



INVESTIGATION 348

**ALLEGED DUMPING OF
QUICKLIME
EXPORTED FROM THAILAND**

VISIT REPORT - EXPORTER

CHEMEMAN COMPANY LIMITED

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

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1. BACKGROUND

Public notification of the initiation of an anti-dumping investigation into quicklime exported from Thailand and Vietnam was made on 18 April 2016 in Anti-Dumping Notice (ADN) No. 2016/40¹. The background relating to the initiation of this investigation is contained in Consideration Report 348².

The Australian Border Force import database indicated that Chememan Company Limited (Chememan) exported quicklime Australia from Thailand during the investigation period 1 January 2015 to 31 December 2015.

The Anti-Dumping Commission notified Chememan of the initiation of the investigation and sought its cooperation through the completion of an exporter questionnaire. Chememan submitted the completed exporter questionnaire response (EQR) and relevant attachments on 2 June 2016.

¹ Electronic Public Record (EPR) 348/004 refers.

² EPR 348/003 refers.

2. THE GOODS AND LIKE GOODS

2.1 The goods exported to Australia

Goods exported to Australia during the investigation period were [CONFIDENTIAL TEXT DELETED – number/s] types of quicklime 90% CaO (calcium oxide):

[CONFIDENTIAL TEXT DELETED – specific types of like goods including dimensions]

Certificates of Analysis showed the chemical properties and physical size of these products. Rock limestone is the source material. Most of the exports to Australia were [CONFIDENTIAL TEXT DELETED – specific types of like goods] used in the [CONFIDENTIAL TEXT DELETED – specific industry user/s of specific type/s of like goods] industry in Australia.

2.2 Like goods sold on the domestic market

Lump, aggregate, and powder quicklime are sold in the Thai domestic market. Lump [CONFIDENTIAL TEXT DELETED – number/s] mm. Aggregate is [CONFIDENTIAL TEXT DELETED – number/s] mm. All of the powder sold in the domestic market is [CONFIDENTIAL TEXT DELETED – number/s]. Powder accounts for a lesser proportion of the total domestic sales volume.

On the domestic market the [CONFIDENTIAL TEXT DELETED – number/s] powder comes in a variety of calcium oxide content ratios – the powder with a [CONFIDENTIAL TEXT DELETED – number/s] % calcium oxide content accounts for the bigger proportion of the domestic powder sales.

Powder is higher priced, aggregate is the next price level beneath powder, and lump is the lowest priced goods.

2.3 Model matching

A majority are domestic powder sales are of a [CONFIDENTIAL TEXT DELETED – number/s] % calcium oxide content – other domestic sales of powder are of [CONFIDENTIAL TEXT DELETED – number/s] % calcium oxide content. The exact proportions are identified in the verified exporter sales data and summaries shown in the work program. The [CONFIDENTIAL TEXT DELETED – number/s] % powder sold on the domestic market is not identical to the exported powder – the exported powder is of a coarse grade, which [CONFIDENTIAL TEXT DELETED – number/s] times larger than the fine [CONFIDENTIAL TEXT DELETED – number/s] % powder sold domestically. We examined the production times for fine powder and coarse powder and noted it takes [CONFIDENTIAL TEXT DELETED – number/s] longer to produce fine [CONFIDENTIAL TEXT DELETED – number/s] domestic powder – there are additional processing steps - compared to the coarse powder sold to Australia. Consequently, the fine powder sold on the domestic market has a higher production cost than the coarse powder sold to Australia.

Chememan stated that [CONFIDENTIAL TEXT DELETED – number/s] powder has a greater surface area which makes it more soluble than coarse [CONFIDENTIAL TEXT

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DELETED – number/s]. The chemical reaction with fine powder is said to be faster because the finer particles settle more slowly in a slurry.

The consequence appears to be that fine powder and coarse powder have different applications in the different markets. Coarse powder sold to Australia to customers of the importer are [CONFIDENTIAL TEXT DELETED – specific industry user/s of specific type/s of like goods] industry, and the coarse powder is used in the cyanidation process. The fine powder in the Thai home market is used in applications such as [CONFIDENTIAL TEXT DELETED – specific industry users of specific type of like goods]. A [CONFIDENTIAL TEXT DELETED – specific industry user/s of specific type/s of like goods] producer in Thailand uses a coarser product, not fine powder.

On the domestic market the [CONFIDENTIAL TEXT DELETED – number/s] powder sales are predominantly in bulk – compared to the [CONFIDENTIAL TEXT DELETED – number/s] bags of [CONFIDENTIAL TEXT DELETED – number/s] sold to Australia.

For aggregate, which is [CONFIDENTIAL TEXT DELETED – numbers], sales to Australia are [CONFIDENTIAL TEXT DELETED – numbers] % calcium oxide, in [CONFIDENTIAL TEXT DELETED – statement of degree] bags. There are identical products - of [CONFIDENTIAL TEXT DELETED – number/s] aggregate – sold in the domestic market. There are some sales of [CONFIDENTIAL TEXT DELETED – number/s] aggregate in the domestic market but we consider these to be not identical to the exported type. There are also sales of [CONFIDENTIAL TEXT DELETED – number/s] aggregate in the domestic market with a notation ‘P’ in the product code. We examined these goods and identified how it differs from the standard quality [CONFIDENTIAL TEXT DELETED – number/s] aggregate - all of these differences are identified in a table. We were satisfied that the “P” grade aggregate product undergoes a different production process to the standard grade aggregate- the purpose of which is to achieve the required quality specified by the end user customer who produces [CONFIDENTIAL TEXT DELETED – specific industry user/s of specific type/s of like goods] in Thailand. This special aggregate in fact becomes a part of the finished [CONFIDENTIAL TEXT DELETED – specific industry user/s of specific type/s of like goods]. The ‘P’ grade is not identical to the [CONFIDENTIAL TEXT DELETED – number/s] aggregate grade exported to Australia.

In the earlier report the difference in calcium oxide content between the exported and the domestic type had resulted in the decision that there were no relevant sales of powder in the domestic market for the purposes of s269TAC(1). Currently, while there are sales of the same calcium oxide content, there are no domestic sales of the same coarse powder exported to Australia – there are only sales of a fine powder which supplies different uses to the export sales. There are no sales of identical goods under the model matching principle. A constructed normal value under s269TAC(2)(c), which uses the COP of the exported goods, will achieve the most accurate measurement of the normal value (because a specification downwards adjustment would otherwise be required when working out the normal value). In the case of the aggregate there are domestic sales of an identical model (not including the ‘P’ form for reasons identified). Normal value can be accurately determined under s 269TAC(1) using domestic sales prices of the identical grade aggregate.

2.4 Sales level in the Thai market

Domestic sales are directly from Chememan Thailand to its end user customers in a range of industries, excluding the [CONFIDENTIAL TEXT DELETED – specific industry

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user/s of specific type/s of like goods] industry. There are some sales to a single customer who is an indent trader i.e. it is involved in the sales to end users but does not undertake any storage or handling of the goods.

2.5 Like goods – preliminary assessment

The [CONFIDENTIAL TEXT DELETED – number/s] aggregate sold on the domestic market is identical to the goods exported to Australia and are suitable for a normal value under s. 269TAC(1). For powder there are no identical sales and normal value may be constructed using the cost of production of the exported type and to which are added other costs and profit as required under s. 269TAC(2)(c).

3. VERIFICATION OF EXPORT SALES TO AUSTRALIA

3.1 Verification of Australian sales to audited financial statements

The verification team verified the completeness and relevance of Chememan's export sales listing by reconciling it to audited financial statements in accordance with ADN. No 2016/30. All details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

3.2 Verification of Australian sales to source documents

The verification team verified the accuracy of Chememan's export sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. Details of this verification process are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

The sampled sales had been selected by us and no discrepancies were detected.

3.2.1 Minor revision

At commencement of the visit Chememan submitted some minor adjustments to the Australian sales spreadsheet for some incorrect exchange rates.

3.2.2 'P' grade aggregate

There are no export sales of 'P' grade [CONFIDENTIAL TEXT DELETED – number/s] aggregate which had existed in the domestic market along with standard grade [CONFIDENTIAL TEXT DELETED – number/s] aggregate. Chememan provided a comparison between the premium quality for [CONFIDENTIAL TEXT DELETED – specific industry user/s of specific type/s of like goods] and the basic quality which had other uses (apart from [CONFIDENTIAL TEXT DELETED – specific industry user/s of specific type/s of like goods]) at the verification meeting. We comment on 'P' grade above.

3.3 The exporter – preliminary assessment

For all Australian export sales during the investigation period the verification team considers Chememan Thailand to be the exporter of the goods.³

3.4 The importer – preliminary assessment

In relation to the quicklime exported to Australia by Chememan Thailand during the investigation period, the verification team considers that the customer listed in the export

³ The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

sales listing - Chememan Australia – to be the beneficial owner of the goods at the time of importation and therefore was the ‘importer’ of the goods.

3.5 Chememan Australia – importer/distribution functions

Chememan Australia (CA) is an importer and a distributor in Australia with an office and a distribution centre. It employs staff for marketing and logistics. The distribution centre, located at Henderson, includes storage facilities and trucking/handling. Imported lime is unpacked from bags in which it has been exported and placed into bulk storage silos. A smaller amount is warehoused in bags. The importer/distributor received orders from customers [CONFIDENTIAL TEXT DELETED – specific industry user/s of specific type/s of like goods]. Bulk, and some bagged product, is distributed from that centre to the end user customers. Another smaller distribution centre is located near Kalgoorlie. This facility is operated by a contractor. In some cases mobile containers and silos are maintained by CA at the end user customers’ [CONFIDENTIAL TEXT DELETED – specific industry user/s of specific type/s of like goods] facilities. About [CONFIDENTIAL TEXT DELETED – stock availability] sales are stored at the distribution centres. This sales level is not at the same trade level for the customers in the Thai domestic market.

3.6 Related party customers

Chememan Australia is related to Chememan Thailand.

3.7 Arm’s length

The ADC will visit the importer as part of this investigation.

3.8 Export price – preliminary assessment

The verification team is satisfied that the export sales listing is complete, relevant and accurate. The relevant paragraph of s. 269TAB will be determined by the ADC following the visit to the importer, Chememan Australia. The verification team’s preliminary export price calculations are at **Confidential Appendix 1**.

Trade level comparison: Australian sales are not at the same trade level as domestic sales – these export sales by Chememan Thailand are to a distributor in Australia who on sells to end user customers. Domestic sales by Chememan Thailand are made directly to end user customers, and not via a distributor.

4. COST TO MAKE AND SELL

4.1 Verification of costs to audited financial statements

The verification team verified the completeness and relevance of Chememan's cost to make and sell data by reconciling it to audited financial statements via management accounts, in accordance with ADN No. 2016/30.

All details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

The verification team noted a difference between a data set when examining profit in domestic sales – the differences was examined and resolved by Chememan to our satisfaction. We did not find any issues with the verification of costs to audited financial statements.

4.2 Verification of costs to source documents

The verification team verified the accuracy of Chememan's costs in the audited financial statements by reconciling them to source documents in accordance with ADN No. 2016/30. Details of the verification process are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

4.2.1 Limestone raw material; electricity; and gas

The raw material limestone is extracted at quarries owned by Chememan Thailand and transported to kilns and grinding mills at [CONFIDENTIAL TEXT DELETED – number] locations. We are satisfied that the cost of limestone is fully absorbed at actual costs (no transfer prices are involved). Likewise, costs of electricity and gas were verified from source documents through to the detailed costing calculations.

4.2.2 Ex works and delivered sales/costs

Chememan sells in the home market on [CONFIDENTIAL TEXT DELETED – terms of trade]. The verified CTMS was adjusted to exclude delivery expenses and packing - to be compared to ex works sales revenue. For delivered sales the CTMS included the delivery and packing expenses. This allowed a properly calculated determination of profit on domestic sales.

4.3 Related party purchases

None of the major inputs are produced by an associate. The verification team did not identify any potential suppliers that might be related.

4.4 Cost to make and sell – summary

Having verified Chememan's CTMS data to audited financial accounts and to source documents, the verification team is satisfied that the CTMS presented in the exporter response is complete, relevant and accurate.

The CTMS spreadsheet is at **Confidential Appendix 2**.

5. VERIFICATION OF DOMESTIC SALES

5.1 Verification of domestic sales to audited financial statements

The verification team verified the completeness and relevance of Chememan's domestic sales listing by reconciling it to audited financial statements in accordance with ADN No. 2016/30. Details of the verification are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

The verification team did not find any issues with the verification of domestic sales to audited financial statements. The data presented was complete and matched the higher level details.

5.2 Verification of domestic sales to source documents

The verification team verified the accuracy of Chememan's domestic sales listing by reconciling it to source documents in accordance with ADN No. 2016/30. Details of the verification are contained in the verification work program, and relevant attachments, at **Confidential Attachment 1**.

5.2.1 Minor revisions

At commencement of the visit Chememan submitted some minor adjustments to the domestic sales, as highlighted, for certain transport costs and handling expenses.

5.2.2 Credit terms

Credit terms were reported and showed three main types. Having regard to the relative importance of the sales associated with each of those terms a weighted average was calculated.

5.3 Related party customers

Chememan did not identify in its EQR any sales to related domestic customers nor were any identified in the verification.

5.4 Arm's length

In respect of Chememan Thailand's domestic sales during the investigation period, the verification team found no evidence that:

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

The verification team therefore considers that domestic sales were arm's length transactions.

5.5 Ordinary course of trade

Section 269TAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue (i.e. net sales value) for each domestic sale to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20% for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the investigation period. Those sales found to be unrecoverable were considered not to be in the OCOT.

5.6 Suitability of domestic sales

5.6.1 Powder

For Chememan there are no sales of identical matching [CONFIDENTIAL TEXT DELETED – number/s] powder only a coarser grade. The domestic sales are direct to end user customers whereas export sales are to a distributor in Australia who in turn sells to end user customers. Previously, normal values had been constructed in powder sales for Chememan also because there had been no identical models sold on the Thai domestic market. For these models, in this current case, the verification team has constructed the normal value under paragraph 269TAC(2)(c).

5.6.2 Aggregate

Aggregate export sales are relatively modest compared to powder sales. There are sales of identical goods in the Thai domestic market that are suitable. There was a sufficient volume of such sales in terms of subsection 269TAC(14) which defines lower volume as less than 5% of the total volume of the goods under consideration that are exported to Australia. For these models the verification team has assessed normal value under s269TAC(1).

5.7 Profitability of domestic sales

For powder as there are no identical sales normal value should be constructed using the cost of production of the exported type and to which are added other costs and profit as required under s. 269TAC(2)(c). Subsection 45(2) of the *Customs (International Obligations) Regulation 2015* provides that, if reasonably practical, profit is to be worked out using data relating to sales of like goods made in the OCOT. There are no domestic sales at the same trade level and to work out the profit from domestic sales would introduce a level problem because the profit is taken from those same sales. In effect, this would re-create normal value at the different trade level to the export sale.

As it is not *reasonably practical* to do so the verification team concluded that regulation 45(3)(a) should apply. Section 269TAC(2)(a) focusses on *the goods instead of being exported had been sold for home consumption in the ocot in the country of export* - and 45(3)(a) directs attention to goods in the same general category as those goods (the

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[CONFIDENTIAL TEXT DELETED – number/s] powder in this case). As noted, the verification team decided all quicklime powder to be the same general category and the resulting positive profit was used when constructing the normal value for this type of quicklime.

5.8 Domestic sales – summary

The verification team is satisfied that the domestic sales listing is complete, relevant and accurate, and can be used for assessing normal value under subsection 269TAC(1), and where relevant to determine the amount of profit for normal values constructed under paragraph 269TAC(2)(c).

The domestic sales spreadsheet is at **Confidential Appendix 3**.

6. ADJUSTMENTS

To ensure the normal value is comparable to the Australian export price, the verification team considered the following adjustments.

6.1 Aggregate

The following adjustments were made to the domestic sales prices of aggregate quicklime:

6.1.1 Inland freight

The cost of domestic inland transport was subtracted and the cost of export inland transport including handling and other expenses was added. [CONFIDENTIAL TEXT DELETED – identification of higher and lower costs]

6.1.2 Packing

The domestic packing costs where applicable were subtracted, and the cost of export packing was added – as an adjustment to determine normal value. [CONFIDENTIAL TEXT DELETED – identification of higher and lower costs]

6.1.3 Credit terms

The domestic and export sales spreadsheets identified the sales term for each sale in the domestic and export markets. The verification team subtracted the cost of domestic credit and added the cost of export credit. [CONFIDENTIAL TEXT DELETED – identification of higher and lower costs]

6.1.4 Commission

Some few domestic sales incurred the expenses of a selling commission. The cost of the commission was subtracted for these particular sales. [CONFIDENTIAL TEXT DELETED – identification of higher and lower costs]

6.2 Powder

The cost to make exported powder, plus all domestic selling, general and administrative expenses and profit yielded an amount to which the following adjustments were made:

6.2.1 Inland freight

The cost of all export inland transport and handling and other expenses were *added*. (As the cost of the domestic delivery expenses had been excluded by us when determining the domestic SG&A it was not necessary to back it out of the normal value, before adding export freight expenses)

6.2.2 Packing

The cost of all export packing was *added*. (The cost of the domestic packing expenses like delivery expenses was not added to the domestic SG&A calculation – therefore it was not necessary to back it out before adding the export packing expenses)

6.2.3 Credit terms

The cost of all credit terms associated with the export sale were *added*.

6.3 Adjustments – conclusion

The verification team is satisfied that there is sufficient and reliable information to justify the following adjustments, in accordance with subsections 269TAC(8) and 269TAC(9), and considers that the adjustments are necessary to ensure a fair comparison of normal values and export prices:

Adjustment Type	Deduction/addition
<u>Aggregate:</u> s269TAC(1) and s269TAC(8)	
Domestic inland freight	[CONFIDENTIAL TEXT DELETED – identification of higher and lower costs]
Export inland transport and handling and other charges	
Domestic packaging	
Export packaging	
Domestic Credit expenses	
Domestic sales commission	
<u>Powder:</u> s269TAC(2)(c) and s269TAC(9)	
Export Inland freight	[CONFIDENTIAL TEXT DELETED – identification of higher and lower costs]
Export packing	
Credit expenses	

7. NORMAL VALUE

The verification team is satisfied that aggregate there are sufficient volumes of domestic sales at arms length transactions and at prices that were made in the OCOT. The verification team is therefore satisfied that the prices paid in respect of domestic sales of aggregate are suitable for assessing normal value under subsection 269TAC(1).

In using domestic sales as the basis for normal values for the aggregate the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices as outlined in Chapter 6 above.

For the powder the verification team has constructed normal values in accordance with paragraph 269TAC(2)(c). To construct the normal value for each quarter, the verification team has used:

- the weighted average CTM for Australian export sales; plus
- SG&A applicable to goods sold domestically; plus
- profit of domestic OCOT sales (as discussed in section 5.7).

In using costs as the basis for normal values for the powder the verification team considers that certain adjustments, in accordance with subsection 269TAC(9), are necessary to ensure fair comparison of normal values with export prices as outlined in chapter 6 above.

The normal value calculations are at **Confidential Appendix 4**.

8. DUMPING MARGIN

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

The dumping margin in respect of quicklime exported to Australia by Chememan Thailand for the investigation period is **12.3%**.

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

9. APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Australian export sales
Confidential Appendix 2	CTMS spreadsheet
Confidential Appendix 3	Domestic sales
Confidential Appendix 4	Normal value
Confidential Appendix 5	Dumping margin
Confidential Attachment 1	Verification work program, with attachments