



INVESTIGATION 217

ALLEGED DUMPING OF PREPARED OR PRESERVED TOMATOES

EXPORTED FROM ITALY

VISIT REPORT - AUSTRALIAN INDUSTRY

SPC ARDMONA OPERATIONS LTD

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THE FINAL POSITION OF ANTI-DUMPING COMMISSION

July 2013

Prepared or preserved to: **tomatoes – Australian Industry Visit Report – SPC Ardmona
Operations Ltd**

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ABBREVIATIONS

ADN	Anti-Dumping Notice
CCA	Coca-Cola Amatil Ltd
CFR	Cost and freight
COGS	Cost of goods sold
CTM	Cost to make
CTMS	Cost to make & sell
CTS	Cost to sell
FOB	Free On Board
GAAP	Generally accepted accounting principles
NIP	Non-injurious Price
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
SPCA	SPC Ardmona Operations Ltd
the Act	<i>Customs Act 1901</i>
The applicant	SPC Ardmona Operations Ltd
the Commission	Anti-Dumping Commission
the Commissioner	The Commissioner of the Anti-Dumping Commission
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Home Affairs
USP	Unsuppressed Selling Price

1 BACKGROUND AND PURPOSE

1.1 Background

On 17 June 2013, an application was lodged by SPC Ardmona Operations Limited (SPCA) requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of prepared or preserved tomatoes exported to Australia from Italy.

SPCA alleges the Australian industry has suffered material injury caused by prepared or preserved tomatoes exported to Australia from Italy at dumped prices.

The applicant claims the industry has been injured through:

- loss of sales volume;
- reduced market share;
- reduced revenues;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced cash flow; and
- reduced attractiveness for reinvestment in the tomato processing business.

Public notification of initiation of the investigation was made on 10 July 2013 in *The Australian* newspaper and Australian Dumping Notice No. 2013/59.

1.2 Purpose of visit

The purpose of the visit was to:

- obtain general information about the Australian market for prepared or preserved tomatoes;
- gain a greater understanding of the company's manufacturing, marketing and distribution processes;
- verify information provided in the application;
- obtain additional financial data about claimed injury to the Australian industry; and
- gather information relevant to assessing whether the allegedly dumped imports had caused material injury to the Australian industry.

1.3 Meeting details

Company	SPC Ardmona Operations Ltd 50 Camberwell Road, Hawthorn East Melbourne, Victoria
Dates of visit	22 – 25 July 2013

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The following were present at various stages of the meetings.

SPCA	Shalini Valecha Strategy Manager Steve Mickan Sales Director (in part) Nathan Gardner -Procurement Manager- Directs (in part) Simon Behan- Sr Commercial Manager (in part) Jo Foley- Sr Commercial Manager (in part) Kylie Merigan – Financial Controller (in part) Annalise Bonnici- Production planner Peter Holland-Solution Delivery Manager (in part) Alastair McMillan (in part) Chris May- Category Manager (in part)
Consultant	Selwyn Heilbron
The Commission	Paul Benussi: A/g National Manager Operations (22/7/13) Scott Wilson: /g National Manager Policy John Bracic: Director Operations 1 (25/7/13) Tom O'Connor: Manager Operations 1 Nicole Platt: Manager Operations 2

1.4 Investigation process and timeframes

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

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

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

This was distinguished from the 'reasonable grounds' threshold for initiation of the investigation.

- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 28 October 2013, or such later date as the Minister for Home Affairs (the Minister) allows under s.269ZHI of the *Customs Act 1901* (the Act).

The SEF will set out the material findings of fact on which the Commission intends

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to base its recommendations to the Minister, and will invite interested parties to respond, within 20 days, to the issues raised therein.

- Following receipt and consideration of submissions made in response to the SEF, the Commission will provide its final report and recommendations to the Minister.

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

1.5 Visit report

We explained to the company that we would prepare a report of our visit (this report) and provide it to the company to review its factual accuracy, and to identify those parts of the report it considers to be confidential. We explained that, in consultation with the company, we would prepare a non-confidential version of the report, and place this on the investigation's Public Record.

2 THE GOODS

2.1 Description

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

Tomatoes, whether 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.

SPCA indicated the goods excluded from this application are;

Pastes, purees, sauces, pasta sauces, juices, and sundried tomatoes.

The application stated;

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 packs¹.

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 generically called prepared or preserved tomatoes.

SPCA understands that imported prepared or preserved tomatoes are commonly packed in cans, jars, pouches or Tetra packs in sizes typically ranging from 300grams to 850grams.

2.2 Tariff classification

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

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

¹ Tetra packs are proprietary packaging mediums produced, under copyright, by the Tetra Pak company.

3 THE AUSTRALIAN INDUSTRY

3.1 Corporate, organisational and ownership structure

The company commenced commercial trading as SPCA in 2002 following the merger of two previously unaffiliated commercial entities – Shepparton Preserving Company (SPC) and Ardmona Fruit Products Co-Op (Ardmona).

SPCA is currently a wholly owned subsidiary by SPC Ardmona Ltd which is wholly owned by Coca-Cola Amatil Limited (CCA) following completion of commercial acquisition of SPCA by CCA in 2005.

SPC Ardmona Ltd is made up of [REDACTED] companies of which SPCA is one. These other entities are not involved in the manufacture or distribution of the goods under consideration in Australia. We were informed there is a manufacturing operation in [REDACTED] that does not manufacture the goods under consideration.

We were informed SPCA incorporates a number of distinct commercial operations related to the production of food products sold into retail and food industry markets in Australia under different proprietary labels². At the meeting SPCA provided a company overview and noted two major brands are used to market the goods, being SPC and Ardmona. SPCA also has minor sub brands.

Their financial year operates from January to December. Being part of CCA, SPCA provided CCA's audited financial statements and annual reports for 2011 and 2012.

3.2 Accounting structure and details of accounting systems

SPCA has an accounting year that runs from 1 January to 31 December and, as a subsidiary of CCA, is audited annually. Financial statements are compiled in accordance with the Australian Generally Accepted Accounting Principles.

We were informed that SPCA uses Mfg Pro to capture the financial records of operations. This is an ERP system, however due to the

[REDACTED], SPCA use Promax to record the rebates and commissions. Each system's data is matched at the end of each day and reconciled. To analyse financial data, SPCA uses a system called [REDACTED]. This system is a data warehouse from which all financial information can be manipulated.

SPCA adopts the following accounting policies as identified at Note 1 to the audited Financial Statements of CCA. Importantly as stated in the audited financial statements.

The recognition/timing of income, and the impact of discounts, rebates, sales returns

² SPCA advised in its application and associated material that the GUC are produced and marketed exclusively under SPC and Ardmona branding (or private label branding associated with particular Australian customers).

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Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to SPC Ardmona and the revenue can be reliably measured.

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to customers.

Revenue is recognised net of discounts, allowances and applicable amounts of value added taxes such as the Australian goods and services tax.

Costing methods (e.g. by tonnes, units, revenue, activity, direct costs etc.) and allocation of costs shared with other goods or processes;

SPC Ardmona uses the standard cost method for measuring the cost of inventory. Shared costs are allocated based on units of production

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

Scrap and by-products are valued at net realisable value, whereas joint products are valued at lower of cost and net realisable value

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

Finished goods are stated at the lower of cost (including fixed and variable factory overheads where applicable) and net realisable value

Valuation and revaluation of fixed assets;

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure is added to the carrying value of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to SPC Ardmona. All other subsequent expenditure is expensed in the period in which it is incurred.

Average useful life for each class of production equipment, the depreciation method and depreciation rate used for each;

Property, plant and equipment, other than freehold land, is depreciated or amortised on a straight line basis at various rates dependent upon the estimated average useful life for that asset to SPC Ardmona. The estimated useful lives of each class of asset for the current and prior year are as follows –

Freehold and leasehold buildings 20 to 50 years

Plant and equipment 3 to 15 years

3.3 Relationship with suppliers and customers

With regard to the like goods, SPCA indicated it has no related customer sales. SPCA advised that the [REDACTED] sales are to public companies and if it did have any significant ownership, this would be evident in the annual reports of these entities. We checked the annual reports of these customers and found SPCA not to be in the top 20 list of shareholders. With regard to suppliers, SPCA again indicated there was no

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ownership or control with regard to suppliers. The two main suppliers in the manufacture of the goods are tomatoes and the cans supplied by [REDACTED] and [REDACTED] respectively.

3.4 Manufacturing facilities and product range

3.4.1 Manufacturing facilities

The manufacture of the goods occurs, subject to weather, between February and April each at its Mooroopna facility near Shepparton, Victoria. We were informed this is the only manufacturing facility in Australia for like goods.

At the verification visit we did not seek to see the manufacturing facilities. We were also advised that due to the seasonality of the tomato canning, we would not be able to observe the canning as it is off season.

We were informed the finished goods follow two main processes - canning of the goods followed by labelling and packing. Goods are manufactured up to the bright can stage, ie no labels, and then warehoused. They are then released to the labelling facility approximately six weeks before they are sold. SPCA indicated this helps to manage changes in label design and minimising excessive labelled stock.

[REDACTED]
[REDACTED]
(Labelling strategies)

The machinery in the manufacturing facility can be broken into two broad categories;

- Strictly tomatoes
- Labelling and packing (all goods)

When tomatoes are not being processed, the Mooroopna tomato processing lines are left idle.

Within the Mooroopna facility there is a packaging area (for plastics) and Fresh Cut (sliced apples) which are also non-seasonal, but these are separate functions to tomato processing and use totally different equipment/lines

3.4.2 Range

The applicant makes a range of goods for sale under its own labels and that for private and generic labels. The broad categories are;

- Whole
- Diced
- Crushed
- Value added

The value added range includes minor amounts of herbs and spices, and or tomato paste and other vegetables.

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There are two typical can sizes, however the can weight differs due to the density of tomato and volume inserted into the can.

[REDACTED] SPCA indicated it was not aware of any larger can sizes greater than 850g sold into the Australian retail market segment.

During the investigation period SPCA only manufacture prepared or preserved tomatoes in container sizes being in the 400g pack group and 800 g pack group.

SPCA indicated it used the 1.14ltr cut off as it aligns with the statistical code used in the Harmonized System. Further, SPCA indicated the container size above this volume would typically be used in the food service industry.

As advised from SPCA's technical officers, 1.14ltr of tomatoes prepared for canning equates to approximately one kilogram.

3.5 Production process

SPCA advised that the production process to make the goods is relatively standard for all products with marginal differences occurring with regard to specific product variables (such as cut profile and value adding).

SPCA indicated that it undertakes more than one substantial process of manufacture in the production of like goods and since 2005, over \$ [REDACTED] been spent improving the production facilities. We could not however verify that this entire amount was directed solely to prepared or preserved tomatoes improvements. In its application SPCA provided a production flow diagram which is summarised as;

1. Raw material delivery:

Fresh tomatoes are delivered to SPCA's production facility directly from local tomato growers. SPCA requires tomatoes to be delivered on the same day they are harvested from the vine.

2. Washing, grading and peeling

SPCA aims to process tomatoes from delivery to an intermediate finished product (unlabelled can) within 24 hours.

Accordingly, fresh tomatoes are moved from the point of delivery to the processing line immediately upon receipt and are washed and graded to separate tomatoes into tiers of quality:

- Higher quality tomatoes are graded for processing as canned prepared or preserved tomato products;
- Lower quality tomatoes are graded for use in the production of juice which is either used as filling in the canning process or evaporated and used to produce concentrates and paste products.

Tomatoes bound for processing are then peeled using a steam-peeling process.

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3. Second grading

Peeled tomatoes are then graded for a second time according to peeled quality. Higher quality peeled tomatoes are selected for processing for whole tomato products, lower quality tomatoes are graded for dice, chop or crushed cut profiles in descending order depending on specific quality profiles.

4. Filling and liquid adding

Once sorted and processed according to cut profile, all products are moved for canning. Each can is filled with standardised ratios of processed tomatoes to liquid filling stage (juice derived from stage 2). Products are then sorted by can size and cut profile.

At this stage, depending on specific product requirements, certain cans are produced with additional ingredients such as herbs, spices and other flavouring. These products are internally delineated by can size, cut, profile and additional ingredients and are summarily referred to as 'value added' products.

5. Pasteurisation, cooling and labelling

Once filled to product specifications, cans are sealed and pasteurised (cooked) to preserve the product and moved to cool to ambient temperature.

Once cooled, all unlabelled cans (referred to as the 'bright can' stage) are moved to storage according to product grouping.

Cans are labelled on an as-needed basis approximately six weeks prior to shipping, depending on specific order requirements and customer demands.

3.6 Like goods

SPCA stated they produce prepared or preserved tomato products that are either identical or closely resemble the goods the subject of its application. SPCA produces a suite of products which:

- have similar composition, sizes, cuts and ingredients;
- are directly substitutable;
- compete directly in the same markets; and
- have the same end-uses.

SPCA provided further comments in terms of physical, commercial and functional likeness.

(a) Physical likeness

- The imported products are available in the same size packaging as SPCA's products. The majority of the products available are 400 gram (g) pack group and 800g can pack group.
- The key ingredient in the imported prepared or preserved tomatoes and SPCA's products are tomatoes and are available with similar composition and liquid.
- Both imported products and SPCA's products are available in the same cuts such as diced, chopped, whole, crushed or mixed with herbs and spice.

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(b) Commercial likeness

- Both imported products and SPCA's prepared or preserved tomatoes are available on supermarket's shelves and compete with each other;
- Consumers switch between SPCA's products and imported products with the key purchase criteria driving the purchase decision being price.

(c) Functional likeness

- Both the locally produced and imported prepared or preserved tomato products have comparable or identical end-uses and are interchangeable.

3.7 Employment numbers

SPCA employs approximately [REDACTED] staff throughout the year for all products. As a seasonal operation this equates to [REDACTED] time equivalent staff.

[REDACTED]
[REDACTED] In addition to these numbers are the staff required in labelling, logistics, maintenance, and general office administration staff.

3.8 Annual turnover

Annual turnover in 2012 was [REDACTED] million which is slightly down from the year before and approximately [REDACTED]% down from 2010.

3.9 Capacity

Annual capacity is [REDACTED] tonnes however the production of the goods has been significantly below capacity with volume of approximately [REDACTED] tonnes in 2010, [REDACTED] tonnes in 2011 and [REDACTED] tonnes in 2012.

SPCA indicated that production capacity is not a name plate capacity rather taken from a historical perspective and an examination of the 'choke-points'. We were informed that to reach this capacity, many factors are involved which includes weather, farm access, the smooth and constant stream of raw tomatoes ripening over the three month season and then the efficiency of production.

3.10 Conclusion

Based on information submitted in the application and gathered during the visit, we are satisfied that there is an Australian industry producing like goods.

4 AUSTRALIAN MARKET

4.1 Background

SPCA indicated the Australian market is divided into two main segments - food service industry and retail. Following an examination of the sales data small volumes of the goods were sold in the food service sector. Although unusual these sales are considered to be included by virtue of the container size.

In this regard the retail sector is dominated

_____ which on SPCA's calculations account for _____ of total volume. For the remaining _____

independent stores.

In its application, SPCA provided point of sale data provided by Aztec. SPCA's market analysis was primarily constructed from this data. To calculate the market size SPCA had point of sales data _____

_____ (SPCA's Calculation of market size)

4.2 Market segmentation

SPCA indicated the goods are primarily sold into the retail channel. The majority of the sales occur in _____. The other retail outlets account for approximately _____% of retail sales

SPCA indicated that the market segment is to be considered by either product type, whole, diced, crushed and value added, and or by the label being, private, or proprietary. A private label is a product manufactured and sold with the label of the retailer, where-as generally the proprietary label could be other brands such as the manufacturers own label.

4.2.1 Label Segmentation

Within the retail market of the major supermarkets, we were informed there are four identifiable tiers based on retail selling price. At the high end of price is the Australian industry products, next are the _____. The third level _____ lowest level in price is the _____ brands.

More recently however _____ canned tomatoes (which previously had been targeted at the second top tier) has been priced below _____ brands and above the _____

At every opportunity SPCA informed us that it will tender to supply major supermarkets with their private label products. During the investigation period SPCA sold approximately _____% by volume as private labels.

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4.2.2 Product Segmentation

The four products are whole, diced, crushed or value added. Of these products the value added commands the highest retail price. In terms of SPCA's volume

[REDACTED]

From verified sales data, SPCA's 2012 product sale mix follows.

Profile	(\$000)	Kgs	Proportion (vol)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

4.3 Marketing and distribution

4.3.1 General

SPCA indicated the majority of goods sold are to four major retailers. To sell the goods to this group, SPCA employs a sales team that makes contact with the appropriate officer in each of these companies. For private label sales, a tender process is usually undertaken.

SPCA indicated the goods are sold on FIS terms.

The lead time between production forecasting and delivery can be as much as two years.

During the budgeting process SPCA develop a production volume plan to estimate standard cost to manufacture the goods. SPCA typically needs to forecast a volume of production that represents 14 to 18 months of projected sales. Imports by applicant

During the investigation period SPCA imported [REDACTED] tonnes of the goods buying the goods from [REDACTED].

[REDACTED]
[REDACTED]
[REDACTED] (Import strategy)

Only two varieties were imported in 410g size - whole and diced with [REDACTED] and [REDACTED] tonnes imported respectively.

SPCA indicated importing the goods is at odds with its main strategy to source from Australian growers and was a tactical plan to meet the demand

Sourcing [REDACTED] followed a tender process. SPCA indicated it has a team that evaluates all potential and current suppliers to ensure quality and certification

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requirements of the Australian standards. [REDACTED] chosen [REDACTED] but also it passed the supplier analysis criteria.

[REDACTED] (the goods recipe). The goods ordered were labelled in Italy. We were informed that all goods leaving Italy must be labelled prior to export.

SPCA negotiated a [REDACTED] price and used [REDACTED] an integrated logistics firm for inland and overseas freight.

At **Confidential Attachment IMP 1** are the commercial documents and evidence of payment for these two consignments.

Following an examination of the commercial documents the following FOB prices were calculated for the imported goods.

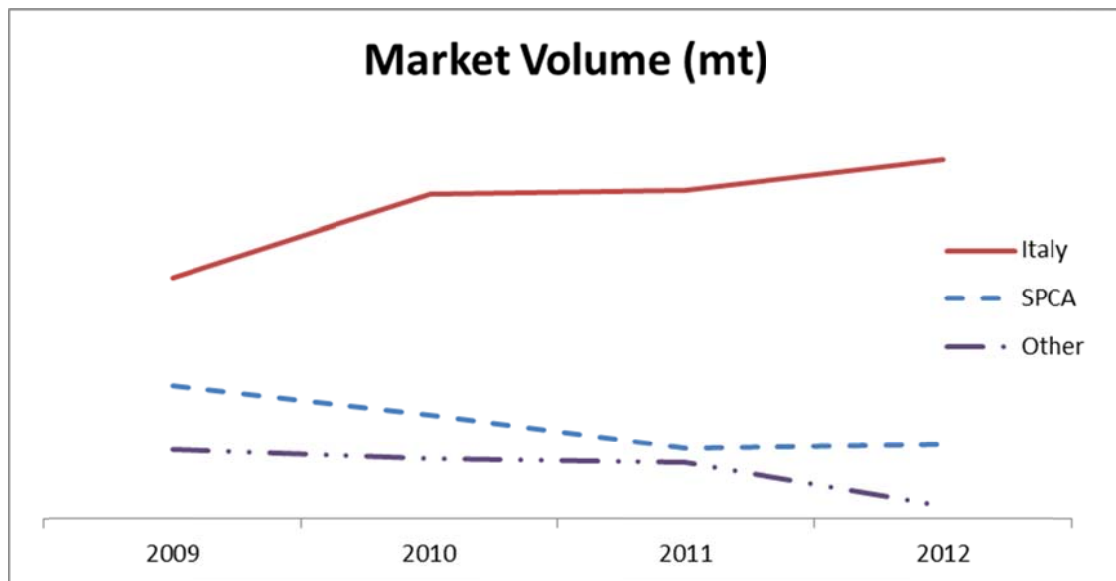
Product 425g	Diced	Whole
Ex Works Invoice price kg AUD	[REDACTED]	[REDACTED]
Inland Freight AUD	[REDACTED]	[REDACTED]
Wharfage and other export charges Italy AUD	[REDACTED]	[REDACTED]
FOB AUD kg	[REDACTED]	[REDACTED]

4.4 Market size

In its appendix A2 to the application SPCA indicated the market size to be approximately [REDACTED]. Their calculation was based on the Aztec data and an estimate of Aldi's sales volume. This calculation excluded [REDACTED] goods sold via small independent groceries shops, market stalls and the like. SPCA's market and market share was focused on the major retailers.

SPCA calculated an Australian market to be approximately [REDACTED].

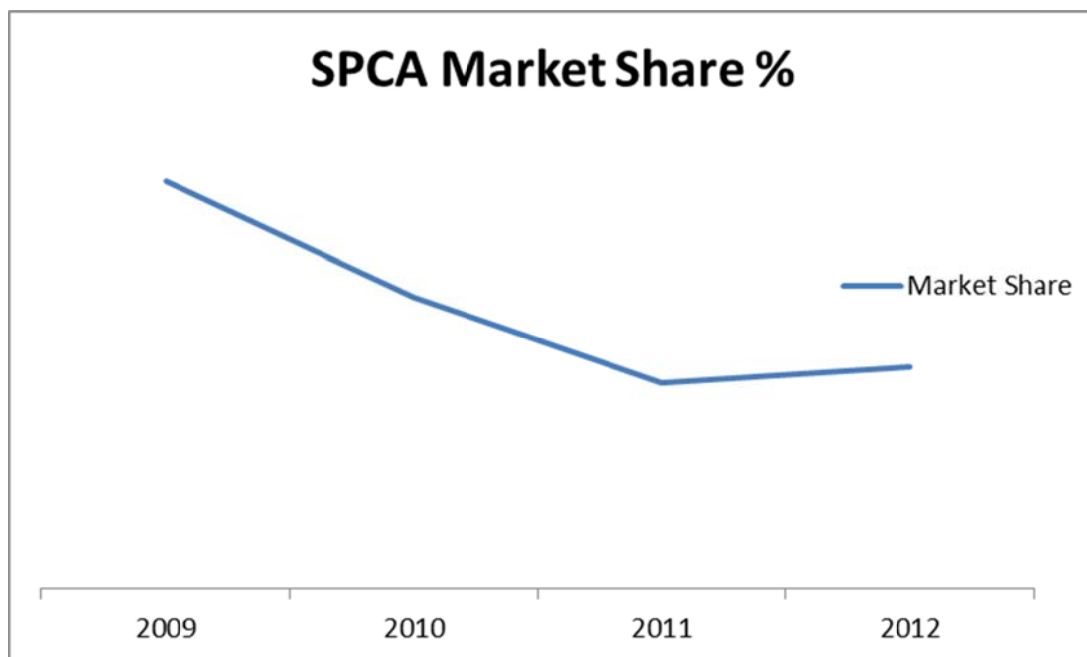
Subject to refining the market size following visits to importers, we calculated the Australian market for the goods in 2012 to be approximately 54,000 tonnes. This is based on the Australian industry's sales volume and data from Customs and Border Protection's database.



This graph indicates the volume of Italian import and prepared or preserved tomatoes has grown at the expense of the Australian industry growth. Further, importations from other countries were steady until 2011 after which their market share began to decline.

4.5 Market Share

In its application SPCA indicated its market share has decreased with it being in 2012 almost half that of 2009. The graph below demonstrates SPCA's market share using SPCA data and the Customs and Border Protection commercial database. It shows SPCA's market share declined from 2009 to 2011 with a slight improvement experienced in 2012.



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SPCA indicated the demand for the goods grows at about the same pace as the population growth. The goods are an item that is purchased for pantry storage with consumption often occurring much later than the purchase date. We were informed that due to the goods being an ingredient for many types of recipes rather than just pasta sauce, it does not compete with the pasta sauce type category. Further the type of consumer is very different from ready-made sauces. Consumers that purchase the goods will seek to make the meal adding specific ingredients to obtain the desired flavour profile and take time rather than just pour a sauce that is designed to be reheated and then consumed.

From 2009 to 2012 we calculated Australian market growth for the goods to be 2.4% over this period.

5 SALES

5.1 General

Within the Australian market for canned tomatoes, SPCA sells to the retail sector and the industrial and food service sector industry.

The Australian industry sales value for the goods in 2012 was \$ [REDACTED] million (can size below the 1.14ltr).

In terms of the pricing structure, sales in the Australian market are broken into four tiers

[REDACTED]

- [REDACTED]

Despite the pricing structure SPCA informed us that the preferred product from the four general types of preserved tomatoes is the diced 410g can.

SPCA indicated, due to the large portion of the market being private labels these prices drive the prices of all categories. Using the Aztec data SPCA advised us [REDACTED], their private label represents [REDACTED]% of total volume of the goods sold. [REDACTED], represents [REDACTED]% of its total volume of the goods sold. [REDACTED], private label sales represent only [REDACTED]% of total volume. See **Confidential attachment Dom 1**

When the price negotiations commence shelf placement is a very important component. The shelves in the major supermarkets are typically six tiers high. SPCA indicated the preferred position on the shelves is at eye height. Above and below this position is considered less favourable. The bottom shelf is reserved typically for bulk packs and the top shelf for speciality brands where buyer preference will seek out these brands in favour of others.

SPCA indicated the shelf location is a very important factor in achieving sales targets and brand survival. Since 2009, SPCA indicated its facings (total cans on front of shelf being displayed) has dropped from [REDACTED]% of shelf layout to [REDACTED]% in 2012 for [REDACTED] and from [REDACTED]% to [REDACTED]% in [REDACTED] same period. See **Confidential Attachment DOM 2.**

Ordering, invoicing and delivery arrangements

Ordering is done one of two ways. With [REDACTED], sales are done electronically. SPCA has an electronic sales and invoicing portal system with these customers. These customers can place orders directly in the SPCA system with order, invoicing and delivery being automated.

Other customers simply call, fax or email their orders through to SPCA and those orders are then transcribed into the SPCA system.

All orders are delivered [REDACTED] [REDACTED].

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When an order is taken, the invoice raised is against the distribution centre in which the goods are to be delivered. Apart from [REDACTED] are delivered to central distributions centres for each of the main customers. SPCA advised that it uses a third party ([REDACTED]) company for distribution.

Although the sale is invoiced at dispatch, this revenue is not recognised until all [REDACTED] and recorded against the invoiced revenue to get the net revenue.

5.2 Pricing

SPCA indicated the majority of goods sold are to four major retailers. To sell the goods to the major retailers, SPCA employs a sales team that makes contact with the appropriate officer in each of these companies. For private label sales, a tender process is usually undertaken. For SPCA's product sales it is a discussion of price point, volume and marketing strategy.

SPCA showed analysis which confirms that the goods are highly elastic to price movements.

Any price movement, or relative price movement between the different tiers of categories impacts on sales performance. Any major decrease in price in one brand or product group will result in a substantial increase in its volume. Due to this price elasticity to demand, SPCA needs to follow major pricing trends to maintain sales volumes. See **Confidential Attachment DOM 3**

Private Label

Once a private label sale is confirmed, which includes volume, SPCA manufacture the goods according to the recipe required. The goods are sold on FIS terms.

[REDACTED] (Logistic arrangements)

Proprietary Label

Proprietary label sales are different in that the sales volume is not as predictable. Before making a sale, each retailer [REDACTED] trading terms. These trading terms amount to a discount for various activities associated with the delivery, stocking and payment of the goods. These trading terms amount to approximately [REDACTED]. The trading terms are deducted from the invoice value when paid.

On top of the trading terms are the promotional costs.

SPCA will develop a marketing /promotional strategy that includes inter alia, print or electronic media. The strategy may be up to twelve months with the greatest detail provided for the beginning of the year. SPCA informed us that these strategies are often broken into 13 week periods which have detailed the promotional spend. When an SPCA item goes on promotion, the promotion is effectively funded by SPCA through the promotional spend identified in the marketing strategy.

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SPCA indicated the higher the promotional spend, the higher the volume sold. To manage the promotional; spend, SPCA accrue the promotional spend in its accounts setting a budget that has been negotiated with the retailer. A significant effort is required to reconcile the promotional spend with the volume of goods sold. A typically practice when paying the invoice is to deduct the trading terms and promotional spend before making payment for the goods. As part of the reconciliation process, to calculate the promotional spend, point of sale scan data is required. Due to lead times and the availability of scan data this only compounds the reconciliation problem.

To manage the rebates and promotional spend SPCA provided a copy of the February 2012 Promotions Spend Accruals worksheet. See **Confidential Attachment Dom 4**

5.2.1 Pricing system

SPCA indicated that its fundamental pricing philosophy was to sell the goods [REDACTED] price.

[REDACTED] (price setting).

It does not seek additional rebates and commissions however [REDACTED] have

[REDACTED]
[REDACTED] (price setting).

On top of the trading terms promotional discounts are provided.

Private labels do not incur the same pricing structures. The invoiced price is the price paid [REDACTED] (price setting).

Discounts and rebates

We were informed that the rebates and commissions and promotions [REDACTED] for SPCA's proprietary labels.

[REDACTED]
For the per cent discounts SPCA indicated that [REDACTED] generally receive approximately [REDACTED] Within this group can be a range of discounts including but not limited to

[REDACTED]
[REDACTED] (price setting).

Coop is a miscellaneous promotional/ rebates

[REDACTED] Coop typically but not exclusively, relates to a marketing activity both parties mutual agree to participate in.

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Selling to [REDACTED] the invoice price is not the price paid. SPCA informed us that [REDACTED], the price for the goods tends to be determined sometime after the goods are finally sold by their customers. The actual price can only

[REDACTED] (final price).

5.2.2 Scan data

To manage the promotions [REDACTED], scan data is paramount. SPCA purchases the scan data from the retailers, which is then processed by a third party, Aztec. This data provides point of sale information [REDACTED]. SPCA uses this data to confirm volume throughput incurred and to monitor sales and volume activity of the major retailers.

SPCA used the scan data to develop the Australian market size and develop an estimate [REDACTED] on past tendering activity and other market intelligence.

To follow price trends, SPCA undertakes price reductions via promotional activity to maintain the pricing differentials observed by the consumer to ensure it can maintain budgeted sales volumes.

As part of its Appendix A4, SPCA provided sales of distressed stock. We were informed that this category of sales typically is a response to the goods use-by-date. Although the goods may last many years its use-by-date is approximately 18 months from the date of manufacture. Further most retailers will not accept stock where the use-by-date is within six months of the delivery date.

An examination of Appendix A4 indicated the volume of distressed sales was approximately [REDACTED]% in 2012 with the majority of that stock identified as damaged.

5.3 Level of trade and related

The appropriate level of trade is direct sales between SPCA and its customers. Since its customers are also retailers, the appropriate level of trade would be to compare the sales transaction occurring between the retailer and its supplier.

SPCA indicated that it is also important to examine the pricing behaviour from the retailer to its customers to fully understand pricing strategies and the manner in which they filter down to the Australian industry and the pricing strategies within the four label tiers.

5.4 Verification of sales data to audited financial statements

To assess sales data for completeness and relevance, verification to audited financial statements was undertaken.

SPCA informed us that the revenue for all product lines is captured in one revenue account. With its application SPCA provided its chart of accounts that indicated this. At the verification visit SPCA also provided a copy of its consolidated income statement that identified relevant account numbers. See **Confidential attachment DOM 5**. Again we

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identified that all income is recognised in the one sales account. SPCA informed us that the consolidated financial income statement is the same used by the auditors for the 2012 CCA annual report.

To test this and that information is correctly posted from the sales invoice we chose four invoices and traced them into the general ledger. We saw both invoices correctly posted into the general ledger and to the same revenue account used in the consolidated financial statements. See **Confidential Attachment DOM 6**. These invoices were chosen from the initial selection provided with the visit agenda.

SPCA indicated that all financial information is transferred to its data warehouse called [REDACTED]. From this database all information can be identified. As such the invoices selected in confidential attachment Dom 6 were identified from a data warehouse down load of all sales provided with at appendix A4 to the application. Subsequently SPCA found a mathematical error in the Appendix A4 and provided a correct version.

A further test was performed to provide assurance. We asked SPCA to prepare the same revenue results and extract it from its business objects data warehouse SPCA were able to do this with and the results were the same as provided with its application. See **Confidential Attachment DOM 7**

5.4.1 Completeness and relevance of sales data - conclusion

Having regard to the above, we consider that the Appendix A4 Sales data provided represents reasonably complete and relevant accounts of the sales of prepared and preserved tomatoes during the period from 2102 financial year. Following the verification visit, SPCA provided sales information to June 2013 in the same format as verified.

5.5 Verification of sales data to source documents

To assess sales data for accuracy, verification to source documents was undertaken.

Prior to the verification visit we sent to SPCA a request to see invoices of sales identified from its Appendix A4 sales listing.

SPCA provided these together with evidence of payment and purchase order. We checked these details to the Appendix A4 and confirmed the details agreed to the Appendix A4. See **Confidential Attachment DOM 8a-i**

5.5.1 Accuracy of sales data - conclusion

Having regard to all of the above we consider the Appendix A4 Sales data provided is a reasonably accurate account of the sales of prepared or preserved tomatoes during the period from 1 July 2012 to 30 Jun 2013.

5.6 Export sales

SPCA indicated that export sales were [REDACTED] tonnes during 2012. We were informed that the small volume is a reflection of the high tariffs placed by countries Australia trades with. SPCA provided a slide of the various tariffs which were in some cases above 20% thereby limited SPCA's ability to effectively compete.

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The Commission did not examine these sales however SPCA interrogated its [REDACTED] data warehouse to provide a report of international sales since 2009. The sales volume over this period was insignificant. See **Confidential Attachment INT 1**.

5.7 Sales – conclusion

We consider that SPCA's sales in Appendix A4, is a reasonably complete, relevant and accurate reflection of the sales of prepared or preserved tomatoes during the period from 1 July 2012 to 30 Jun 2013.

Accordingly, we consider the SPCA's sales data in Appendix A4 are suitable for analysing the economic performance of its prepared or preserved tomatoes operations from 1 July 2012 to 30 Jun 2013.

6 COST TO MAKE AND SELL

6.1 General

SPCA uses standard costing for the production of the goods. Due to the goods manufacturing occurring over a three month period, the standard costs are set once a year being based on the past years performance and anticipated prices for inputs and budgeted volume.

The standard cost is broken into two distinct parts. The first part is the manufacture of the bright can, and the second is the labelling process. The standard cost represents the costs of goods manufactured.

We were advised variances are charged to the balance sheet and reversed and charged to the goods when sold. SPCA indicated that in recent years the input costs have been relatively stable. The biggest issue as indicated by SPCA is the reducing volume which increases the overhead unit cost allocated in the bill of materials.

6.2 Verification of cost to make and sell data to audited financial statements

To assess cost to make and sell data for completeness and relevance, verification to audited financial statements was undertaken. In its application, SPCA provided a copy of management accounts that forms part of CCA's audited financial statements. SPCA provided a copy of the detailed income and expenses statement that could be verified to the financial management report.

6.3 Verification of production costs to source documents

To assess production cost data for accuracy, verification to source documents was undertaken.

6.3.1 Production volumes

In Appendix A6 of the application for 2012 SPCA had prepared the cost to make using the sales volume sold in 2012. [REDACTED] tonnes of the goods were sold in this period. We asked to confirm actual production volumes.

SPCA indicated that each time a production run of a particular good is made it becomes a work order. SPCA provided a production report which identified each work order. During 2012, the production volume was [REDACTED] tonnes. See **Confidential Attachment CTM 1**. We were also informed that SPCA uses another measure in the production process. SPCA indicated that BQ is an industry standard volume. It is based upon twenty four 825g cans which totals 19.8 kg. At confidential attachment CTM 1 we saw a total of [REDACTED] BQs manufactured in 2012.

6.3.2 Raw materials

To make the goods the two largest raw materials by value are the tomato purchases and the tin cans.

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Tomatoes

During the investigation period SPCA purchased [REDACTED] tonnes. All tomatoes are sourced from one supplier [REDACTED]. SPCA also provided a copy of the 2013 intake report. See **Confidential Attachment CTM 2**

To demonstrate volumes purchased, we asked SPCA to provide a schedule of total tomato purchases during the year and to provide evidence of purchases and evidence of payments. From the intake report at confidential attachment 2, we selected two delivery dockets and asked to see the purchase invoices. We were informed that SPCA prepares the invoice in these circumstances which are verified by [REDACTED]. We were able to trace the delivery docket number from the intake report to the invoice. See **Confidential Attachment CTM 3**. Again using the docket number, SPCA provided the voucher indicating the tomatoes being posted to raw materials ledger and the calculation of the raw material variance and the evidence of payment for those relevant invoices. See **Confidential Attachment CTM 4**.

Containers

SPCA has only one supplier for all cans, however it seeks 8 different can types. The types include lined and unlined, ring pull tops, standard tops and 400g and 800g size cans.

To verify containers we asked SPCA to provide a schedule of can purchases incurred during the investigation period. SPCA provided this. From this we selected two can purchases and asked to see the invoice and evidence of payment. SPCA provided these. See **Confidential Attachment CTM 5**.

Paste

The third largest raw material component in the goods, by cost, is the cost of paste. From an examination of the BOMs not all products will have this included. However we asked to confirm the cost of paste.

[REDACTED]
[REDACTED] (raw material pricing) See **Confidential Attachment CTM 5**.

[REDACTED]
[REDACTED] (raw material pricing)
See **Confidential Attachment CTM 6**.

6.3.3 Depreciation

SPCA advised that depreciation is charged as an overhead and then a recovery charge is placed on the standard bill of materials.

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The depreciation charge for the years was \$[REDACTED]. See **Confidential Attachment CTM 7**. SPCA provided a reconciliation of this depreciation to the balance sheet for 2012.

Due to the manufacturing process we were informed that not all assets can be one hundred per cent allocated to the manufacture of the goods. Of the assets that are used for products jointly with other than the goods, the allocation is based on a BQ throughput basis.

At **Confidential Attachment CTM 8** is worksheet showing the calculation of depreciation and other manufacturing overheads by product group. It shows the various allocations made to each product from each cost category that makes up manufacturing overheads. We traced the standard values in this schedule back to the BOM at **Confidential Attachment CTM 9**. We note a small discrepancy between the two amounts as our calculation is rounded to the nearest thousand and not actual full numbers.

6.3.4 Bill of Materials

SPCA provided four bill of materials (BOM) for the 2013 manufacturing period.

Style	Bright CTM / can	Finished CTM / can
Diced 400g	[REDACTED]	[REDACTED]
Whole 400g	[REDACTED]	[REDACTED]
Crushed (private label) 400g	[REDACTED]	[REDACTED]
Value added chopped 410g	[REDACTED]	[REDACTED]

6.3.5 Variances

Whilst we examined the cost of production, we noted variances to the standard costs used. SPCA provided a schedule of variances for 2011, 2012 and 2013. The schedule identified production and material variances. We were informed the variances are charged back to the finished goods when the goods are sold.

SPCA used the standard cost to calculate the relevant appendices as part of its application since it considered that on average the variances movement was negligible. Variance movement for production of bright was [REDACTED]% unfavourable and labelling [REDACTED]% favourable. See **Confidential Attachment CTM 10**

To confirm variances back to the general ledger, SPCA provided screen prints of its reconciliation reports. These reports are the total costs posted to the general ledger, however are recorded by item number (specific product). These reports included the 2013 Work Order Cost report (bright), Material Efficiency Report and Work Cost report (finished). From these reports we could trace the value of the variance, being a tabulation of all the products actual costs versus standard costs back to confidential attachment CTM 10. See **Confidential Attachment CTM 11**. From these reports we could trace the

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item number back to the selected BOMs. We were also able to confirm the manufacturing volume of bright inventory back to the work order report.

6.3.6 Accuracy of production costs - conclusion

We consider the Appendices presented in its application are reasonably accurate account of the actual costs to manufacture the goods during the period from January 2010 to 30 June 2013. SPCA provided a revised Appendix A6 to include the 2013 June quarter. See **Confidential Attachment CTM 12**.

6.4 Verification of selling, distribution and administration costs to source documents

6.4.1 Direct Marketing Expense

We were informed this expense category relates to more branding of the company rather than specific promotion of the goods. SPCA, through its [REDACTED] showed all the costs associated with this category which could be verified back to the detailed income and expense report. See **Confidential Attachment CTMS 1**. Due to the nature of the expenditure, SPCA apportioned this as a per cent of net sales revenue. See **Confidential Attachment CTMS 2**

We examined the actual expenditure and found that the actual spend for Ardmona brand was slightly higher than the net sales revenue apportioning approach. SPCA advised us that it only recently started to capture this expenditure by brand. Hence for the purposes of the Appendix A6, a percentage methodology was applied.

6.4.2 Distribution

SPCA sells the goods on FIS terms. To calculate the distribution expense in the Appendix A6, SPCA

[REDACTED]
[REDACTED] (Distribution calculation)

During the investigation period [REDACTED] BQs were sold. The standard distribution rate was \$[REDACTED] per BQ but a favourable variance of negative \$[REDACTED] was applied.

SPCA provided it logistics contract document which identified the cost for cartage and associated activities throughout Australia. Also provided were invoices showing the individual cartage costs. Importantly, we considered that due to the variety of distance and other logistic activities applying the above methodology was reasonable. See **Confidential Attachment CTMS 3**. We were also able to trace the total distribution expense incurred in Australia to the detailed consolidation income statement at confidential attachment 5.

6.4.3 Indirect expenditure

Indirect expenditure is a number of expenses occurring mainly at the head office [REDACTED]

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██████ We examined the total expenditure and found ██████████ to be salaries and salary related expenses. To demonstrate the costs SPCA provided an extract of its consolidated income statement confirming the amount for this expense category. See **Confidential Attachment CTMS 4**

6.4.4 Accuracy of selling, distribution and administration costs - conclusion

Having regard to all of the above we consider the selling, distribution and administration cost data provided is a reasonably accurate account of the actual costs to sell from 1 January 2009 to 30 June 2013

6.5 Costs to make and sell – conclusion

We consider that SPCA's cost to make and sell data in Appendix A6, is a reasonably complete, relevant and accurate reflection of the actual costs to manufacture and sell prepared or preserved tomatoes during the period from 1 January 2009 to 30 June 2013.

Accordingly, we consider the SPCA's cost to make and sell data in Appendix A6 are suitable for analysing the economic performance of its prepared or preserved tomatoes operations from 1 January 2009 to 30 June 2013.

7 ECONOMIC CONDITION

7.1 Applicant's injury claims

SPCA alleges the Australian industry has suffered material injury caused by prepared or preserved tomatoes exported to Australia from Italy at dumped prices.

The applicant claims the industry has been injured through:

- loss of sales volume;
- reduced market share;
- reduced revenues;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- reduced cash flow
- reduced attractiveness for reinvestment in the tomato processing business.

7.2 Commencement of injury, and analysis period

SPCA indicated the that injury was occurring from 2009 calendar year however it was most noticeable in 2011 when significant price reductions in

[REDACTED]

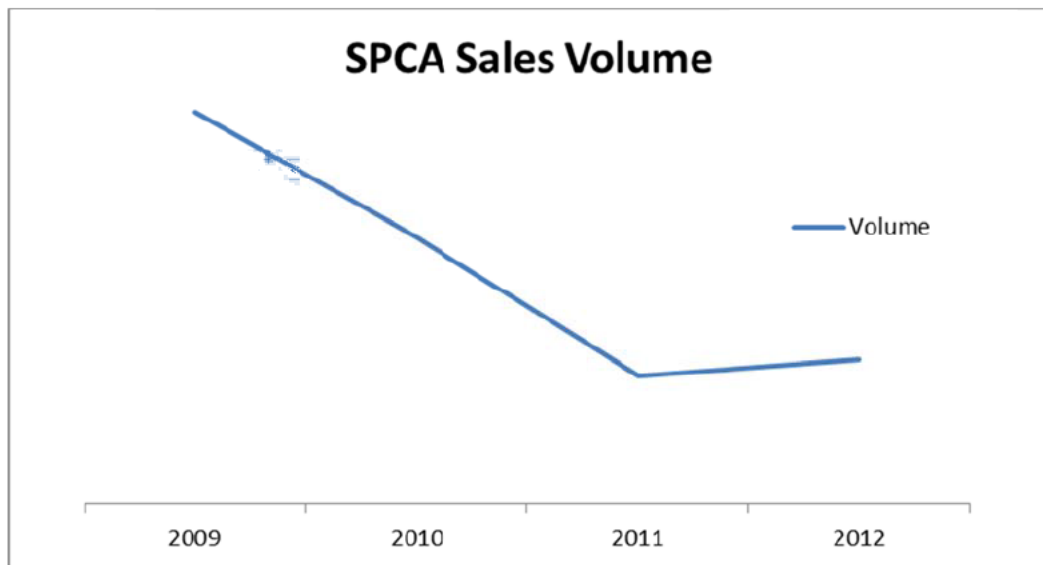
[REDACTED]

[REDACTED]. See **Confidential Attachment INJ 1**. SPCA indicated this type of price reduction, given the price elasticity of the goods, meant that sales volumes of the goods would significantly increase. At confidential attachment DOM 4 is the price sensitivity analysis that was undertaken that showed a significant increase in the volume of the goods following its price decrease.

SPCA provided results from a market survey that indicates that Australians do prefer to buy Australian made prepared or preserved tomatoes however the prices of the Australian made products relative to the Italian prices limits the appeal. The survey further indicates a significant change in preference over Italian made prepared or preserved tomatoes if the price difference was not apparent. See **Confidential Attachment INJ 2**.

At **Confidential Attachment INJ 3** is a graph identifying the volume trends between private label, SPCA and other branded products that occurred in [REDACTED] since 2009. It shows SPCA's volume decreasing and being replaced with [REDACTED] label products.

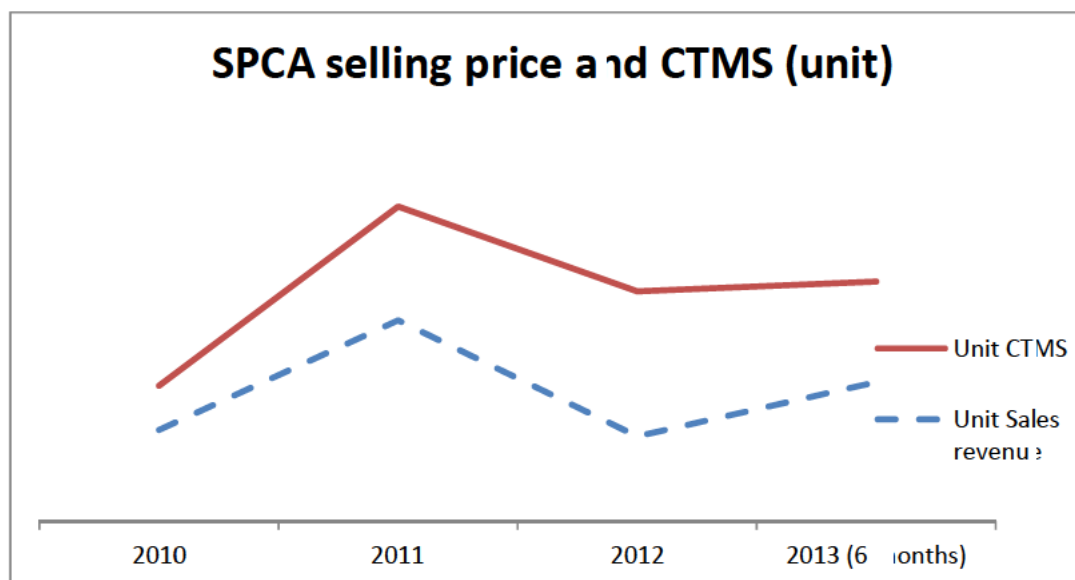
7.3 Volume trends



This chart demonstrates SPCA declining sales volume from 2009 to until 2011. Following 2011 SPCA experienced a slight increase.

7.4 Price suppression and depression

Price depression occurs when there is a reduction in prices. Price suppression occurs when price increases for the applicant's product, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between revenues and costs. The relationship between unit and total revenues and costs are illustrated in the above chart.

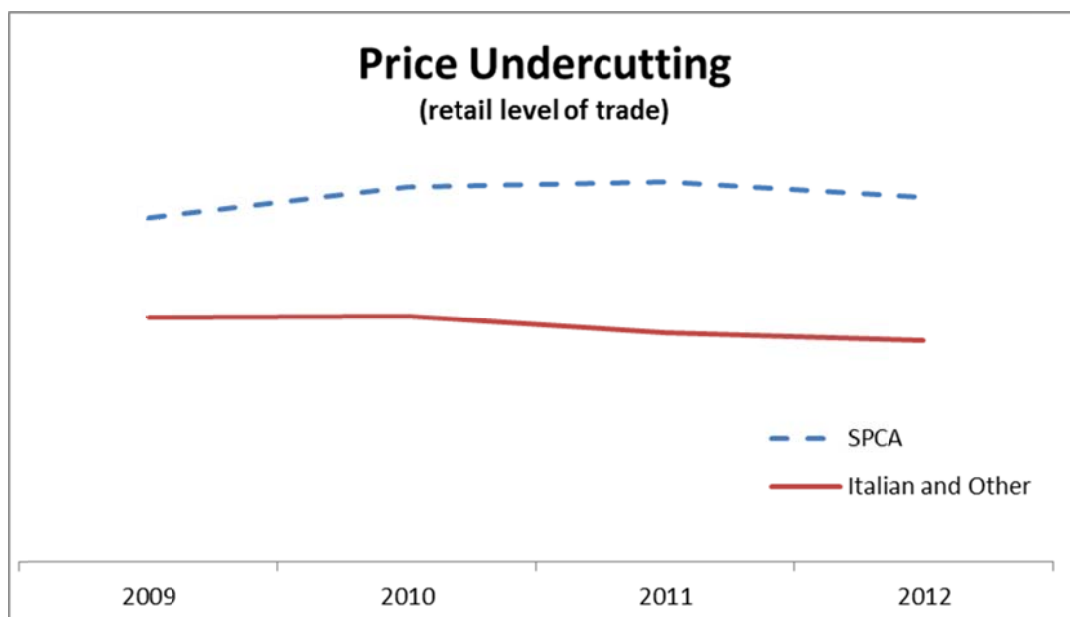


The following graphs show the movements and relationships of SPCA net unit revenue and unit cost to make and sell (CTMS) for prepared or preserved tomatoes from 1 January 2010 to June 2013. The graph below shows that the unit cost to make and sell is increasing at a greater rate than the growth in the unit selling price. The graph shows that SPCA is unable to recover its costs with the negative margin between unit sales revenue

and the CTMS increasing from 2010 to 2012 with an improvement from 2012 to June 2013.

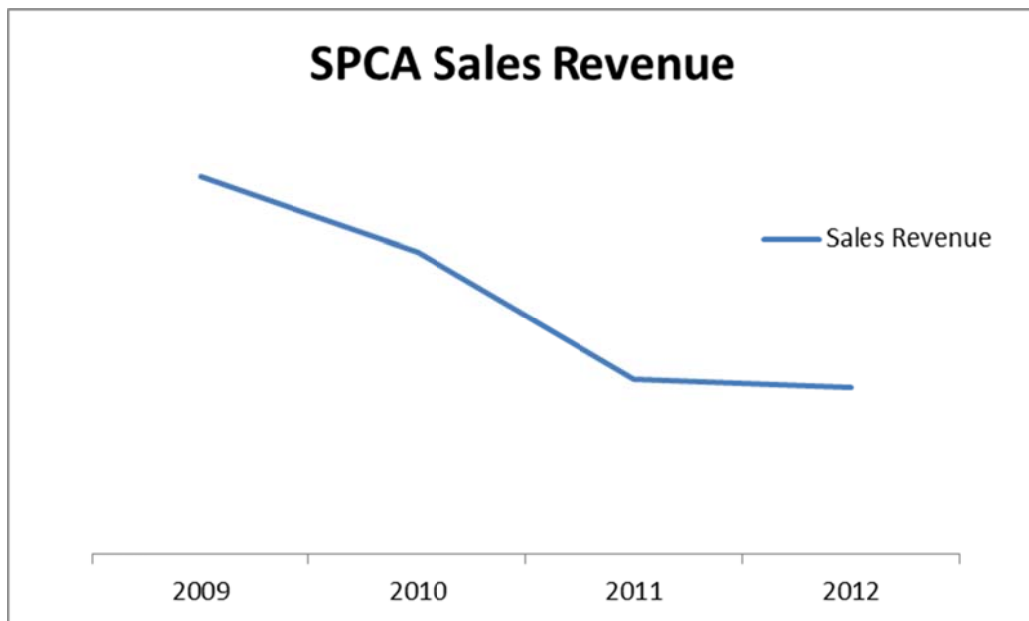
7.5 Price undercutting

SPCA indicated that price undercutting at the retail level of trade has been occurring. From the Aztec market data SPCA analysed the retail prices of the goods occurring in the major supermarkets. SPCA indicated in its application its SPC Ardmona brand rose approximately 10% from 2009 to 2011 whilst the Italian imported goods price fell approximately 10% in the same period.



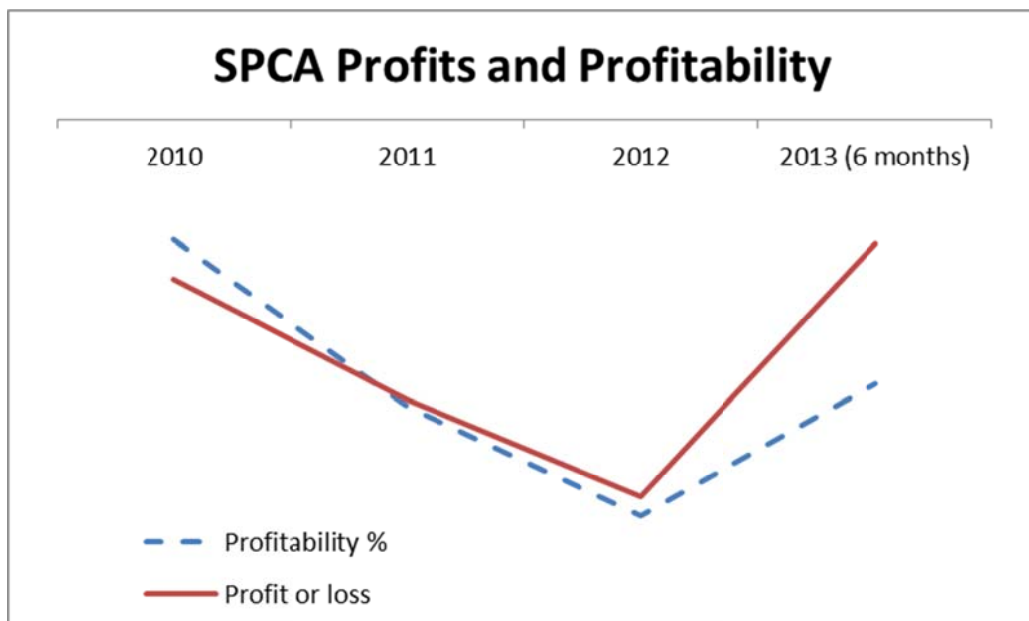
7.6 Revenue

Since 2009 SPCA has experienced decreasing sales revenue. The chart below shows the sales revenue declining at a rapid rate until 2011. Following 2011, the sales revenue is still decreasing but at a lesser rate.



7.7 Profits and profitability

The combination of the increasing costs and the inability of SPCA to increase its volume and unit sales revenue have led to a decline in profits and profitability.



7.8 Other economic factors

SPCA completed an Appendix A7 for prepared or preserved tomatoes from financial years 2010 to 2012.

7.8.1 Assets

SPCA indicated the value of assets in the production of prepared or preserved tomatoes decreased during the financial years 2009-2012.

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The value of the assets presented in the Appendix A7 represents the whole company. Whilst the Commission can see a reduction of assets from a company-wide perspective; SPCA could not separate the specific assets for the production of the goods. Accordingly the Commission cannot confirm if injury has occurred in the form of reduced assets.

7.8.2 Capital investment

SPCA indicated the value of capital investment in the production of prepared or preserved tomatoes decreased during the financial years 2009-2012.

The value of the capital investment presented in the Appendix A7 represents the whole company. Whilst the Commission can see a reduction in capital investment from a company-wide perspective; SPCA did not separate the specific components for the production of the goods. Accordingly the Commission cannot confirm if injury has occurred in the form of reduced capital investment.

7.8.3 Capacity

Capacity in relation to prepared or preserved tomatoes has remained static since 2010.

7.8.4 Capacity utilisation

Capacity utilisation has declined each year since 2010 to 2012, almost halving since 2010.

7.8.5 Employment numbers

Employment has decreased from FY2010 to FY2012. Over this period SPCA has [REDACTED] related to the goods at the Shepparton canning facility and other support staff involved in the logistics, administration and sales of the goods that have lost their jobs. See **Confidential Attachment INJ 4**

7.8.6 Stocks

SPCA identified decreasing closing stock with the value falling approximately [REDACTED]% since 2010.

7.9 Factors other than dumping

SPCA indicated that no other factors have had a significant impact on its sales apart from dumping. Export volume has been a negligible part of tomato operations therefore exchange rate will not have impacted its operations viability.

With regard to the volume of imports from other countries, SPCA indicated that the volume from other countries has also declined due to the competitive pricing of the Italian prepared or preserved tomatoes.

SPCA indicated due to the goods sales volume being highly sensitive to price, any price movement has an impact. SPCA did indicate that the dramatic price reductions in certain labels has more to do with dumped prices as opposed to the exchange rate.

7.10 Conclusion

Based on an analysis of the information contained in the application and obtained and verified during our visit, we consider that the company has experienced injury in the form of:

- loss of sales volume;
- lost market share
- reduced revenues;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability;
- loss of employment;
- lower closing stocks; and
- falling capacity utilization

It is evident that there is undercutting at the retail level of trade however the Commission considers injury in the form of price undercutting needs to be fully examined at the various levels of trade to appropriately assess where and to what extent injury is occurring from undercutting

8 CAUSAL LINK

We discussed with SPCA whether the alleged dumping and subsidisation of imported prepared or preserved tomatoes can be demonstrated to be causing material injury to the Australian industry.

8.1 Price effects

SPCA informed us that the main issue with the falling sales volume and decreasing profitability is the price of imported prepared or preserved tomatoes.

The market in which the goods are sold is dominated by four large supermarket chains. Approximately ■% of the goods are sold to the retail consumer via this supply chain. Given the volume of retail customers, the major supermarkets dominate the marketing of the goods. In recent years the major supermarkets in ■ began selling the goods under their own label. Via market data SPCA subscribe too, the volume sold under these private labels has significantly increased during the injury analysis period. This rising volume and lower pricing has led to price suppression and price depression.

SPCA advised us they are fully aware of the pricing dynamics of the supermarkets as it tenders for business to supply the supermarket's private labels. On the occasions SPCA does not win the tender, they analyse the failed tenders via an examination of the final shelf prices and a deduction for supermarket margins and logistics. Following analysis SPCA on many occasions have concluded that their price on offer as being too high. SPCA has been advised that quality is not an issue. The tender comes down to the prices on offer.

As part of the selling dynamics into the supermarkets, SPCA procures point of sales market data that includes ■.

Shelf location on the supermarket shelves is of paramount important. Top and bottom shelves are inferior to the middle shelves – eye height. SPCA has lost linear facings and priority shelf positions from 2009 to 2012.

As the supermarkets have increased the presence of its private labels and imported brands, shelf space it has reduced space for domestic brands.

SPCA indicated the market for the goods is divided into four price categories. At the top end of the price spectrum is the SPCA products,

■.

From the Aztec market data, SPCA has calculated that in the period 2009 to 2012 the gap between its retail shelf price and the imported products has grown ■. The movement has come on the back of small increases in SPCA's selling prices and a small reduction on the imported selling prices.

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Due to the pricing structure and the price elasticity of the goods, any price movement in one of the price categories will impact the volume sold in another. SPCA indicated key private label products set the pricing in the category.

To compete in the supermarket retail space SPCA need to spend a significant amount on promotions. To this end SPCA's promotional spend has increased from █% in 2010 to █% in 2012. Each promotion helps improve sales volumes, but it sacrifices the margins achieved on the goods. Even though the promotional spending has occurred, the sales volume has not recovered to the pre 2009 level. Although decreasing from 2009 to 2011, the sales volume has only experienced a slight improvement in 2012.

8.2 Volume effects

SPCA indicated that the falling sales volumes is a reflection of the cheaper pricing being obtained by the supermarkets for these goods.

Via the point of sale marketing data, SPCA analyse this data and can determine the products being sold and the retail prices being achieved. SPCA uses this data, its own sales data and the ABS data to identify where the majority of the goods are coming from.

From the point of sale data it can identify its products and deduce the volume of products from other sources. When they compare this to the ABS statistics it can determine that the vast majority of goods imported into Australia are exported from Italy.

SPCA indicated the market for prepared or preserved tomatoes grows at approximately the same rate as the Australian population growth rate. On the back of this, its sales volume has declined approximately █% in the period 2009 to 2012. SPCA considers the lost volume has been replaced by the imported goods since they are the only Australian producer of the goods.

SPCA tenders to the major supermarkets to make their private labels of prepared or preserved tomatoes. For the tenders they don't win SPCA examines the supermarket shelves and product labels and finds that the goods they tendered for were lost to manufacturers in Italy. From the scan data, it is evident that when

█ volume sold increased by 117% from 2010 to 2011. The scan data indicated the average price dropped from \$█ to \$█ during that period. SPCA indicated █ canned tomato was sourced from Italy.

SPCA fears the

█ SPCA has examined this product and found it to be sourced from Italy. As previously discussed SPCA considers █ sales volume it represents. At confidential attachment INJ 3 and DOM 3 are graphs indicating the volume effects of this promotion.

9 UNSUPPRESSED SELLING PRICE

At the verification meeting we informed SPCA the Commission's approach to establishing an Unsuppressed Selling Price (USP) follows one of the following approaches:

1. market approach – industry selling prices at a time when the Australian market was unaffected by dumping;
2. construction approach – the Australian industry's cost to make and sell plus a reasonable rate of profit;
3. selling prices of un-dumped imports in the Australian market.

Having calculated the USP, the Commission then calculates a Non-Injurious Price (NIP) by deducting the most efficient importer's costs incurred in getting the goods from the FOB point at export (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, duty, insurance, into store costs and amounts for importer expenses and profit.

SPCA advised the Commission that it would provide a response at a later date with regard to the most appropriate method to calculate the USP.

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10 APPENDICES AND ATTACHMENTS

Confidential Attachment IMP 1	Commercial Documents and evidence of payment
Confidential Attachment DOM 1	Diced sales market share proportions
Confidential Attachment DOM 2	Facings analysis
Confidential Attachment DOM 3	Price Sensitivity analysis
Confidential Attachment DOM 4	Promotional spend worksheet
Confidential Attachment DOM 5	Consolidated income statement
Confidential Attachment DOM 6	Sales invoices posted to the general ledger
Confidential Attachment DOM 7	Business objects revenue report
Confidential Attachment DOM 8 a- i	Selected domestic sales invoices
Confidential Attachment INT 1	Export sales report
Confidential Attachment CTM 1	Production report 2012
Confidential Attachment CTM 2	Tomato intake report 2012
Confidential Attachment CTM 3	Tomato purchase invoice
Confidential Attachment CTM 4	Voucher posting to raw material and evidence of payment
Confidential Attachment CTM 5	Paste BOM.
Confidential Attachment CTM 6	Paste Invoice
Confidential Attachment CTM 7	Deprecation charge
Confidential Attachment CTM 8	Manufacturing overhead applied
Confidential Attachment CTM 9	Bill of Materials
Confidential Attachment CTM 10	Variance calculations
Confidential Attachment CTM 11	Reconciliation of variances back to actual costs
Confidential Attachment CTM 12	Revised Appendix A6
Confidential Attachment CTMS 1	Direct Marketing Expense
Confidential Attachment CTMS 2	Direct marketing expense apportionment
Confidential Attachment CTMS 3	Cartage contract document
Confidential Attachment CTMS 4	Indirect expenses
Confidential Attachment INJ 1	██████████ 2011 catalogue
Confidential Attachment INJ 2	Market survey
Confidential Attachment INJ 3	Price analysis

Confidential Attachment INJ 4	Staff redundancies
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