i.e. brands owned directly by retailers, are still not dominant in the market. To the contrary, huge volume “private labels” such as [REDACTED] [REDACTED] have a consistent and dominant market share in the**

Australian retail food market.

- (c) In Italy, retailers require considerable logistic, customer service and quality assurance services.



Thus, one can see the considerable differences in the markets. The market participants have different bargaining positions. The logistic, customer service and quality assurance activities that are encountered are very different in the case of Feger's sales in the domestic market in comparison to those sold to Australia.

- D-2** Do your domestic selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

No.

- D-3** Explain in detail the sales process, including:

- the way in which you set the price, receive orders, make delivery, invoice and finally receive payment; and the terms of the sales; and
- whether price includes the cost of delivery to customer.

If sales are in accordance with price lists, provide copies of the price lists.

Feger's selling prices to customer includes all costs originating from:

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

PUBLIC RECORD

33

D-4 Prepare a spreadsheet named “**domestic sales**” listing **all** sales of like goods made during the investigation period. The listing must be provided on a CD-ROM. Include all of the following information.

Column heading	Explanation
Customer name	names of your customers. If an English version of the name is not easily produced from your automated systems show a customer code number and in a separate table list each code and name.
Level of trade	the level of trade of your domestic customer
Model/grade/type	commercial model/grade or type of the goods
Product code	code used in your records for the model/grade/type of the goods

PUBLIC RECORD

34

	identified. Explain the product codes in your submission.
Invoice number	invoice number
Invoice date	invoice date
Date of sale	refer to the explanation at the beginning of this section. If you consider that a date <i>other than</i> the invoice date best establishes the material terms of sale and should be used, report that date. For example, order confirmation, contract, or purchase order date.
Order number	show order confirmation, contract or purchase order number if you have shown a date other than invoice date as being the date of sale.
Delivery terms	eg ex factory, free on truck, delivered into store
Payment terms	payment terms agreed with the customer eg. 60 days=60 etc
Quantity	quantity in units shown on the invoice eg kg.
Gross Invoice value	gross value shown on invoice <i>in the currency of sale</i> , net of taxes.
Discounts on the Invoice	the amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column.
Other charges	any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide description.
Net invoice value in the currency of the exporting country	the net invoice value expressed in your domestic currency as recorded in your accounting system
Rebates or other Allowances	the actual amount of any deferred rebates or allowances in the currency of sale
Quantity discounts	the actual amount of quantity discounts not deducted from the invoice. Show a separate column for each type of quantity discount.
Packing*	packing expenses
Inland transportation Costs*	amount of inland transportation costs included in the selling price.
Handling, loading And ancillary Expenses*	handling, loading & ancillary expenses.
Warranty & Guarantee expenses*	warranty & guarantee expenses
Technical assistance & other services*	expenses for after sale services such as technical assistance or installation costs.
Commissions*	commissions paid. If more than one type is paid insert additional columns of data.
Other factors*	any other costs, charges or expenses incurred in relation to the domestic sales (include additional columns as required). See question D5.

Costs marked with * are explained in section E-2.

Please refer to Annex 13 – Table D-4 Feger domestic sales. [CONFIDENTIAL]



- D-5** If there are any other costs, charges or expenses incurred in respect of the sales listed which have not been identified in the table in question D-4 above add a column for each item (see “other factors”). For example, certain other selling expenses incurred.

Please refer to Annex 13 – Table D-4 Feger domestic sales. [CONFIDENTIAL]

PUBLIC RECORD

35

D-6 For each type of commission, discount, rebate, allowance offered on domestic sales of like goods:

- provide a description; and
- explain the terms and conditions that must be met by the customer to qualify for payment.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amounts shown in your response to question D4.

If you have issued credit notes, directly or indirectly to the customers, provide details if the credited amount has **not** been reported as a discount or rebate.

The allowances on Feger's domestic sales include the following:

[illegible]

	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED] [REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED] [REDACTED] [REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED] [REDACTED]
	[REDACTED]	[REDACTED]	[REDACTED] [REDACTED]

D-7

Select two domestic sales, in different quarters of the investigation period, that are at the same level of trade as the export sales. Provide a complete set of documentation for those two sales. (Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, bank documentation showing proof of payment.)

The Commission will select additional sales for verification at the time of our visit.

[illegible]

PUBLIC RECORD

37

SECTION E FAIR COMPARISON

Section B sought information about the export prices to Australia and Section D sought information about prices on your domestic market for like goods (ie. the normal value).

Where the normal value and the export price are not comparable adjustments may be made. This section informs you of the fair comparison principle and asks you to quantify the amount of any adjustment.

As prices are being compared, the purpose of the adjustments is to eliminate factors that have unequally modified the prices to be compared.

To be able to quantify the level of any adjustment it will usually be necessary to examine cost differences between sales in different markets. The Commission must be satisfied that those costs are likely to have influenced price. In practice, this means that the expense item for which an adjustment is claimed should have a close nexus to the sale. For example, the cost is incurred because of the sale, or because the cost is related to the sale terms and conditions.

Conversely, where there is not a direct relationship between the expense item and the sale a greater burden is placed upon the claimant to demonstrate that prices have been affected, or are likely to have been affected, by the expense item. In the absence of such evidence the Commission may disallow the adjustment.

Where possible, the adjustment should be based upon actual costs incurred when making the relevant sales. However, if such specific expense information is unavailable cost allocations may be considered. In this case, the party making the adjustment claim must demonstrate that the allocation method reasonably estimates costs incurred.

A party seeking an adjustment has the obligation to substantiate the claim by relevant evidence that would allow a full analysis of the circumstances, and the accounting data, relating to the claim.

The investigation must be completed within strict time limits therefore you must supply information concerning claims for adjustments in a timely manner. Where an exporter has knowledge of the material substantiating an adjustment claim that material is to be available at the time of the verification visit. The Commission will not consider new claims made after the verification visit.

E-1 Costs associated with export sales

(These cost adjustments will relate to your responses made at question B-4, 'Australian sales')

1. Transportation

Explain how you have quantified the amount of inland transportation associated with the export sale ("**Inland transportation costs**"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

Inland transportation cost is the cost the seller bears for the movement of the stock from ex-factory to the port.

Feger can contract with domestic freight companies to provide this service, or may contract this responsibility to the buyer's shipping companies, or to the Italian freight forwarders with whom it has a historical business relationship. This decision is linked to the Incoterm used.

[REDACTED]

2. Handling, loading and ancillary expenses

List all charges that are included in the export price and explain how they have been quantified ("**Handling, loading & ancillary expenses**"). Identify the general ledger account where the expenses are located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

The various export related ancillary costs are identified in the table at question B4, for example:

- terminal handling;
- wharfage and other port charges;
- container taxes;
- document fees and customs brokers fees;
- clearance fees;
- bank charges, letter of credit fees
- other ancillary charges.

Feger offers different prices according to the Incoterms used. Generally Feger's sales are made on one or other of the following Incoterms:

[REDACTED]

The types of charges are these:

- container positioning;
- customs clearance;
- Terminal Handling Charge (THC);
- Bill of Lading document fee;
- International Ship and Port Facility Security Code (ISPS Code) fee;
- ocean freight - this cost includes freight from one port to another one, and can also include some other costs like Aden, Suez, BAF (Bunker Adjustment Factor) and CAF (Currency Adjustment Factor);
- extra costs and compensations – such as change from shipping company to shipping company.

So far as possible, Feger obtains advance quotations of charges likely to be incurred as part of its tendering procedures.

3. Credit

The cost of extending credit on export sales is not included in the amounts quantified at question B4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. Provide applicable interest rates over each month of the investigation period. Explain the nature of the interest rates most applicable to these export sales eg, short term borrowing in the currency concerned.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, *and if* export prices are influenced by this longer or shorter period, calculate the average number of collection days. See also item 4 in section E-2 below.

Sales to Australia are typically made on day terms.

4. Packing costs

List material and labour costs associated with packing the export product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed '**Packing**'.

Goods exported to Australia are packed in ocean containers that are full loaded unpalettised. No extra materials are used

5. Commissions

For any commissions paid in relation to the export sales to Australia:

- provide a description; and

- explain the terms and conditions that must be met.

Report the amount in the sales listing in question B-4 under the column headed **“Commissions”**. Identify the general ledger account where the expense is located.

[REDACTED]
[REDACTED]
[REDACTED]

6. Warranties, guarantees, and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (**“Warranty & guarantee expenses”** and **“Technical assistance & other services”**), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

[REDACTED]

7. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed **“Other factors”**. For example, other variable or fixed selling expenses, including salesmen’s salaries, salesmen’s travel expenses, advertising and promotion, samples and entertainment expenses. Your consideration of questions asked at Section G, concerning domestic and export costs, would have alerted you to such other factors.

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

8. Currency conversions

In comparing export and domestic prices a currency conversion is required. Fluctuations in exchange rates can only be taken into account when there has been a 'sustained' movement during the period of investigation (see article 2.4.1 of the WTO Agreement). The purpose is to allow exporters 60 days to adjust export prices to reflect 'sustained' movements. Such a claim requires detailed information on exchange movements in your country over a long period that includes the investigation period.

E-2 Costs associated with domestic sales

(These cost adjustments will relate to your responses made at question D-4, **"domestic sales"**)

The following items are not separately identified in the amounts quantified at question D-4. However you should consider whether any are applicable.

1. Physical characteristics

The adjustment recognises that differences such as quality, chemical composition, structure or design, mean that goods are not identical and the differences can be quantified in order to ensure fair comparison.

The amount of the adjustment shall be based upon the market value of the difference, but where this is not possible the adjustment shall be based upon the difference in cost plus the gross profit mark-up (i.e. an amount for selling general and administrative costs (S G & A) plus profit).

The adjustment is based upon actual physical differences in the goods being compared and upon the manufacturing cost data. Identify the physical differences between each model. State the source of your data.

[REDACTED] out of [REDACTED] product categories sold to Australia are also sold on the domestic market in like specification, i.e.:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Only [REDACTED] product category exported to Australia is not sold on the domestic market for comparison purposes. This product is [REDACTED]

2. Import charges and indirect taxes

If exports to Australia:

- are partially or fully exempt from internal taxes and duties that are borne by the like goods in domestic sales (or on the materials and components physically incorporated in the goods), or
- if such internal taxes and duties have been paid and are later remitted upon exportation to Australia;

the price of like goods must be adjusted downwards by the amount of the taxes and duties.

The taxes and duties include sales, excise, turnover, value added, franchise, stamp, transfer, border, and excise taxes. Direct taxes such as corporate income tax are not included as such taxes do not apply to the transactions.

Adjustment for drawback is not made in every situation where drawback has been received. Where an adjustment for drawback is appropriate you must provide information showing the import duty borne by the domestic sales. (That is, it is not sufficient to show the drawback amount and the export sales quantity to Australia. For example, you may calculate the duty borne on domestic sales by quantifying the total amount of import duty paid and subtracting the duty refunded on exports to all countries. The difference, when divided by the domestic sales volume, is the amount of the adjustment).

In substantiating the drawback claim the following information is required:

- a copy of the relevant statutes/regulations authorising duty exemption or remission, translated into English;
- the amount of the duties and taxes refunded upon *exportation* and an explanation how the amounts were calculated and apportioned to the exported goods;
- an explanation as to how you calculated the amount of duty payable on imported materials is borne by the goods sold *domestically* but is not borne by the exports to Australia;

Substitution drawback systems

Annex 3 of the WTO Agreement on Subsidies provides: *“Drawback systems can allow for the refund or drawback of import duties on inputs which are consumed in the production process of another product and where the export of this latter product contains domestic inputs having the same quality and characteristics as those substituted for the imported inputs”*

If such a scheme operates in the country of export adjustments can also be made for the drawback payable on the substituted domestic materials, provided the total amount of the drawback does not exceed the total duty paid.

3. **Level of trade**

Question D-4 asks you to indicate the level of trade to the domestic customer. To claim an adjustment for level of trade differences you will need to quantify the amount by which level of trade influences price.

Trade level is the level a company occupies in the distribution chain. The trade level to which that company in turn sells the goods and the functions carried out distinguish a level of trade. Examples are producer, national distributor, regional distributor, wholesaler, retailer, end user, and original equipment.

It may not be possible to compare export prices and domestic prices at the same level of trade. Where relevant sales of like goods at the next level of trade must be used to determine normal values an adjustment for the difference in level of trade may be required where it is shown that the difference affects price comparability.

The information needs to establish that there are real trade level differences, not merely nominal differences. Real trade level differences are characterised by a consistent pattern of price differences between the levels and by a difference in functions performed. If there is no real trade level differences all sales are treated as being at the same level of trade.

A real difference in level of trade (may be adjusted for using either of the following methods:

- (a) *costs arising from different functions*: the amount of the costs, expenses etc incurred by the seller in domestic sales of the like goods resulting from activities that would not be performed were the domestic sales made at the same level as that of the importer.

This requires the following information:

- a detailed description of each sales activity performed in selling to your domestic customers (for example sales personnel, travel, advertising, entertainment etc);
- the cost of carrying out these activities in respect of like goods;
- for each activity, whether your firm carries out the same activity when selling to importers in Australia;
- an explanation as to why you consider that you are entitled to a level of trade adjustment.

or

- (b) *level discount*: the amount of the discount granted to purchasers who are at the same level of trade as the importer in Australia. This is determined by an examination of price differences between the two levels of trade in the exporter's domestic market, for example sales of like goods by other vendors or sales of the same general category of goods by the exporter. For this method to be used it is important that a clear pattern of pricing be established for the differing trade levels. Such pattern is demonstrated by a general availability of the discounts to the level - isolated instances would not establish a pattern of availability.

The Italian market is not dominated by two major retailers as is the case in the Australian market. There are many independent retailers in the Italian market. The "private label" concept is not a dominant marketing form as it is in countries such as Australia and the UK.

The main differences between Italian and Australian retailers are as follows:

- (a) In Australia [REDACTED] have a dominant and consistent market share in the retail food business. In Italy there are many retailer companies competing in the market. The retailer food business is fragmented between many competitors.
- (b) In Italy "private labels", i.e. brands owned directly by retailers, are still not dominant in the market. To the contrary, huge volume "private labels" such as [REDACTED] have a consistent and dominant market share in the Australian retail food market.
- (c) In Italy, retailers require considerable logistic, customer service and quality assurance services. [REDACTED]

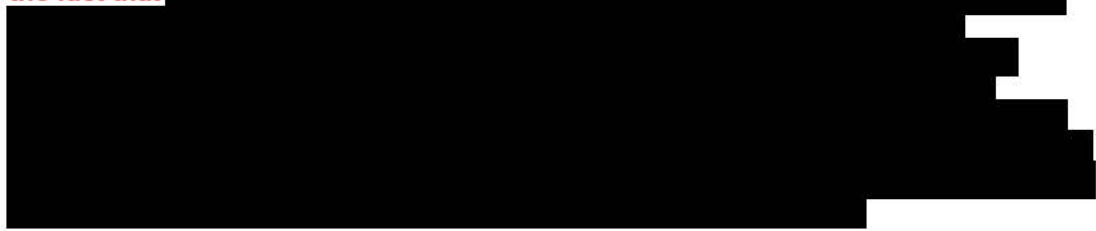
None of these logistic, customer service and quality assurance activities are required in the case of Feger's sales in Australia.

- (d) Modern retail food distribution is not as developed in Italy as it is in other markets, and is dissimilar to distribution modes that have developed in Australia and the UK. Italy does have "retail chains", but they are at different

stage of their "Life Cycle". Generally speaking, Italian retailers can be clustered into two groups according to the following variables:

- volumes required by customer for each reference;
- customer organization and structured procedures.

Apart from these market and sales effort differences, Feger also draws attention to the fact that



4. Credit

The cost of extending credit on domestic sales is not included in the amounts quantified at question D-4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. An adjustment for credit is to be made even if funds are not borrowed to finance the accounts receivable.

The interest rate on domestic sales in order of preference is:

- the rate, or average of rates, applying on actual short term borrowing's by the company; or
- the prime interest rate prevailing for commercial loans in the country for credit terms that most closely approximate the credit terms on which the sales were made; or
- such other rate considered appropriate in the circumstances.

Provide the applicable interest rate over each month of the investigation period.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, and if domestic prices are influenced by this longer or shorter period, calculate the average number of collection days.

Where there is no fixed credit period agreed at the time of sale the period of credit is determined on the facts available. For example, where payment is made using an open account system¹, the average credit period may be determined as follows:

1. Calculate an accounts receivable turnover ratio

This ratio equals the total credit sales divided by average accounts receivable. (It is a measure of how many times the average receivables balance is converted into cash during the year).

¹ Under an open account system, following payment the balance of the amount owing is carried into the next period. Payment amounts may vary from one period to the next, with the result that the amount owing varies.

In calculating the accounts receivable turnover ratio, credit sales should be used in the numerator whenever the amount is available from the financial statements. Otherwise net sales revenue may be used in the numerator.

An average accounts receivable over the year is used in the denominator. This may be calculated by:

- using opening accounts receivable at beginning of period plus closing accounts receivable at end of period divided by 2, or
- total monthly receivables divided by 12.

2. *Calculate the average credit period*

The average credit period equals 365 divided by the accounts receivable turnover ratio determined above at 1.

The resulting average credit period should be tested against randomly selected transactions to support the approximation.

Domestic sales were typically made [REDACTED] day terms. [REDACTED]

The following items are identified in the amounts quantified at question D-4:

5. **Transportation**

Explain how you have quantified the amount of inland transportation associated with the domestic sales ("**Inland transportation Costs**"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

Transport related to domestic sales was calculated [REDACTED]

6. **Handling, loading and ancillary expenses**

List all charges that are included in the domestic price and explain how they have been quantified ("**Handling, loading and ancillary Expenses**"). Identify the general ledger account where the expense is located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

Handling costs related to domestic sales have been calculated [REDACTED]

7. Packing

List material and labour costs associated with packing the domestically sold product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed **“Packing”**.

For domestic sales, substantial differences exists for packaging and associated costs.

For every customer, different materials are used according to their requests:

- [REDACTED]
 - [REDACTED]
 - [REDACTED]
- [REDACTED]

8. Commissions

For any commissions paid in relation to the domestic sales:

- provide a description
- explain the terms and conditions that must be met.

Report the amount in the sales listing under the column headed **“Commissions”**. Identify the general ledger account where the expense is located.

Commissions are remitted to agents and brokers who mediate in a customer's contract stipulation.

[REDACTED]

9. Warranties, guarantees, and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (**“Warranty & Guarantee expenses”** and **“Technical assistance & other services”**), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.



10. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed “**Other factors**”. List the factors and show how each has been quantified in per unit terms. For example:

- *inventory carrying cost*: describe how the products are stored prior to sale and show data relating to the average length of time in inventory. Indicate the interest rate used;
- *warehousing expense*: an expense incurred at the distribution point;
- *royalty and patent fees*: describe each payment as a result of production or sale, including the key terms of the agreement;
- *advertising*; and
- *bad debt*.

In addition to the above commercial costs, Feger also bears the following specific commercial domestic selling costs such as:



E-3 Duplication

In calculating the amount of the adjustments you must ensure that there is no duplication.

For example:

- adjustments for level of trade, quantity or other discounts may overlap, or
- calculation of the amount of the difference for level of trade may be based upon selling expenses such as salesperson's salaries, promotion expenses, commissions, and travel expenses.

Separate adjustment items must avoid duplication.

An adjustment for quantities may not be granted unless the effect on prices for quantity differences is identified and separated from the effect on prices for level of trade differences.

No duplication has been identified.

SECTION F

EXPORT SALES TO COUNTRIES OTHER THAN AUSTRALIA (THIRD COUNTRY SALES)

Your response to this part of the questionnaire may be used by the Commission to select sales to a third country that may be suitable for comparison with exports to Australia.

Sales to third countries may be used as the basis for normal value in certain circumstances. The Commission may seek more detailed information on particular third country sales where such sales are likely to be used as the basis for determining normal value.

F-1 Using the column names and column descriptions below provide a summary of your export sales to countries other than Australia.

Column heading	Explanation
Country	Name of the country that you exported like goods to over the investigation period.
Number of customers	The number of different customers that your company has sold like goods to in the third country over the investigation period.
Level of trade	The level of trade that you export like goods to in the third country.
Quantity	Indicate quantity, in units, exported to the third country over the investigation period.
Unit of quantity	Show unit of quantity eg kg
Value of sales	Show net sales value to all customers in third country over the investigation period
Currency	Currency in which you have expressed data in column SALES
Payment terms	Typical payment terms with customer(s) in the country eg. 60 days=60 etc
Shipment terms	Typical shipment terms to customers in the third country eg CIF, FOB, ex-factory, DDP etc.

Supply this information in spreadsheet file named "Third country"

Please refer to Annex 15 – Feger third country sales. [CONFIDENTIAL]

F-2 Please identify any differences in sales to third countries which may affect their comparison to export sales to Australia.

There are a multitude of differences that can affect the comparison of sales to third countries to Australian sales.

SECTION G

COSTING INFORMATION AND CONSTRUCTED VALUE

The information that you supply in response to this section of the questionnaire will be used for various purposes including:

- testing the profitability of sales of like goods on the domestic market;*
- determining a constructed normal value of the goods under consideration (the goods) - ie of the goods exported to Australia; and*
- making certain adjustments to the normal value.*

You will need to provide the cost of production of both the exported goods (the goods) and for the like goods sold on the domestic market. You will also need to provide the selling, general, and administration costs relating to goods sold on the domestic market; the finance expenses; and any other expenses (eg. non-operating expenses not included elsewhere) associated with the goods.

In your response please include a worksheet showing how the selling, general, and administration expenses; the finance expenses; and any other expenses have been calculated.

If, in response to question B4 (Sales to Australia, Export Price) you:

- reported that the date of sale is not the invoice date and consider that this alternative date should be used when comparing domestic and export prices, and*
- provided information on domestic selling prices for a matching period as required in the introduction to Section D (Domestic Sales)*

you must provide cost data over the same period as these sales even if doing so means that such cost data predates the commencement of the investigation period.

At any verification meeting you must be prepared to reconcile the costs shown to the accounting records used to prepare the financial statements.

G-1. Production process and capacity

1. Describe the production process for the goods. Provide a flowchart of the process. Include details of all products manufactured using the same production facilities as those used for the goods. Also specify all scrap or by-products that result from producing the goods.

<p>Please refer to Annex 16 – Feger production process. [CONFIDENTIAL]</p>

G-2. Provide information about your company's total production in the following table:

	PREVIOUS FINANCIAL YEAR	MOST RECENT FINANCIAL YEAR	Investigation Period
A – Production capacity (eg kg, tonnes)*			
B – Actual production in volume (eg kg, tonnes)			
C – Capacity utilisation (%) (B/A x 100)			

* rather than showing a 'name-plate' optimal capacity it is more meaningful to show the maximum level of production that may reasonably be attained under normal operating conditions. For example assuming: normal levels of maintenance and repair; a number of shifts and hours of operation that is not abnormally high; and a typical production mix.

Provide this information on a spreadsheet named "**Production**".

Please refer to Annex 17 - Feger production. [CONFIDENTIAL]

G-3. Cost accounting practices

1. Outline the management accounting system that you maintain and explain how that cost accounting information is reconciled to your audited financial statements.

Feger has a non-automatic control management system consisting in cross-checking the costs with reference to the accounting charts of the financial statement.

- 2 Is your company's cost accounting system based on standard (budgeted) costs? State whether standard costs were used in your responses to this questionnaire. If they were state whether all variances (ie differences between standard and actual production costs) have been allocated to the goods - and describe how those variances have been allocated.

Costs are valued according to actual consumption.

- 3 Provide details of any significant or unusual cost variances that occurred during the investigation period.

Not applicable, in that Feger is not aware of any such variance.

- 4 Describe the profit/cost centres in your company's cost accounting system.

Feger's cost centers are defined in relation to the business lines concerned, i.e.

- 5 For each profit/cost centre describe in detail the methods that your company normally uses to allocate costs to the goods under consideration. In particular specify how, and over what period, expenses are amortised or depreciated, and how allowances are made for capital expenditures and other development costs.

The method used to allocate costs to product lines is according to direct labor hours spent for each line. We allocated the costs according to the kgs produced for each business line. This cost item is attributed directly to the business line only if this method is applicable.

- 6 Describe the level of product specificity (models, grades etc) that your company's cost accounting system records production costs.

Costs related to raw materials are registered on the production statements on an actual basis.

- 7 List and explain all production costs incurred by your company which are valued differently for cost accounting purposes than for financial accounting purposes.

Not applicable, in that there are no such differences.

- 8 State whether your company engaged in any start-up operations in relation to the goods under consideration. Describe in detail the start-up operation giving dates (actual or projected) of each stage of the start-up operation.

Not applicable, in that Feger did not engage in such operations.

- 9 State the total cost of the start-up operation and the way that your company has treated the costs of the start-up operation in its accounting records.

Not applicable, in that Feger did not engage in such operations.

G-4 Cost to make and sell on domestic market

This information is relevant to testing whether domestic sales are in the ordinary course of trade.²

² The Commission applies the tests set out in s.269TAAD of the Customs Act 1901 to determine whether goods are in ordinary course of trade. These provisions reflect the WTO anti-dumping agreement – see Article 2.2.1.

1. Please provide (in the format shown in the table below) the actual unit cost to make and sell each model/type* (identified in section C) of the like goods sold on the domestic market. Provide this cost data for each quarter over the investigation period. If your company calculates costs monthly, provide monthly costs.

Please refer to Annex 18 – Feger domestic CTMS. [CONFIDENTIAL]

2. Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

	Quarter X	Quarter X	Quarter X	Quarter X
Like Domestic Model/Type – from spreadsheet LIKE GOOD (section C-3)				
Material Costs ¹				
Direct Labour				
Manufacturing Overheads				
Other Costs ²				
Total Cost to Make				
Selling Costs				
Administration Costs				
Financial Costs				
Delivery Expenses ³				
Other Costs ³				
Unit Cost to Make and Sell				

Prepare this information in a spreadsheet named "**Domestic CTMS**".

¹ Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.

² Relating to costs of production only; identify each cost separately.

³ Identify each cost separately. Please ensure non-operating expenses that relate to the goods under consideration are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

Provide this information for each quarter (or month if your company calculates costs on a monthly basis) over the period of the investigation.

Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.

Fixed costs include all items related to the structure [REDACTED]
[REDACTED] They have been calculated with respect to turnover:

• [REDACTED]

PUBLIC RECORD

56

•	
---	--

If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

Please refer to Annex 19 – Feger Australian CTMS. [CONFIDENTIAL]

G-5 Cost to make and sell goods under consideration (goods exported to Australia)

The information is relevant to calculating the normal values based on costs. It is also relevant to calculating certain adjustments to the normal value.

	Quarter X	Quarter X	Quarter X	Quarter X
Model/Type exported to Australia – from spreadsheet LIKEGOOD				
Material Costs ¹				
Direct Labour				
Manufacturing Overheads				
Other Costs ²				
Total Cost to Make				
Selling Costs				
Administration Costs				
Financial Costs				
Delivery Expenses ³				
Other Costs ³				
Unit Cost to Make and Sell				

Prepare this information in a spreadsheet named "**Australian CTMS**".

¹ Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.

² Relating to costs of production only; identify each cost separately.

³ Identify each cost separately. Please ensure non-operating expenses that relate to the goods are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

Provide this information for each quarter (or month if your company calculates costs on a monthly basis) over the period of the investigation.

Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.

Fixed costs include all items related to the structure [REDACTED]
[REDACTED] **They have been calculated with respect to turnover:**

- [REDACTED]
- [REDACTED]

If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

Please refer to Annex 18 – Feger domestic CTMS [CONFIDENTIAL]

Please refer to Annex 19 – Feger Australian CTMS [CONFIDENTIAL]

- 1 Where there are cost differences between goods sold to the domestic market and those sold for export, give reasons and supporting evidence for these differences.

The differences are generated by the different sales terms, different market situations and customer requirements. Domestic market sales are much more diversified and require more time and human resources.

- 2 Give details and an explanation of any significant differences between the costs shown, and the costs as normally determined in accordance with your general accounting system. Reference should be made to any differences arising from movements in inventory levels and variances arising under standard costing methods.

Not applicable, in that there are no such differences.

- 3 In calculating the unit cost to make and sell, provide an explanation if the allocation method used (eg number, or weight etc) to determine the unit cost differs from the prior practice of your company.

Not applicable, in that there are no such differences.

G-6 Major raw material costs

List major raw material costs, which individually account for 10% or more of the total production cost.

For these major inputs:

- identify materials sourced in-house and from associated entities;
- identify the supplier; and
- show the basis of valuing the major raw materials in the costs of production you have shown for the goods (eg market prices, transfer prices, or actual cost of production).

Please complete worksheet “**raw tomato purchases**” for this purpose.

PUBLIC RECORD

59

Where the major input is produced by an associate of your company the Commission will compare your purchase price to a normal market price. If the associate provides information on the cost of production for that input such cost data may also be considered.

Normal market price is taken to be the price normally available in the market (having regard to market size, whether the input is normally purchased at 'spot prices' or under long term contracts etc).

The term associate is defined in section 269TAA of the *Customs Act*. Included in that definition are companies controlled by the same parent company (a company that controls 5% or more of the shares of another is taken to be an associated company); companies controlled by the other company; and companies having the same person in the board of directors.

The two major raw materials are tomatoes, and tins.

These materials are not sourced in house or from associated entities.

Feger's tin suppliers during the POI were as follows:

Ragione Sociale (business name)
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

For tins the cost is determined by the production statements. To the cost of the

PUBLIC RECORD

60

tinplate (purchased) we add the cost of lacquering, the cost of lid cutting and the cost of assembling.

Feger's tomato suppliers during the POI were as follows:

[illegible]

PUBLIC RECORD

61

[illegible]

PUBLIC RECORD

62

For tomatoes a calculating model is used based on the use of fresh tomatoes referring to net weight, drained weight, weight of the juice and brix.		

Important note: If the major input is sourced as part of an integrated production process you should provide detailed information on the full costs of production of that input.

SECTION H PARTICULAR MARKET SITUATION

The applicant submits that a 'market situation' exists in respect of prepared or preserved tomatoes from Italy due to government influence on the supply and price of the major raw material input (raw tomatoes in the Italian market for processing) used in the manufacture of the goods.

The existence of such distortion or a 'market situation' could affect the Commission's approach to calculating normal value within its dumping assessment.

In broad terms, it is generally the case that the normal value of the goods is the price paid for like goods sold for home consumption in the country of export. One of the exceptions to using domestic selling prices for this purpose provides that the domestic selling prices are not an appropriate basis for normal value if the Minister is satisfied that a situation in the market has rendered domestic selling prices unsuitable for establishing normal values (i.e. a 'particular market situation' exists).

One of these situations may be where the domestic selling prices in the country of export have been materially affected by government influence rendering those prices unsuitable for use in establishing normal values.

This section of the exporter questionnaire provides producers/exporters of the subject goods in Italy the opportunity to supply evidence which will be used towards making that assessment. In examining the matter, the Commission will also send questionnaires to the EU and the Italian Government and continue to examine information available from third-party sources.

Through this questionnaire, the Commission is providing producers/exporters of the subject goods in Italy the opportunity to supply evidence that the sector under investigation is operating under market conditions. In examining the matter, the Commission will also send questionnaires to the Government of Italy and the European Union and continue to examine information available from third-party sources.

It may be necessary for the Commission to request additional information following receipt and review of your response.

With respect to section H, the following should be pointed out. At the outset, our company is of the view that the question of whether or not the Single Payment Scheme ('SPS') provided for by the Common Agricultural Policy constitutes a subsidy to tomatoes growers is not to be addressed in the framework of an anti-dumping investigation. As a matter of fact, section H of the present questionnaire improperly introduces into an anti-dumping investigation questions concerning subsidies that should be addressed, if appropriate and adequately supported, in the framework of a countervailing proceeding. In this respect, for the sake of good order, it must be emphasised that the SPS is fully WTO compatible. Indeed, the SPS is not specific and it is a completely decoupled income support scheme, in accordance with paragraph 6 of Annex 2 to the Agreement on Agriculture. The SPS has thus no trade

distorting effects or effects on production and is therefore to be considered a "Green-Box" measure in terms of paragraph 1 of Annex 2 of the Agreement on Agriculture.

While in the past some products (such as processed tomato) were eligible for a partially coupled support, this support was subsequently completely decoupled to encourage market orientation and stimulate competitiveness. In addition, it must be taken into account that companies benefiting from the SPS are required to comply with particular regulatory standards (the so-called 'cross-compliance'), including the Statutory Management Requirements (SMRs) and the Good Agricultural and Environmental Condition (GAEC). This represents a burden for the beneficiaries.

This having being stressed, for the sake of completeness and without prejudice to the position indicated above, it is submitted that the SPS has no impact whatsoever on the price of tomatoes for processing in the Italian market.

Pursuant to the SPS, farmers are entitled to receive every year a direct payment on the basis of (1) the hectares of land owned, and (2) the entitlements held by each farmer in that particular year. An entitlement is, in substance, a conditional right to receive the income support pursuant to the SPS which (i) is not attached to land, (ii) is allocated to a person and become the property of that person and (iii) can be traded. The value of each entitlement is calculated on the basis of the amount of payments received during a reference period (2004-2006), by dividing this amount by the number of hectares which qualified for the support in the reference period.

It follows that under the SPS all farmers – whether or not tomato growers – receive a payment which is based on the hectares and the entitlements owned by each farmer. These payments are decoupled from production. This means that all farmers eligible for the SPS are granted the payment, irrespective of what they produce (tomatoes or other products) and the volume of their production.

Hence, the SPS cannot be considered an incentive to the production of tomatoes. On the contrary, since farmers receive the payment irrespective of whether they produce tomatoes, the SPS may be seen as a disincentive to the production. As a matter of fact, the only reason for a farmer to produce tomatoes is to make profits. In addition, it must be stressed that the SPS has no impact whatsoever on price competition amongst Italian tomato growers, since all tomato growers are equally entitled to benefit from the SPS.

It follows that the SPS does not have any impact on tomato prices. In that regard, suffice it to say that the prices of tomatoes in the Italian market are among the highest in the world. In 2014, the price of long tomatoes was, on average, about 105 €/MT, and the price of round tomatoes was about 95 €/MT, well above the average prices worldwide (i.e. China 62 €/MT; California 73 €/MT; Portugal 80 €/MT; Spain 77 €/MT; Tunisia 57 €/MT; Turkey 93 €/MT).

The Commission itself confirmed the above conclusion in the previous investigation (No. 217), where it was found that *'the evidence indicates that any payments provided directly to tomato growers in Italy are benefitting the growers in isolation and are not transferred to processors in the form of lower prices'* (Final report 217 Prepared or preserved tomatoes – Italy, p. 34). Since the relevant circumstances and the applicable legislative framework have

not changed as from the previous investigation, the only possible conclusion is to confirm that no 'market situation' exists in the Italian market for tomatoes.

In light of the foregoing, having being demonstrated that the price of tomatoes is not influenced by the SPS and, thus, no alleged market distortions exist, any attempt to modify the normal value resulting from the company' records would be groundless and ill-founded.

H1 – The prepared or preserved tomatoes sector

The information requested in this part will assist in providing a better understanding of the operation and administration of the European Union's Common Agricultural Policy and related programmes.

In addition to your narrative response to each of the questions, all necessary supporting documentation is requested.

1. Raw material supply

Note: the applicant alleges that producers in Italy of prepared or preserved tomatoes have benefited from government influence on the supply and pricing of raw tomatoes.

Your responses to these questions are relevant to the assessment of whether a market situation exists. Ensure responses to these questions are complete.

- a) Is there a price difference between the purchase price for raw materials from a supplier that is a member of a producer organisation or a cooperative compared to a supplier that is independent? Provide explanation.

There is no price difference between the purchase price for raw materials from a supplier that is a member of a producer organisation or cooperative compared to a supplier that is independent.

- b) Explain whether your business has been subjected to any direct or indirect price guidance or controls by the Government of Italy and European Union during the investigation period, with respect to raw material inputs (i.e. raw tomatoes in the Italian market for processing or any other raw material).

Our business is not subjected to any direct or indirect price guidance or control by Italian Government and European Union

2. Regional differences

- a) If you have production facilities in more than one region/province, or you purchase raw tomatoes from more than one region/province, are the laws and regulations in each region/province the same with respect to pricing of the raw material inputs and/or the goods? Provide details on any regional differences.

Not applicable. There are no regulations governing the pricing of tomatoes. The purchase price of tomatoes is negotiated between the parties on a market basis

- b) If you have production facilities in more than one region/province, or you purchase raw tomatoes from more than one region/province, are the market conditions in each region/province the same with respect to pricing of the raw material inputs and/or the goods? Provide details on any regional differences.

The market conditions with respect to pricing of tomatoes are the same in all regions.

3. The Common Agricultural Policy and the Single Payment Scheme

On the basis of your responses to the questions below, please complete the following table:

PUBLIC RECORD

67

Date	Summary of benefit	Benefit program (SPS payment, direct payment, production support, other)	Total value of benefit (Euro)

Not applicable

- a) Since 1 January 2013, has your company and/or your raw material input suppliers received, or have been considered eligible to receive, payment of benefits under the Single Payment Scheme (SPS)?

Our company did not receive (nor has been considered eligible to receive) any benefit under the SPS. We don't have information concerning our raw material suppliers.

If you have answered yes to the above, please explain the process by which you applied and whether your applications were approved.

Not applicable

- b) If your company and/or your raw material input suppliers have been the recipient of annual benefits under the SPS of the Common Agricultural Policy (CAP) or any other similar policy/program, please explain how these benefits are provided by the Italian government and/or European Union, and how the benefit is accounted for within your company accounts.

Not applicable

Please refer to statements of income and/or financial statements in explaining how benefits are accounted for.

Not applicable

- c) Since 1 January 2013, has your company and/or your raw material input suppliers received, or have been considered eligible to receive, any direct or indirect benefit from the Italian government or related bodies under the CAP, other than SPS payment?

Our company did not receive (nor has been considered eligible to receive) any direct or indirect benefit under the CAP (other than SPS). We don't have information concerning our raw material suppliers.

If you have answered yes to the above, please explain the process by which you applied and whether your applications were approved.

Not applicable

- d) If your company and/or your raw material input suppliers received, or have been considered eligible to receive, any other form of direct or indirect support from the government or related bodies during the period in question, please identify the form of support provided and a summary of the rationale for the provision of the support.

Our company did not receive (nor has been considered eligible to receive) any other form of direct or indirect support from the government or related bodies. We don't have information concerning our raw material suppliers.

4. Involvement with Producer Organisations and Producer Organisation Associations

The Commission is aware that policies of common market organisation (CMO) have been adopted by the European Union in the past, pursuant to which initiatives of organisation and support programmes have been applied in relation to the markets in processed fruits and vegetables, including the goods under consideration.

- a) Is your company a member of a Producer Organisation or a Producer Organisation Association? If so, please provide the full name of each of these associations, an explanation of your business' relationship with the association and, an explanation of the involvement of the Government of Italy and European Union with the association.

Our company is not member of any Producer Organisation or Producer Organisation Association.

- b) Since 1 January 2013, has the Producer Organisation or a Producer Organisation Association of which your company is a member been the recipient of payment of benefits under the SPS?

Not applicable

- c) Since 1 January 2013, has the Producer Organisation or a Producer Organisation Association of which your company is a member been the recipient of direct or indirect benefits under the CAP or any other policy/program?

Not applicable

- d) If the Producer Organisation or a Producer Organisation Association of which your company is a member received any other form of direct or indirect support from government or related bodies during the period in question, please identify the form of support provided and a summary of the rationale for the provision of the support.

Not applicable

- e) The Commission understands that, as part of the CMO principles associated with the sector, annual negotiations are held between processors and producing organisations pursuant to which prices for raw tomatoes for processing originating within Italy are set for the calendar year. Please explain who is involved in negotiations and what are the key variables considered in setting annual prices?

In Italy there are no collective negotiations between processors and producing organisations setting the price of raw tomatoes for processing. The price for raw tomatoes is negotiated by each company with each individual supplier.

For sake of completeness, it must be noted that in 2014 processors and tomato growers based in the South of Italy created the so-called 'Distretto Pomodoro del Sud', i.e. an organization whose main purpose is to approve standard clauses, terms and conditions to be used in the agreements concluded between processors and suppliers of raw tomatoes. The price for raw tomatoes is not part of the negotiations held within the organisation since, as explained, the price is agreed by each processor with each individual supplier. In any case, it must be noted that during the investigation period the organisation was not yet operational. Membership is on a voluntary basis.

- f) Please advise whether there are any collective negotiation arrangements that occur within Italy in relation to processed tomato products, similar to the price negotiations that occur between producers and processors? In providing your response, please explain whether there are any support mechanisms or policies which assist to stabilise the price of processed products – for example stock withholding mechanisms, price compensations or price support?

In Italy there are neither collective negotiation arrangements regarding processed tomato products nor support mechanisms or policies which assist to stabilise the price of processed products.

- g) Since 1 January 2013, has your company received any form of production aid or price support in relation to the production of prepared or preserved tomatoes? If your company has received any such aid or production support, please indicate
- the form of the support;
 - the period within which support was provided;
 - the rationale for the provision of the support; and
 - the quantitative value of the support provided.

Our company has not benefited from form of production aid or price support in relation to the production of prepared or preserved tomatoes

Other industry associations

- a) Is your business a member of any other industry associations? If so, explain your business' relationship with the association and the involvement of the Government of Italy and European Union with the association.

Our company is member of Anicav, an organisation representing the Italian tomatoes processing industry (www.anicav.it). Anicav is affiliated to Confindustria, which is the main Italian organisation representing manufacturing and service companies (www.confindustria.it).

The membership to Anicav is on a voluntary basis and there is no involvement of the Italian Government and/or the European Union with the association.

- b) If your business is a member of another industry association, indicate whether this membership is voluntary or compulsory. Explain the functions that the association provides for your business. Explain in detail the role of the association with respect to the directives as provided by the Government of Italy and European Union concerning the raw tomatoes in the Italian market for processing and the prepared or preserved tomatoes industry.

As member of Anicav, our company is also member of Federalimentari and AIIPA, which are sectoral federations affiliated to Confindustria. Also these memberships are on voluntary basis.

Other benefits or support mechanisms

- a) Please identify any other forms of benefit or support that your company has received since 1 January 2013, on a recurring basis, or as one off payments or support, from the Italian government or any other body or agency.

Not applicable

FOR OFFICIAL USE ONLY

71

**SECTION I
EXPORTER'S DECLARATION**

☒ I hereby declare that Feger di Gerardo Ferraioli S.p.A. (company)
did, during the period of investigation export the goods under consideration
and have completed the attached questionnaire and, having made due
inquiry, certify that the information contained in this submission is complete
and correct to the best of my knowledge and belief.

☐ I hereby declare that.....(company)
did not, during the period of investigation, export the goods under
consideration and therefore have not completed the attached questionnaire.

Name : GERARDO FERRAIOLI
Signature : di Gerardo Ferraioli S.p.A.
PRODOTTI CONSERVATI
Position in
Company : PRESIDENT OF CDA
Date : 04-03-2015

SECTION J CHECKLIST

This section is an aid to ensure that you have completed all sections of this questionnaire.

Section	Please tick if you have responded to all questions
Section A – general information	<input checked="" type="checkbox"/>
Section B – export price	<input checked="" type="checkbox"/>
Section C – like goods	<input checked="" type="checkbox"/>
Section D – domestic price	<input checked="" type="checkbox"/>
Section E – fair comparison	<input checked="" type="checkbox"/>
Section F – exports to third countries	<input checked="" type="checkbox"/>
Section G – costing information	<input checked="" type="checkbox"/>
Section H – particular market situation	<input checked="" type="checkbox"/>
Section I – declaration	<input checked="" type="checkbox"/>

Electronic Data	Please tick if you have provided spreadsheet
INCOME STATEMENT	<input checked="" type="checkbox"/>
TURNOVER – sales summary	<input checked="" type="checkbox"/>
AUSTRALIAN SALES – list of sales to Australia	<input checked="" type="checkbox"/>
DOMESTIC SALES – list of all domestic sales of like goods	<input checked="" type="checkbox"/>
THIRD COUNTRY – third country sales	<input checked="" type="checkbox"/>
PRODUCTION – production figures	<input checked="" type="checkbox"/>
DOMESTIC COSTS – costs of goods sold domestically	<input checked="" type="checkbox"/>
AUSTRALIAN COSTS – costs of goods sold to Australia	<input checked="" type="checkbox"/>
RAW TOMATO PURCHASES – details of purchases of raw tomatoes	<input checked="" type="checkbox"/>

APPENDIX

GLOSSARY OF TERMS

This glossary is intended to provide you with a basic understanding of technical terms that appear in the questionnaire.

Adjustments

To enable a fair comparison between the export price and the normal value Australian legislation provides for the adjustment of the domestic price paid for like goods. Adjustments are made to account for sales occurring at different times, specification differences, and differences in the terms or circumstances of the sales. The adjustment to the normal value may be upward or downward. Areas where you believe an adjustment is necessary should be identified. Section E of the questionnaire refers.

Examples of adjustments that may be made include: *sales occurring at different times* (it is sometimes necessary to compare domestic and export sales made at different times - in these circumstances an adjustment may be made to reflect price movements during that time); *specification differences*; *packaging*; *taxes*; *level of trade*; *advertising*; *servicing/warranty*; *inland freight*; *warehousing*; *export charges*; *credit terms*; *duty drawback*; *commissions*.

Adjustments may also be required where the normal value is based upon costs to make and sell.

Arms length

Sales are not considered to be at "arms length" on your domestic market if there is any consideration payable for the goods other than their price, or there is an association between the buyer and the seller which affects the price, or there will be a reimbursement, compensation or benefit for, or in respect of, the price.

Constructed value

In cases where domestic prices paid for the goods under consideration in the country of export cannot be used for the determination of normal value, ie. when there are no or insufficient sales or where such sales were not made in the ordinary course of trade, normal value may be based on a constructed value. Constructed value is calculated on the basis of the cost of production of the goods under consideration plus a reasonable amount for selling, general and administration costs, and for profits, that are associated with sales on the domestic market of the country of export.

Cost of production/manufacturing

The cost of production or manufacture consists of all manufacturing costs associated with the goods. It is the sum of direct materials, direct labour and factory overheads.

Cost to make and sell

The cost to make and sell is the sum of the cost of production or manufacture, and the selling, general and administration costs associated with the sale of those goods.

Country of origin

The country in which the last significant process in the manufacture or production of the goods was performed.

Date of sale

The Commission will normally use the invoice date as recorded in the exporter or producer's records. Another date may be used if this better reflects the material terms of sale. The questionnaire directs attention to matching data sets of domestic and export sales where some other date is used, as well as matching cost information.

Direct labour cost

Direct labour is categorised as a variable cost, ie. the value varies with the level of production.

Dumping

Dumping occurs when the products of one country are exported to another country at a price less than their normal value.

Dumping margin

Where the export price is less than the normal value the dumping margin is the amount of the difference. It can be expressed as a value or as a percentage of the export price.

Export price

The export price of the goods is usually the price paid or payable to the exporter in arms length transactions, in most instances calculated at the Free on Board (FOB) level.

Exporting country

The country of export is normally the country of origin from which the goods are shipped. The country of export may be an intermediate country, except where the products are merely transhipped through that country, or the products concerned are not produced in that country, and there is no comparable price in that country.

Factory overheads

Factory overheads consist of variable costs eg. power, supplies, indirect labour and fixed costs eg. factory rent, factory insurance, factory depreciation etc.

Goods under consideration (the goods)

The goods to which the application for anti-dumping action relates. That is, the goods that you have exported to Australia allegedly at dumped prices.

Incoterms

The following abbreviations are commonly used (comment is provided concerning costs that are normally borne by the seller):

EXW	ex works (the seller's minimum obligation as costs relate to goods being made available at the sellers premises)
FCA	free carrier (main carriage not paid by seller. Pay costs until such time that the goods have been delivered at the named point into custody of a carrier named by the seller. Customs formalities, taxes etc paid if required)
FAS	free alongside ship (main carriage not paid by seller. Deliver the goods alongside the ship)
FOB	free on board (main carriage not paid by seller. Deliver the goods on board, provide export clearance if required, pay loading costs to the point the goods have passed the ship's rail, pay customs formalities, taxes etc payable upon exportation)
CFR	cost and freight (main carriage paid by seller. Pay all costs until delivered as well as freight, loading and unloading, pay customs formalities, taxes etc payable upon exportation)
CIF	cost, insurance and freight (main carriage paid by seller. Pay all costs as under CFR as well as marine insurance) the terms CFR and CIF are only used where goods are carried by sea or waterway transport
CPT	carriage paid to
CIP	carriage and insurance paid to the terms CPT and CIP are used as alternatives to CFR and CIF where the goods are carried by air, road, rail etc
DAF	delivered at frontier (goods carried by rail or road and cleared for export at the named place at the frontier. Pay costs until delivered at the frontier plus any discharge costs incurred to place the goods at the customers disposal)
DES	delivered ex ship (goods made available to the buyer on board the ship uncleared for import at the named port of destination. Pay all costs incurred in placed at the disposal of the buyer, pay customs formalities, taxes etc payable upon exportation, and where necessary for transit through another country)
DDU	delivered duty unpaid (Pay all costs for carriage to the agreed point, pay customs formalities, taxes etc payable upon exportation, and where necessary for transit through another country)
DDP	delivered duty paid (goods made available at the named place in the country of importation – all risks and costs being incurred by the seller including duties, taxes etc incurred upon importation)

Investigation period

A period defined by the Commission over which importations of the goods are examined.

Like goods

Like goods are goods sold on the domestic market of the country of export (or to a third country) that are identical in all respects to the goods under consideration or that, although not alike in all respects have characteristics closely resembling those of the goods under consideration. The term 'like goods' also refers to the goods produced by the Australian industry allegedly being injured by dumped imports.

Normal value

Australian legislation sets out several ways to assess "normal value".

The preferred method is to use the price paid for like goods sold for domestic consumption in the country of export. Usually, these sales are made by you, but there may be circumstances where it is appropriate to use sales made by other sellers on the domestic market.

Sale prices must be at arms length and in the ordinary course of trade. In the absence of relevant or suitable domestic sales, the normal value may be determined by constructing a price based upon all costs to make and sell the goods. Profit may also be included if the sales on the domestic market are profitable. Alternatively the normal value may be ascertained using the price paid for like goods sold in the ordinary course of trade at arms length to customers in a country other than Australia, however this option is rarely used.

Finally, when a normal value cannot be ascertained by any of the above methods, or if no information is provided, the Commission will determine the normal value by considering all the relevant information, including the applicant's information. This allows the applicant's information to be used where sufficient information has not been furnished or is not available.

Where domestic price generally, and the trade of the exporting country are determined or substantially influenced by the government of the exporting country, an alternative/surrogate market economy is selected by the Commission and the normal value is determined as if the surrogate country were the export source.

Ordinary course of trade

Testing for "ordinary course of trade" includes a comparison of the selling price and the unit cost to make and sell for the same period. If sales in respect of a substantial quantity of goods over an extended period of time, usually 12 months, do not recover all costs and these losses are not likely to be recovered within a reasonable period of time, (again usually 12 months) then the sales are regarded as being not in the ordinary course of trade.

There may be circumstances where it is appropriate to use a period other than 12 months in assessing whether sales are in the ordinary course of trade.

Unprofitable sales are to be taken to have occurred in substantial quantities during an extended period where the unprofitable sales amount to 20% or more of the total volume of sales of the goods by the exporter over the period. An extended period of time is usually taken to be a period not less than 12 months. Where unprofitable sales are rejected, normal value is based upon remaining profitable sales provided they occur in sufficient number. Where all sales have been made at a loss, or profitable sales are insufficient, the normal value may be constructed from costs to make and sell.

Selling, general and administration expenses (SG&A)

The selling, general and administration expenses includes all selling, distribution, general and administration expenses including finance costs that would be incurred if the goods were sold for domestic consumption in the country of export. The amounts are determined in each case using all the available information and may include expenses incurred in:

- . domestic sales of like goods;
- . sale of goods of the same general category by the exporter; or
- . sales in the industry in the country of export.

The expenses must, however, reflect the selling, general and administration costs of the goods. Administrative and selling expenses include: director's fees, management salaries and benefits, office salaries and benefits, office supplies, insurance, promotion, entertainment, depreciation and corporate overheads.

CHERRY TOMATOES

1. How are cherry tomatoes grown and how is this different to how non-cherry tomatoes are grown?

Cherry tomatoes, differently from other types of tomatoes, needs more care because they are very



susceptible to bacterial and especially to mushrooms. The larger part of the varieties of cherry tomato, in fact, have no particular resistance to pathogens. Therefore, it is important to be timely with pesticide treatments. Particularly



important in the management of the tomato are the soil and the water. The cherry tomato, prefers deep soils and well drained, mainly land of the hill. These types of soils allow to obtain a fruit size not too large.

The management of the water is very important to avoid the formation of lacerations to the fruit, which depreciate the product. Particularly appreciated the cherry tomato grown on land adjacent coastal areas and irrigated with salt water. These soil conditions allow to obtain a very tasty fruit and with a very high brix. At the harvest, the cherry tomato employs



more economic resources than the round and long shape tomato. Moreover, **the yield per hectare of cherry tomato is around 50% less than other tomatoes**. Cherry tomato is collected mainly by hand to avoid that the product is damaged during harvesting. The plants were uprooted and left on the ground for about a day to allow the tomatoes to separate better from the plant and to accumulate a brix greater in the fruit



2. Please describe the production process for cherry tomatoes and how this is different to non-cherry tomatoes

Prerogative of the cherry tomatoes is the canning **without having previously been peeled**. This distinguishes it from all other tomato products that, instead, are peeled. Important is the **process of calibration of the raw material**, to ensure a certain number of berries per can and to ensure an appropriate weight to the product. Another important step in the transformation of the cherry tomatoes is the sorting of the berries on the carpets. Skilled workers able to detect and remove any berries that do not match the quality standards required by our customers operate this step. Once calibrated and selected the cherry tomatoes are ready to be canned, filled with tomato juice and then sterilized. The cultivation of cherry tomatoes is a real **market niche**. Just think that the production of this item is less than three percent of the total production of tomatoes in Italy.



In recent years, we have seen an increase of areas for the cultivation of cherry tomatoes thanks to growing demand from markets. Production increased, in fact, from about 19,000 tons in 2013 to 30,000 tons in 2014. Last year, they were destined to cherry tomatoes about 1000 hectares on 22 000 hectares planted in south central Italy. To give an idea of the finished product, just think that although the product has increased, in 2014 were produced only 80,000,000 pcs in different formats.

3. Commercial substitutability of cherry tomatoes with non-cherry tomatoes (commercial likeness)

Cherry tomatoes are flavor reference that cannot be replaced by any other type of tomato. Indeed, they have a shape and flavor completely different than the other tomatoes. The shape and size of the fruits are those typical of a cherry from which they take the name. The flavor of the cherry tomato is generally **very sweet, savory and sour**. The ripe fruits have a brix and color by far higher than tomato long and round



moreover, the peel is very thin. The cherry tomatoes is one of the main products for taste that identifies the made in Italy. This is because the orographic of Italy, the high coastal area, the abundance of water resources of the subsoil, soil fertility, Mediterranean climate and the predominant type of hilly land represent the optimum for the needs of the plant cherry tomato.

Another type of cherry tomato that is taking place in the landscape of gourmet products of Italian origin is the date.

It is a variety of cherry tomato that has the form of a date, its name remembers the fruit of the desert. It is harvested when small elongated berries have reached a deep red color

and the typical taste that immediately wins who tastes it. The harvest is exclusively by hand just to preserve the integrity of the fruit itself. Has a very high sugar content that makes it sweet and very tasty with a good balance between acids and sugars. Develops few seeds inside and has a thin skin which makes it ideal for the preparation of fast cooked dishes.



ORGANIC TOMATOES

1. How organic tomatoes are grown and how this is different to non-organic tomatoes

Organic agriculture is a production system in tune with the environment and the needs of man. The realization of organic agricultural systems requires much research and constant experimentation that allows the best use of the mechanisms and resources that nature itself provides. The cultivation of organic tomatoes requires much effort and a lot of skill. Not all farmer, in fact, can engage in the cultivation of organic tomatoes. Italy is a country very suited to organic production. In fact, an important element to consider is that, from a report INEA of 2013, Italy appears to be in first place for agricultural area used in organic tomato compared to the total agricultural areas



First, **organic tomatoes are subject to certification by third parties for the entire production chain**. This means that the nursery, the producer as well as the factories must be enrolled in a certification body that validates the correct application of legislation on organic production.



With regard to the technical aspects of production, **agronomic techniques are central to organic farming**. The fertility of the soil is maintained using organic fertilizers, the practice of crop rotation is an important practice to maintain the structure of the soil and the percentage of organic matter. Weed containment is one of the most onerous practices. Indeed, weeding is carried out by hand, since you cannot use any type of chemical. The fight against pathogens is permitted only with the help of herbal preparations, minerals and animals that are not synthesized chemically (except for certain products considered "traditional") and giving priority to biological control.



Based on the above, the production of organic tomato in the field is characterized by the **total absence of synthesis products (chemical) for the conduction of the culture**. Therefore, all types of pesticides and fertilizers of chemical origin allowed are banned, instead, in integrated farming. Moreover, the few products allowed are strictly confined to a particular set of very restrictive. This implies that the tomato plant biology is more exposed to attacks of biotic and abiotic pathogenic than the tomato plants built. As for fertilization, only organic type fertilizing, (moreover, at low concentrations of the main nutrients), are allowed. Obviously, the cost of cultivation per hectare, based on the above, appears to be considerably higher than the tomato in integrated production. Clearly, the choice of the soil with a good structure, with a high percentage of organic fraction and in areas virus free is essential for the cultivation of organic tomato.

Therefore **the yields per hectare of organic tomatoes are much lower** than the tomato integrated. Furthermore, the certification body of the farmer constrains the maximum production, above which the entire production could be downgraded to integrated tomato.

2. Please describe the production process for organic tomatoes and how this is different to non-organic tomatoes

The production process of organic tomatoes - in addition to what described above, about the obligations towards organic certification bodies - does not particularly differ from non-biological one. One of the main elements to be taken into account is represented by the **use of dedicated lines**, both for the preparation of the juice, both for the tomato peeled and diced. Therefore, the procedures of start-up of production lines are kept in great consideration in the processing of organic tomatoes. This is to avoid accidental

contamination. Clearly, in the aim to ensure the organic nature of the finished product, multi-residual analyzes for each lot of organic tomato are carried out directly in the field and in any case before the product is put in process. The same type of analysis are then conducted for each batch of finished product.

3. If organic tomatoes are preservative and additive free, then is their shelf life shorter?

All types of tomato in the box are preservative free both the organic and non-organic. As additives, however, is used only citric acid as an acidity regulator. In terms of the addition of citric acid, there are no differences between organic tomato and tomato not organic

4. Commercial substitutability of organic tomatoes with non-organic tomatoes

Consumers who choose organic, would hardly switch to non-organic products (for further details, see point 5 below) Organic tomatoes still represent a small part of the total production of industrial tomatoes in Italy. In 2012, in southern Italy, organic tomatoes accounted for **less than 1% of total production**. Over the past two years, the increasing demand for organic tomatoes (by health and environmental conscious consumers) has determined an increase of the cultivated areas (reaching about 2% of the total).

5. Purpose and end use of organic tomatoes

The philosophy behind this different product is not only the objective of offering products without residues of pesticides or chemical fertilizers, but also the intention not to create negative **environmental effects**, such as pollution of water, soil and air. Consumers who choose organic products normally embrace a philosophy based on the following cornerstones:

- MORE WELFARE FOR ALL: to soil, plants, animals, humans and the planet, because the well-being of individuals and communities, cannot be separated from that of the ecosystems. Organic agriculture sustains the well-being of ecosystems and of all organisms, from the smallest in the soil to human beings;
- RESPONSIBLE MANAGEMENT OF RESOURCES: in order to protect the health and well-being of present and future generations, as well as the environment. Precaution and responsibility are the key concepts in management decisions, development and technology in Organic Agriculture;
- ECOLOGICAL PROCESSES AND RECYCLING: Organic Agriculture should pursue an ecological balance through the design of farming systems, establishment of habitats and maintenance of genetic diversity and agricultural. Those who produce, process, trade and consume organic products should protect and act for the benefit of the common environment, including the landscape, climate, habitats, biodiversity, air and water.
- FAIRNESS OF BUSINESS RELATIONS: internal relations at all levels and all stakeholders (farmers, workers, processors, distributors, traders and consumers) should be guided by principles of social justice and respect for the environment common to the opportunities of life.

6. Please advise of the criteria to be met for the certification process for organic tomatoes

The certification of organic tomatoes is governed by **Regulation No. 834/2007/EC**, which defines the system of production, processing, labeling, inspection and certification in the European Union. If inside the European Union the organic agriculture is governed by Regulation 834/2007/EC, with respect of non-EU countries the EU itself has entered into equivalence agreements so that the certified organic products can be traded as such with non-EU countries. More details about the requirements for organic certification are available at http://ec.europa.eu/agriculture/organic/index_en.htm

SAN MARZANO PEELED TOMATO

1. How SM tomatoes are grown and how this is different to non-SM tomatoes



Tomatoes from the typical elongated shape, the San Marzano tomatoes came to Campania in 1770, as a gift from the King of Peru to the King of Naples. It was planted in the area corresponding to the present town of San Marzano sul Sarno, where he grew up very well thanks to the fertile volcanic soil and where it took its name. Undisputed king of Italian culinary tradition and perfectly placed in the dictates of the Mediterranean diet, the tomato S. Marzano has found its highest expression only in the fertile volcanic soils especially those deeper, soft, with a good supply of organic matter and affected by the beneficent influence of the sea. The reason why the San Marzano tomato is completely different from all the



other tomatoes lies in its origin (as detailed above) and its cultivation technique, which is completely different from all other types of tomato.



The production of San Marzano tomatoes is **highly regulated**, as it is carried out pursuant to a **production specification**, (available at http://www.agricoltura.regione.campania.it/tipici/pdf/disciplinare_san_marzano_2010.pdf) which defines the cultivation and processing

techniques to be followed to obtain a higher quality product and confers the "**protected designation of origin**" ("PDO") protection.



Prerequisite to benefit from the PDO is the production area: San Marzano tomatoes, in fact, can be cultivated only in small part of the "Agro Sarnese Nocerino", i.e. the area, which has seen the birth of this delicacy typical of Italy and - even more - of the Campania region. The planting must be a minimum of 40 cm in the row and 110 cm between rows. The training must be vertical with the help of tutors in wood and horizontal wires just like the tradition handed down. Pinching out and topping are allowed, in addition to normal agricultural techniques, to allow the tomatoes to assume its traditional *habitus*. Any practice of forcing tending to alter the natural biological cycle of the tomato, is prohibited; with particular regard, the ripening. Only two ecotypes of San Marzano are allowed in the specification and must have the following phenological characteristics: growing plant indefinitely foliage well covering the fruit; scalar ripening; unripe berries with "green shoulders". The harvest of the fruits is between 30 July and 30 September and should only be done by hand, when they are fully ripe. The harvesting is performed in several stages. Fruits harvested must be placed and transported in plastic containers, which can seat from 25 to 30 Kg. The maximum yield is 80 tons per hectare. San Marzano tomatoes **are subject to certification by third parties for the entire production chain**.

2. The production process for SM tomatoes and how this is different to non-SM tomatoes

The production process of the San Marzano tomato is quite different from the process applicable to other type of tomatoes. First, **only the canners located in the Agro Sarnese Nocerino can process the San Marzano tomato**, as it is also requested by the specification. This emphasizes even more the uniqueness of San Marzano tomatoes

One of the main points is represented by the use of **dedicated lines**, both for the preparation of the juice, both for the tomato peeled. Therefore, the procedures of start-up of production lines are kept in great

consideration during the process of the San Marzano tomato. All that to avoid accidental contamination with non San Marzano tomatoes. The speed of production is greatly reduced during processing because the San Marzano tomato is **more delicate** than the hybrid long tomato. The sorting on the carpets is carefully conducted. This step is operated by skilled workers can detect and eliminate all the fruits that do not correspond to the standards defined by the specification. Once selected, the tomatoes are ready to be canned, filled only with San Marzano tomato juice and then sterilized. The processed product, before being recognized as "DOP", must overcome an analysis of compliance, conducted by the certification body. Only the product lots which fully comply with the specification can be certified with the words: "S. Marzano Tomato Agro Sarnese Nocerino DOP"

3. Commercial substitutability of SM tomatoes with non-SM tomatoes



The San Marzano tomato has a bittersweet flavor and a typically intense flavor. A tomato fragrant and fleshy with a flavor that can enhance the traditional dishes of Italian cuisine, but also a tomato with a high nutritional value. An intense aroma of tomato and a unique balance between acidity and sugar characterizes it. The flesh is tender but at the same time the fibrous texture is just right for perfect preparation of sauces that require long

cooking that highlight the many nutritional properties. The San Marzano tomato, in addition being a **niche market**, is a real peculiarity and uniqueness. Just think about it, every box of the finished product is distinguished by a **serial number** which guarantees the authenticity



and traceability. The production of this product is closely linked to the availability of land to be able to grow, hence the production of San Marzano change considerably year after year. Last year was allocated just 107 hectares for a total of 169 farms, all situated in the area of Agro Sarnese Nocerino. Most companies do not reach more than 5000 square meters. The production in the past two years has undergone a slight decrease. Has decreased from 8900 tons in 2013 to 8600 tons in 2014. The entire production of San Marzano tomato is processed by 13

canning companies only, exporting the product worldwide. To give an idea of the finished product, in 2014 were produced only 4,254,272 pcs in different sizes.

4. Purpose and end use of SM tomatoes

Please, see the above description

5. Please advise of the criteria to be met for the certification process for SM tomatoes

The PDO is part of the European Union schemes aimed at promoting and protecting names of quality agricultural products and foodstuffs (see http://ec.europa.eu/agriculture/quality/schemes/index_en.htm). The relevant legislative framework is represented by **Regulation (EU) No 1151/2012**.

In order to be marketed as San Marzano tomatoes, the tomatoes must be cultivated and processed in accordance with the relevant specification, published on the Italian Official Journal. The specification defines the system of production, processing, labeling, inspection and certification of this type of tomato. For further details, please see the specification at: http://www.agricoltura.regione.campania.it/tipici/pdf/disciplinare_san_marzano_2010.pdf

WHOLE PEELED LONG TOMATO



Whole peeled long tomatoes, obtained by processing of the oblong (long) tomato varieties, is processed exclusively in Southern Italy. Campania, with particular regard to the provinces of Naples and Salerno, for over a century, is the production center for excellence. The peeled tomato is the highest expression of Italian production quality as it keeps intact the

original product. Is the only derivative that, at the moment of consumption, it is visible in its entirety and provides guarantees of quality - also visual - to the consumer. Furthermore, it is obtained by selecting only the best tomatoes through specialized workers.

In 2014, in southern Italy, were produced more than 700,000 tons of tomatoes, 50% of the finished products obtained from the processing of tomatoes. More than half of the production of peeled tomatoes is exported.



In order to protect this product, it was created a Promoting Committee for the recognition of the whole long tomato as PGI (Protected Geographical Indication). More than 50 processing companies that produce peeled tomatoes with production sites in central and southern Italy sponsor the committee

The committee aims to enhance and promote the peculiarities of whole peeled tomatoes, safeguarding a product that has always been the "canned tomato" and that is the great symbol of Italian cuisine in

the world.

