



**Australian Government**  
**Anti-Dumping Commission**

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## **INVESTIGATION 276**

### **ALLEGED DUMPING OF PREPARED OR PRESERVED TOMATOES**

#### **EXPORTED FROM ITALY**

#### **VISIT REPORT - EXPORTER**

### **FEGER DI GERARDO FERRAIOLI SPA**

**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**

**June 2015**

# PUBLIC RECORD

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### ABBREVIATIONS

\$	Australian dollars
ACBPS	Australian Customs and Border Protection Service
The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
The applicant	SPC Ardmona Operations Limited
Commission	Anti-Dumping Commission
REQ	Response to Exporter Questionnaire
CTM	Cost to make
CTMS	Cost to make & sell
CTS	Cost to sell
FOB	Free On Board
GAAP	Generally accepted accounting principles
PAD	Preliminary Affirmative Determination
SEF	Statement of Essential Facts
the goods	the goods the subject of the application (also referred to as the goods under consideration or GUC)
the Minister	the Minister for Industry and Science

## **1 BACKGROUND AND PURPOSE**

### **1.1 Investigation 217**

In March 2013, the then Minister accepted the recommendations of the Commissioner of the Anti-Dumping Commission (the Commissioner) in Report No. 217 and imposed dumping duties on certain prepared or preserved tomatoes<sup>1</sup> exported from Italy by all exporters other than Feger di Gerardo Ferraioli S.p.A (Feger) and La Doria S.p.A. (La Doria). Feger and La Doria were found to be dumping prepared or preserved tomatoes however the dumping margin was less than two per cent. Therefore the Commissioner terminated the investigation so far as it related to Feger and La Doria in accordance with section 269TDA(1) of the *Customs Act 1901* (the Act).<sup>2</sup>

### **1.2 Current investigation**

On 19 January 2015, the Commissioner initiated an investigation, after deciding not to reject an application lodged by SPC Ardmona Operations Limited (SPCA) requesting the Minister for Industry and Science to publish a dumping duty notice in respect of prepared or preserved tomatoes exported to Australia, from Italy, by Feger and La Doria.

SPCA alleges the Australian industry is suffering material injury caused by prepared or preserved tomatoes exported to Australia from Italy by Feger and La Doria at dumped prices. SPCA claims that the Australian industry has been injured through:

- reduced sales volumes;
- reduced market share;
- price undercutting;
- price depression;
- price suppression;
- reduced profits;
- reduced profitability; and
- reduced capacity utilisation.

### **1.3 Purpose of verification**

The purpose of the verification visit is to verify information submitted by Feger in its exporter questionnaire response. Information verified during the visit has been used to make preliminary assessments regarding:

- like goods;

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<sup>1</sup> A full description of the goods subject to the dumping duty notice is provided at section 3.1 of this report.

<sup>2</sup> A reference to a division, section or subsection in this report is a reference to a provision of the *Customs Act 1901*, unless otherwise specified.

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- who is the exporter and who is the importer;
- export prices;
- normal values; and
- dumping margins.

### 1.4 Meeting details

Company	Feger di Gerardo Ferraioli SPA (Feger)
Dates of visit	11,12 and 15 June 2015
<i>The following were present at various stages of the verification meetings:</i>	
Feger	Maurizio Ferraioli, Managing Director Giacchino Spuillante, Administration Olga Strisciuglio, Customer Service Dino Ragonese, Administration
Consultants	Gabriele Coppo, Van Bael & Bellis Fabrizio Di Gianni, Van Bael & Bellis
European Commission	Frederic Michiels, Head of Sector, Defence Trade Instruments
Anti-Dumping Commission	Joanne Reid, Director, Operations 2 Steven Spears, Assistant Director, Operations 1

### 1.5 Investigation process and timeframes

The visit team advised the company of the investigation process and timeframes as follows.

- The investigation period is 1 January 2014 to 31 December 2014.
- The injury analysis period is from 1 January 2010 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.
- 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.
- The Statement of Essential Facts (SEF) for the investigation is due to be placed on the public record by 7 August 2015, after the Parliamentary Secretary to the Minister for Industry and Science (Parliamentary Secretary) extended the deadline for publication pursuant to section 269ZHI of the Act.
- The SEF will set out the material findings of fact on which the Commissioner intends to base his recommendations to the Parliamentary Secretary, and will invite interested parties to respond, within 20 days, to the issues raised therein.

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- Following receipt and consideration of submissions made in response to the SEF, the Commissioner will provide his final report and recommendations to the Parliamentary Secretary.
- The final report is due no later than 21 September 2015, unless further extensions are approved by the Parliamentary Secretary.

### **1.6 Visit report**

The visit team advised Feger that a confidential report of the visit will be prepared and a copy will be provided to Feger, giving them the opportunity to review the report for its accuracy.

Feger were also advised that, in consultation with them, a non-confidential version of the report will be placed on the public record.

## 2 COMPANY INFORMATION

### 2.1 Company background

The visit team discussed the information provided by Feger in its Response to the Exporter Questionnaire (REQ). Due to Feger's participation in a verification visit in 2013 the visit team requested Feger to update the visit team regarding any changes to its company structure, its relationship with suppliers and customers and its accounting processes. Feger stated that they have added [REDACTED] new Australian customers, [REDACTED] [CONFIDENTIAL TEXT DELETED – names and number of customers], however all other aspects of their business concerning prepared or preserved tomatoes have not changed since the previous verification visit. The text in *Italics* below is a summary of the published findings of the 2013 verification report.

- *Feger is a privately owned manufacturer and distributor of canned food products. The majority shareholder is Gerardo Ferraioli, with a shareholding interest of [REDACTED] [CONFIDENTIAL TEXT DELETED –shareholder information]. He has maintained [REDACTED] [CONFIDENTIAL TEXT DELETED – shareholder information] founding Feger in 1962.*
- *Feger produces the goods under consideration at its sole production facility in Angri, Italy. Feger's head office is also located at the site of its production facility.*
- *In addition to the production of canned tomato products, Feger also manufactures and sells a range of other products, such as canned and dried beans, soups and pasta sauces. Feger utilises different lines within the production facility to manufacture these goods.*

#### 2.1.1 Relationship with suppliers and customers

[REDACTED] [CONFIDENTIAL – information on relation and negotiation with customers] The text in *Italics* below is a summary of the published findings of the 2013 verification report.

- *All fresh tomato used in production is sourced by Feger from the open market. Feger also sources tin plate and manufacturing of cans and labels from unrelated suppliers.*
- *Feger outlined that it did not sell to related parties. Feger sells directly to its export customers and where applicable the buying agents of its export customers.*

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- *On the domestic market, Feger sells directly or through an agent or broker. An agent is engaged by Feger to source and negotiate with potential domestic customers and is reimbursed by way of commission. A broker will approach Feger on behalf of customers and is also reimbursed by commissions.*

The visit team is satisfied that Feger does not buy prepared or preserved tomatoes from or sell them to related parties.

### **2.2 Accounting**

- *Feger's accounting period is 1 January to 31 December. Its financial records are held at its head office in Angri.*
- *Feger provided the visit team with copies of its completed financial statements for the accounting periods of 2012 and 2013 as attachments to its EQR (exporter questionnaire response). During the verification meeting, Feger provided a draft financial statement for the accounting period of 2014. The reports were presented in Italian.*
- *For the purpose of verifying the income statements provided as an appendix to the EQR and the completeness of Feger's costs and sales data, the visit team reviewed Feger's chart of accounts, the 2014 trial balance and a summary of the chart of accounts, which formed the draft 2014 financial statement. Feger informed the visit team that the draft 2014 financial statement was currently with PriceWaterhouseCoopers for final sign off.*
- *During the visit the visit team worked with Feger to translate relevant parts of its financial statements for the purpose of upwards and downwards verification.*

### **3 GOODS UNDER CONSIDERATION AND LIKE GOODS**

#### **3.1 The goods**

The goods the subject of the investigation (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.*

Tomato pastes, purees, sauces, pasta sauces, juices and semi-dried or sun-dried tomatoes are excluded from the investigation.

##### **3.1.1 Tariff classification**

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

#### **3.2 Product range and production process**

##### **3.2.1 Product range**

Feger produces a number of prepared or preserved tomato products, including:

- whole peeled tomatoes: manufactured using “long tomatoes” in a standard or organic variety with or without variants such as salt or herbs;
- chopped tomatoes: manufactured using “round tomatoes” in a standard or organic variety, with or without variants such as salt or herbs;
- cherry tomatoes in a standard or organic variety with or without variants such as salt or herbs;
- San Marzano tomatoes, which is a type of tomato only grown in Italy and is manufactured with or without variants such as salt.

Feger produces these products in a range of sizes from 300g to 3kg cans and glass jars. All sizes are available in cans, with limited products also available in glass jars. Most products have a drained weight of 60%, though Feger does produce some products with a drained weight of 70% which are only sold on the domestic market.

Feger identifies products using a product code [REDACTED] [CONFIDENTIAL TEXT DELETED – product code details]. Feger outlined the composition of its product codes in the confidential version of the EQR.

The domestic sales and Australian sales listings provided by Feger in the EQR identified the product code relevant to the transaction.

##### **3.2.2 Production process**

At the time of the verification visit, Feger’s production facility was not operating for the production of prepared or preserved tomatoes. As a result the production facility or production process was not viewed by the verification team. However, the visit

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team is satisfied that Feger's production process remains the same process that was verified during the 2013 investigation. Further, Feger has provided a detailed outline of its production process (in Italian) as an attachment to the EQR.

### 3.2.3 Goods exported to Australia

Feger exported [REDACTED]-[CONFIDENTIAL TEXT DELETED – number] different prepared or preserved tomato products to Australia during the investigation period:

- [REDACTED]-[CONFIDENTIAL TEXT DELETED – number] products of standard whole tomatoes in 400g cans
- [REDACTED]-[CONFIDENTIAL TEXT DELETED – number] products of organic whole peeled tomatoes in 400g cans
- [REDACTED]-[CONFIDENTIAL TEXT DELETED – number] products of standard chopped tomatoes in 400g cans
- [REDACTED]-[CONFIDENTIAL TEXT DELETED – number] products of organic chopped tomatoes in 400g cans
- [REDACTED]-[CONFIDENTIAL TEXT DELETED – number] products of chopped tomatoes with added herbs and spices in 400g cans
- [REDACTED]-[CONFIDENTIAL TEXT DELETED – number] product of cherry tomatoes in 400g cans
- [REDACTED]-[CONFIDENTIAL TEXT DELETED – number] product of San Marzano tomatoes in 400g cans

### 3.2.4 Like goods

During the 2013 verification visit, Feger and the visit team discussed five factors that are used to determine which domestic models were similar to the exported models. During the current verification visit, Feger confirmed to the visit team that the five main factors that were agreed upon during the previous verification meeting continue to be the five factors that determine both cost and price differences. The visit team has used these five factors to determine cost and price difference on a per kilogram basis.

The five main factors are:

- Type of tomato – [REDACTED] [CONFIDENTIAL TEXT DELETED – product types];
- Recipe – [REDACTED] [CONFIDENTIAL TEXT DELETED – product types];
- **Gross** can size – [REDACTED] [CONFIDENTIAL TEXT DELETED – can sizes];
- Container material – tin or glass; and
- Drained weight – [REDACTED] [CONFIDENTIAL TEXT DELETED – numbers]

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A list of product codes with the applicable export model identifier forms **confidential appendix 1**.

### **3.3 Like goods – preliminary assessment**

The visit team considers that the prepared and preserved tomatoes produced by Feger for sale on the domestic market, while not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration in terms of section 269T(1) of the Act and are like goods.

**4 EXPORT SALES**

**4.1 General**

During the investigation period Feger exported to [REDACTED] [CONFIDENTIAL TEXT DELETED – number] Australian customers:

- [REDACTED];
  - [REDACTED]
  - [REDACTED]
- [REDACTED] CONFIDENTIAL TEXT DELETED – names of customers]

**4.2 Export sales process**

Feger was requested to advise any changes to the sales process that was confirmed during the 2013 verification visit. Feger stated that sales to [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] remain subject to yearly contracts that are negotiated in July and August each year.

- In July, both [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] provide suppliers with an invitation to tender for contracts for the following year. The tender lists the technical specifications of each product the retailers are seeking to purchase and the volume needed for the following 12 months.
- Suppliers are given two weeks to provide a response to the tenders. Representatives from [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers], acting as the agent for [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers], then visit suppliers to negotiate price. Once contracts are confirmed, [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] provide Feger with a shipment plan.

Feger then described the sales process with their remaining export customers.

- [REDACTED] CONFIDENTIAL TEXT DELETED – names of customers] sales are negotiated directly with Feger with volumes agreed and prices set for the following 12 months.

Feger then described the production and delivery process for their main export customers.

- Production occurs throughout August and September each year. Feger produces bright cans of the required product which are labelled and packaged by an external packing service. The label design is provided by [REDACTED] [CONFIDENTIAL TEXT DELETED – name of providers] and Feger arranges for

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label and packing materials to be purchased and provided to the packing service.

- Where shipment is not due for some time, Feger warehouses the bright cans at its production facility. Once required for shipping, the goods are transferred to the packing service for labelling, packing and loading into shipping containers. These are transported directly from the packing service to port. The goods are then loaded and shipped to various Australian ports.
- Payment is received by Feger as per the contracted payment terms.

### 4.3 Pricing and terms

All sales to [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] during the investigation period were on [REDACTED] [CONFIDENTIAL TEXT DELETED – sales terms] terms. The one and only sale to [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] was on [REDACTED] [CONFIDENTIAL TEXT DELETED – sales terms] terms. Feger offered [REDACTED] [CONFIDENTIAL TEXT DELETED – numbers] day payment terms, with all contracts negotiated and paid in [REDACTED] [CONFIDENTIAL TEXT DELETED – currency].

In line with the previous verification findings, [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] purchased canned tomato products through a tender process which results in contracts for yearly supply. Feger detailed that the price is dependent on [REDACTED] [CONFIDENTIAL TEXT DELETED – negotiation process] the negotiation process. [REDACTED] [CONFIDENTIAL TEXT DELETED – negotiation process]

Feger further outlined that when representatives from [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] visit during the period of contract negotiation they [REDACTED] [CONFIDENTIAL TEXT DELETED – negotiation process].

Feger outlined that while price [REDACTED] [CONFIDENTIAL TEXT DELETED – negotiation process], contracts with [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] were appealing given the large volume of product offered for purchase. Feger also explained that selling to the retailers is easier than selling domestically as the goods are sold on [REDACTED] [CONFIDENTIAL TEXT DELETED – sales terms] terms and the retailers provide their own labels and a detailed shipment plan well in advance of required delivery.

[REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] sales are negotiated directly with Feger with volumes agreed and prices set for the whole year. [REDACTED] [CONFIDENTIAL TEXT DELETED – negotiation process].

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### 4.3.1 Role of [REDACTED] [CONFIDENTIAL TEXT DELETED – names of agents]

In section B of its REQ, Feger outlined that [REDACTED]  
[REDACTED] [CONFIDENTIAL TEXT DELETED – names of agents].

The visit team requested Feger to provide details of any changes to the sales process with [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] from the published findings of the 2013 verification visit. Feger confirmed that the sales process to [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] remained the same. Below is a summary of the published findings.

- *During contract negotiations it deals with [REDACTED] [CONFIDENTIAL TEXT DELETED – negotiation process]. Feger understands that [REDACTED] [CONFIDENTIAL TEXT DELETED – negotiation process] but was not certain of the details of the commission.*
- *While the contract for supply is made directly between Feger and [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers], Feger explained that it sometimes invoiced [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers]. Feger always invoiced the contract price for the goods and received payment from [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers]. The visit team noted that during the investigation period, one invoice to [REDACTED] [CONFIDENTIAL TEXT DELETED – names of agents] was also paid directly by [REDACTED] [CONFIDENTIAL TEXT DELETED – names of agents] to Feger.*
- *Feger outlined that [REDACTED] [CONFIDENTIAL TEXT DELETED – names of agents] also offered post-production and logistics services, such as [REDACTED] [CONFIDENTIAL TEXT DELETED – details of services].*

### 4.4 Discounts, rebates and allowances

The visit team confirmed during verification that [REDACTED]  
[REDACTED] [CONFIDENTIAL TEXT DELETED – details of discounts, rebates and allowances].

### 4.5 Sales verification - reconciliation to financial statements

As previously stated, Feger completed a verification process as recently as October 2013. The published findings of the 2013 verification [REDACTED]  
[REDACTED] [CONFIDENTIAL TEXT DELETED – information on sales]. As a result, the reconciliation of sales data upwards through management reporting to audited financial statements was not conducted during the verification visit.



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During the verification visit, Feger provided an updated Australian Sales spread sheet to replace Annex 7 provided with the EQR. This updated spread sheet forms **confidential attachment 3**.

The Visit team was able to reconcile the sales volume in cases, units and net weight using the commercial invoices, packing lists and sales values to the updated Australian Sales spread sheet.

### 4.6.1 Packing materials

Feger advised that the customer dictates the packing material and Feger purchases all labels, trays and plastic, which is provided to the packaging service for labelling and packing of the goods exported to Australia. This cost is listed as "Packing materials" in the Australian Sales spread sheet.

Feger explained that the actual packing material costs incurred by it can be referenced to each customer individually. Feger calculates a per unit rate (EUR/can) for packing materials by dividing the total packing material expense incurred and dividing it by the total number of units exported to each customer.

We asked Feger to demonstrate the packing cost calculation by reference to [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers]. Feger showed us in its financial system the report it ran that showed the total actual packing material expenses incurred for all products sold to [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers]. It identified that the total cost per can was [REDACTED] [CONFIDENTIAL TEXT DELETED – number]. Feger showed us how this was made up of the cost of the labelling ([REDACTED] [CONFIDENTIAL TEXT DELETED – number]) and the cost of trays ([REDACTED] [CONFIDENTIAL TEXT DELETED – cost details]). We matched the unit cost of packing to the amount used by Feger in its export sales spreadsheet. **Confidential Appendix 4**.

The visit team is satisfied that the cost recorded in the Australian Sales spread sheet is the cost paid by Feger for packing materials.

### 4.6.2 Packaging service

Feger advised that it outsources labelling and packing to a number of unrelated packaging services. The cost associated with this is subject to long term contracts between Feger and its packaging providers and is invoiced periodically.

Feger calculates a unit cost (EUR/kg) for the amount for the packaging of each export transaction by dividing the total packaging expense incurred during the investigation period for each product by the total volume of that product shipped to Australia during the investigation period.

The process Feger described during the verification visit is consistent with the published findings of the 2013 verification visit. In conjunction with the previously verified information, the visit team is satisfied that the cost recorded in the Australian Sales spread sheet is the cost paid by Feger for packing service.

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### 4.6.3 Logistics

Feger advised that the expense “Logistics cost” in the Australian Sales spread sheet related to the packing of the exported goods into shipping containers at the site of its packing provider and is subject to the rate specified in the contract with Feger’s packaging providers.

The visit team verified the cost of packing a container by obtaining a commercial invoice for a sale to [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] and the corresponding logistics invoice for that sale. Feger stated that a total logistics cost is calculated for the year and is applied per kilo of each sale to the customer in order to produce the line by line cost listed in the Australian Sales spread sheet. **Confidential attachment 3 and Verification Exhibit 2.1 – 2.4**

We observed that for some sales no logistics cost was recorded for [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers]. Feger advised that this was because on rare occasions the goods were not packed into a container but just placed on a truck. This could occur where [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] required other goods, from other suppliers, to be packed in the same container for ultimate export to Australia.

The visit team is satisfied that the costs recorded in the Australian Sales spread sheet on a line by line basis is the cost paid by Feger for logistics services.

### 4.6.4 Inland Transport

Feger stated that it calculates inland transport per unit (EUR/kg) by dividing the total cost of transport per container by the average number of cases in a container multiplied by the number and weight of cans in each case.

The Australian Sales spread sheet shows that for some sales to [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers], [REDACTED] Feger stated that the recording of both of these costs is dependent on who is engaged to provide the transportation of the goods from the warehouse to the port. [CONFIDENTIAL TEXT DELETED – Information on costs] [REDACTED] [CONFIDENTIAL TEXT DELETED – names of transporters] [REDACTED] [CONFIDENTIAL TEXT DELETED – Information on costs]. [REDACTED] [CONFIDENTIAL TEXT DELETED – names of transporters] [REDACTED] [CONFIDENTIAL TEXT DELETED – Information on costs]

The visit team verified these costs by obtaining the transport invoices from both [REDACTED] [CONFIDENTIAL TEXT DELETED – names of transporters] for selected sales. The visit team is satisfied that the cost recorded in the Australian Sales spread sheet is the cost paid by Feger for inland transport services. **Confidential attachment 3 and Verification Exhibit 3 & 4**

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The visit team is satisfied that the cost recorded in the Australian Sales spread sheet is the cost paid by Feger for inland transport.

### 4.6.5 Handling and port charges

Feger confirmed that the expense listed “Handling” in the Australian Sales spread sheet relates to the loading of the container on to the ship and customs clearance charges. We queried why some export transactions in the export sales spreadsheet had an amount for handling and some didn’t. Feger explained that for some shipments it used [REDACTED] [CONFIDENTIAL TEXT DELETED – names of transporters] for both inland transport and handling. In this case [REDACTED] [CONFIDENTIAL TEXT DELETED – names of transporters] invoiced both charges together. For other transactions it used another trucking company that invoiced both transport and handling together.

Feger also advised that the handling costs include amounts paid to [REDACTED] [CONFIDENTIAL TEXT DELETED – names of agents] for transactions it managed on behalf of [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers].

Feger establishes a unit handling cost (EUR/kg) by the total handling charges invoiced for export sales during the year and dividing by the total net kilograms of the goods shipped during the period. This unit handling charge was then applied to the net weight of each export transaction.

In order to verify the amounts in the export sales spreadsheet Feger showed us a report from its financial system that showed the total [REDACTED] [CONFIDENTIAL TEXT DELETED – names of transporters] cost and other port charges. Feger showed us how this was divided by the total quantity of goods shipped to Australia (including goods the subject of this investigation and other goods). This unit amount matched the amount used by Feger in its export sales spreadsheet. **Confidential Appendix 4.**

We noted that the unit amount for handling used by Feger in its export sales spreadsheet appeared to include some transport charges (based on the report used to extract the total handling charges, which included some [REDACTED] [CONFIDENTIAL TEXT DELETED – names of transporters] transport). This average unit cost has been allocated across all export sales equally, therefore the transport costs for some export sales transactions (i.e. those where [REDACTED] [CONFIDENTIAL TEXT DELETED – names of transporters] was the transport company) are slightly overstated.

The visit team is satisfied that the cost recorded in the Australian Sales spread sheet are reasonably accurate.

## 4.7 The exporter

The visit team considers Feger to be the exporter of prepared or preserved tomato products shipped from Italy to Australia because Feger:

- is the manufacturer of the goods and manufactured the goods to the specific order of the Australian customer;

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- owned the goods at the time of export;
- is listed as the supplier on the bill of lading;
- is the 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 freight forwarder for delivery to Australia;
- sent the goods for export to Australia and was aware of the identity of the purchaser of the goods.

### 4.8 The importer

The visit team noted that [REDACTED]  
[REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers]:

- negotiate directly with Feger for the purchase of the goods;
- are named as the consignee on the bill of lading;
- arrange customs clearance, quarantine, logistics, and overseas freight and storage of the goods after they have been delivered to the Australian port; and
- take control of the goods on arrival and become the beneficial owner of the goods.

The visit team consider that [REDACTED]  
[REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] are the beneficial owners of the goods at the time of importation and are therefore the importers of the goods exported by Feger during the investigation period.

### 4.9 Arm's length

In respect of export sales to Australia during the investigation period, the visit team found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is 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, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, whole or any part of the price.

The visit team therefore consider that all export sales to Australia during the investigation period are arm's length transactions.

### 4.10 Export price preliminary assessment

The visit team consider that:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have been purchased by the importer from the exporter; and

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- the purchases of the goods by the importer were arm's length transactions

In relation to exports by Feger to [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers], the visit team recommend that the export price be determined under subsection 269TAB(1)(a), being the price paid by the importer less transport and other costs arising after exportation.

In relation to exports by Feger to [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers], The visit team recommend that the export price be determined under subsection 269TAB(1)(c), having regard to all the circumstances of exportation.

Export price calculations are included at **confidential appendix 4**

**5 COST TO MAKE & SELL**

**5.1 Introduction**

Feger's financial statements are prepared on a calendar year basis. Feger provided copies of its 2012 and 2013 financial statements as attachments to the EQR. At the visit Feger provided a copy of its draft financial statements for 2014 (confidential attachment 13). Feger advised that its 2014 accounts were currently in the process of being audited.

Feger's accounts are maintained in accordance with generally accepted accounting principles in Italy. Financial statements are prepared in accordance with principals governed by European Union provisions. Actual costs are posted in the accounts.

Feger provided cost to make and sell information at the product code level (incorporating differences in [REDACTED] [CONFIDENTIAL TEXT DELETED – selling process]) for the investigation period. As there was only one period of production during the investigation period, Feger provided a yearly cost for each product code.

At the visit, we were provided with revised cost to make and sell information in the form of attachments G-4 (domestic) and G-5 (export) from the company's questionnaire response. This forms **confidential attachment 5 CTMS (1) and (2)**.

**5.2 Verification of cost to make and sell data to financial statements**

To assess cost to make and sell data for completeness and relevance, verification to financial statements was undertaken for the selected verified costs.

Feger explained that its financial statements (**confidential verification exhibit 13**) were prepared according to the requirements of the European Union, which results in a different layout and categorisation of certain income and expense items to that used for its internal accounts. To assist with verification Feger provided:

- Its trial balance for 2014 (**confidential verification exhibit 11**);
- An internal income statement for 2014 prepared from the trial balance (**confidential verification exhibit 14**); and
- A document that mapped the trial balance ledger codes to the European Union financial statements (**confidential verification exhibit 12**).

We verified that the net profit in the financial statements agreed to the net profit from the internal income statement and trial balance.

We identified that the total raw material cost in Attachment A-5 to the REQ (income statement) was made up of the following items from the internal income statement:

- [REDACTED]  $\frac{1}{7}$
- [REDACTED]  $\frac{1}{7}$

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- ◆ [REDACTED];
- ◆ [REDACTED]
- ◆ [REDACTED] - [CONFIDENTIAL TEXT DELETED – structure of the raw material cost]

Feger provided an additional mapping document that enabled us to trace these costs from the internal income statement to the trial balance, and then from the trial balance to the financial statements (**confidential verification exhibit 23**).

Having identified the total raw material costs and the linkage between the internal income statement and the financial statements we sought to verify the total raw material costs associated with the goods under consideration. Feger provided a worksheet (**confidential verification exhibit 17**) that showed that:

- ◆ [REDACTED]
- [REDACTED]
- [REDACTED] - [CONFIDENTIAL TEXT DELETED – structure of the raw material costs]

equalled the total raw material costs for the goods under consideration in the income statement (Attachment A-5 of the REQ).

Feger explained that the CTMS reports for the goods under consideration were prepared by applying a filter in its accounting system based on the five main product descriptors set out at Chapter 3. Given Feger's internal product codes adequately provide for identification of the goods under consideration according to various physical characteristics we are satisfied that the product codes extracted by Feger for the purpose of preparing the CTMS spreadsheets are a complete representation of the relevant product codes.

We verified the total manufacturing overheads from the income statement to Feger's accounts, and to the CTMS spreadsheets in the same manner as for raw materials.

Based on the above we are satisfied that the revised CTMS spreadsheets provided by Feger are complete.

### **5.3 Verification of cost of production to source documents**

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

#### **5.3.1 Raw materials**

Raw material, being tomatoes (both fruit and juice) and cans constituted [REDACTED] [CONFIDENTIAL TEXT DELETED – number] of the total cost to make, with variances dependent on the recipe. We noted that this proportion had decreased

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from [REDACTED] [CONFIDENTIAL TEXT DELETED – number] at the time of the previous visit. We queried Feger about this and it replied that it had achieved efficiencies through better quality fruit, resulting in higher yields, as well as improvements to its production process resulting in less wastage.

In order to verify the raw material costs Feger provided a complete list of the bill of materials for each of its product lines, including those not under consideration, for 2014 (**confidential verification exhibit 25**). Each bill of materials set out the actual production for 2014 and the various cost components for each recipe, their quantities and costs.

### Tomatoes

Contracts for supply of tomatoes are negotiated in February to April each year with cooperatives that act on behalf of societies that act on behalf of farmers. Feger stated that it contracts with around [REDACTED] [CONFIDENTIAL TEXT DELETED – number] cooperatives each year and that [REDACTED] [CONFIDENTIAL TEXT DELETED – information on business partners]. [REDACTED] [CONFIDENTIAL TEXT DELETED – information on supply sources]

To verify the tomato costs to the CTMS worksheets we selected one PCT – [REDACTED] [CONFIDENTIAL TEXT DELETED – number]. This PCT is made up of [REDACTED] [CONFIDENTIAL TEXT DELETED – number] product lines, obtained from the detail-level CTMS spreadsheets provided by Feger with its EQR. We selected one product line for verification to the bill of materials – [REDACTED] [CONFIDENTIAL TEXT DELETED – specific product]. The production quantity in the bill of materials matched the production quantity shown in the CTMS worksheet. In addition, Feger showed us in its system the report it ran to produce the information in the bill of materials. We verified that the production volume in Feger's accounting system for this product matched the bill of materials.

We matched the total raw material costs, [REDACTED] [CONFIDENTIAL TEXT DELETED – structure of raw material costs], in the bill of materials to the CTMS worksheet. In order to verify the tomato costs Feger provided a tomato cost worksheet for 2014 (**confidential verification exhibit 18**). The information on this worksheet is produced at the end of each production period based on data collected by the production system. The data collected is:

Total kilograms of tomatoes purchased, by type;

Brix of each type of tomato;

Average unit price for each type of tomato;

Total weight of content in each unit, by product type;

Weight of solids in each unit, by product type;

Weight of juice in each unit, by product type;

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Brix of each product type; and

Brix of tomato juice added to each product type.

From this information Feger is able to calculate the yield from fresh tomatoes and the 'concentration factor', being the indicator of the quantity of fresh tomatoes required to achieve a certain brix content in the final juice product. It also calculates the total cost of the solids and juice and therefore the total cost of tomatoes for each product type, taking into account yield loss. The total cost of tomatoes, for all product lines, calculated in the tomato cost worksheet matched the total cost of tomatoes in Feger's trial balance for 2014.

Feger demonstrated how the cost of juice was built up by:

- ◆ [REDACTED];
- ◆ [REDACTED]
- ◆ [REDACTED]
- [REDACTED]  
[CONFIDENTIAL TEXT DELETED – verification process].

We matched the total cost of solids and juice from the tomato cost worksheet to the bill of materials for the relevant product code. [REDACTED]

[REDACTED] [CONFIDENTIAL TEXT DELETED – production process].

Feger demonstrated how it calculated the yield by comparing the total brix content of tomato purchases (quantity of tomatoes purchased multiplied by brix of each type of tomato) with the total brix content of the final product. We confirmed that across all tomato products in the 2014 production period, Feger required approximately [REDACTED] [CONFIDENTIAL TEXT DELETED – number] kilograms of raw tomato to produce 1 kilogram of canned tomato. Feger advised that the loss of fresh product is made up of foreign objects (such as branches and leaves) removed at sorting, skin and seeds and juice that is lost during production.

We observed that at the previous verification visit Feger's yield was [REDACTED] [CONFIDENTIAL TEXT DELETED – number] kg of raw tomatoes to 1 kilogram of canned tomato. As discussed at section 5.3.1 above, [REDACTED]  
[REDACTED] [CONFIDENTIAL TEXT DELETED – production process].

Having verified the tomato cost in the bill of materials to the tomato cost worksheet we sought to verify the cost of raw tomatoes used in the worksheet. Feger produced

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from its system a report showing all purchases of round tomatoes (the relevant tomato for the selected product) during the 2014 season (**confidential verification exhibit 16**). The total kilograms purchased matched the total kilograms on the tomato cost worksheet. The average unit price also matched the unit price on the tomato cost worksheet.

We selected two purchases and their corresponding invoices from the tomato purchases list (**confidential verification exhibit 19 and 20**). The details of quantity, price and brix matched the details in the tomato purchases list. We observed that the brix of these particular purchases was 4.2 and 4.5.

### Cans

As outlined in section 3.2.2 above, Feger purchases tin plate sheets, lacquer and easy open lids to provide to its can manufacturers, who then return finished cans to Feger for use in production. The cost of the can and base was recorded separately in the bill of materials.

Feger provided a calculation worksheet which outlined the allocation of the cost of the can and base for selected product [REDACTED]—[CONFIDENTIAL TEXT DELETED – product code details] (**confidential verification exhibit 21**). The worksheet showed the build-up of the body through the purchase of the tin sheet, the cost of cutting, the cost of lacquering and the cost of assembly. A similar cost build-up was provided for the lid. The unit costs of bodies and lids from this worksheet matched the unit costs in the bill of materials.

Feger provided the general ledger for tin purchases and we were able to match the unit cost of the specific tin type for the product in question to the can cost calculation worksheet. Similar reports were provided for the lacquering and assembly costs (**confidential verification exhibit 21**).

Based on this verification we are satisfied that the amounts for raw materials listed in G-4 and G-5 is accurate.

### **5.3.2 Direct labour**

Labour costs represent just under [REDACTED] [CONFIDENTIAL TEXT DELETED – number] of the cost to make. Feger advised that there had been no significant changes to its labour usage since the previous visit.

Given that the previous visit team did not identify any inaccuracies in the way labour costs were recorded in the bill of materials we chose not to verify this amount but are satisfied that the amounts for direct labour listed in G-4 and G-5 are accurate.

### **5.3.3 Overheads**

Manufacturing overheads, ‘burden’ and depreciation represent around [CONFIDENTIAL TEXT DELETED – number] of the total cost to make. We asked Feger to explain how these costs were allocated to the respective products.

Feger provided a worksheet showing the allocation of depreciation and burden across all product lines (**confidential verification exhibit 24**). [REDACTED]

[REDACTED] [CONFIDENTIAL TEXT DELETED – information on costs]. We matched the total depreciation cost from this worksheet to the depreciation expense in Feger’s income statement. [REDACTED]

[REDACTED] [CONFIDENTIAL TEXT DELETED – information on costs].

The worksheet allocates the depreciation and burden cost across each product line in Feger’s production, and then further allocates it by product size ([REDACTED] [CONFIDENTIAL TEXT DELETED – product size]). Allocations are based on production quantity derived by dividing the total kilo volume of each product by each product’s size. We matched the unit cost of burden for the product we used for raw materials verification to the bill of materials and to the CTM worksheet. **Confidential verification exhibit 24.**

In addition to burden, overheads also include gas and electricity. Feger provided a report from its financial system that showed the cost and quantity of gas used by the plant for each month in 2014 (**confidential verification exhibit 22**). From this the report the average cost of gas per cubic metre can be obtained. This unit cost matched the unit cost for gas on the bill of materials. The quantity to be applied to each product is obtained from reports produced at the factory for each production run. Feger showed how this report includes the total quantity of individual product lines produced in a particular production run and the quantity of gas consumed. In this way gas consumption can be allocated to each product code. Feger provided a similar document and explanation for electricity. Again, the unit cost of electricity from the financial system matched the unit amount on the bill of materials. The total manufacturing overheads unit cost from the bill of materials matched the amount in the CTM worksheet.

## **5.4 Verification of selling, distribution and administration costs**

### **5.4.1 Selling expenses**

Feger separately identified and categorised the following expenses under the heading of selling costs for domestic and/or export sales (as relevant):

- commissions;
- quality control;
- advertisement;
- [REDACTED];
- [REDACTED];
- [REDACTED];
- [REDACTED];

[REDACTED] [CONFIDENTIAL TEXT DELETED – expenses] Discussion of the verification of these items is contained in chapters 4 and 6 in relation to their relevance to domestic or export sales.

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### 5.4.2 General and administration expenses

Unit general and administration expenses were calculated by apportioning the total general and administration costs across total sales revenue. However, for some items, Feger was able to distinguish costs between export and domestic using an allocation based on [REDACTED]

[REDACTED] [CONFIDENTIAL TEXT DELETED – allocation methodology] (**confidential verification exhibit 26**).

We verified the components that made up administrative expenses to the income statement.

The methodology resulted in a higher allocation of general and administrative expenses to domestic sales compared to export sales.

### 5.5 Profit

The weighted average net profit achieved on all domestic sales of like goods sold in the ordinary course of trade was approximately [REDACTED] [CONFIDENTIAL TEXT DELETED – number] over the investigation period.

We consider that the profit level achieved on like goods sold domestically in the ordinary course of trade is appropriate to use if normal values are to be constructed in accordance with paragraph 269TAC(2)(c) of the Act.

### 5.6 Cost to make and sell – summary

We are satisfied that sufficient information was available and verified to substantiate the cost to make and sell of both domestic and exported goods. We are satisfied that the method Feger has adopted to allocate costs reasonably reflects the cost to make and sell.

We consider the CTMS is suitable for assessing the profitability of domestic sales and for determining constructed normal values, where recommended (see section 9.2 below).

The final CTMS worksheets are at **confidential appendix 5**.

## 6 DOMESTIC SALES

### 6.1 General

During the investigation period Feger sold prepared or preserved tomatoes on the domestic market to approximately [REDACTED] [CONFIDENTIAL TEXT DELETED – number & customers]. Feger manages the majority of domestic sales directly, [REDACTED] [CONFIDENTIAL TEXT DELETED – sales method in domestic market].

During verification, Feger provided an amended Domestic Sales spread sheet to replace Annex 9 provided with its EQR. This forms **confidential attachment 6**.

### 6.2 Domestic market

Consistent with the published findings of the verification visit of 2013, Feger confirmed the following details in their exporter questionnaire and during the verification visit;

- *the domestic market for prepared or preserved tomato products is separated into [REDACTED] [CONFIDENTIAL TEXT DELETED – domestic market information].*
- *Feger explained that an economy product will average [REDACTED] [CONFIDENTIAL TEXT DETAILS – number] brix and will use a can of standard tin plate with no easy open lid. Economy products can be both whole (long) tomatoes and chopped (round) tomatoes. Feger outlined that retailers will often stock one economy product, which can be a private label of the retailers or an independent brand. Where retailers are seeking to sell a very low cost product, it will often opt for an independent brand as the brand is then liable for any quality issues that arise.*
- *Feger outlined that quality products can be both private labels and brands. A quality product will be above [REDACTED] [CONFIDENTIAL TEXT DELETED – number] brix and will use a can of lacquered tin plate, with the option of an easy open lid.*

### 6.3 Domestic sales process

Feger was requested to advise whether there have been any changes to the sale process from the previous verification visit of 2013. Feger confirmed that no changes to the sales process have taken place. The following details are a summary of the published findings of the 2013 verification visit that are consistent with the findings of the current verification visit.

- [REDACTED]

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████████████████████ [CONFIDENTIAL TEXT DELETED – contractual information]

- *In February, Feger will begin budget planning for customers.* ██████████  
████████████████████ [CONFIDENTIAL TEXT DELETED – sales process].
- *Contract negotiation is finalised* ██████████ [CONFIDENTIAL TEXT DELETED – sales process] *and contracts are entered once confirmed by the director.* ██████████  
████████████████████ [CONFIDENTIAL TEXT DELETED – sales process].
- ██████████  
████████████████████ [CONFIDENTIAL TEXT DELETED – sales process].
- *All production occurs throughout August and September each year. Feger produces bright cans of the required product which* ██████████  
████████████████████ [CONFIDENTIAL TEXT DELETED – sales process].
- *Contracts with domestic customers* ██████████  
████████████████████ [CONFIDENTIAL TEXT DELETED – sales process].
- *Customers place purchase orders for a certain volume as required. A customer must order a minimum of* ██████████ [CONFIDENTIAL TEXT DELETED – number] *per purchase order and will usually request delivery within* ██████████ [CONFIDENTIAL TEXT DELETED - number] *days.*
- *The goods are then packed according to the delivery destination as pallet sizes can vary dependent on the retailers' depot.*
- *Once delivered, Feger invoices the customer. Feger outlined that it can be difficult to secure payment from some customers within the payment terms specified in the contract.*
- ██████████  
████████████████████ [CONFIDENTIAL TEXT DELETED – details of discounts, rebates and allowances].

### 6.4 Pricing and payment terms

Feger was requested to advise whether there have been any changes to the process for setting pricing and payment terms from the 2013 verification visit. Feger

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confirmed that there have been no changes in the way pricing and payment terms for domestic sales of prepared or preserved tomatoes are settled. The following details are a summary of the published findings of the 2013 verification visit that are consistent with the findings of the current verification visit.

- *All contracts with domestic customers are* [REDACTED] [CONFIDENTIAL TEXT DELETED – sales method in domestic market] *over twelve months, but may include* [REDACTED] [CONFIDENTIAL TEXT DELETED – commercial negotiation details].
- [REDACTED] [CONFIDENTIAL TEXT DELETED – price information].
- *Feger offered a range of payment terms to customers,* [REDACTED] [CONFIDENTIAL TEXT DELETED – commercial negotiation details and numbers].

### 6.5 Discounts, rebates and allowances

Feger submitted in section D of its REQ [REDACTED] [CONFIDENTIAL TEXT DELETED – information on discounts, rebates and allowances]

Consistent with the published findings of the 2013 verification visit, Feger informed the visit team that the process relating to discounts, rebates and allowances remains the same. Feger provided the visit team with the following information during the verification visit.

[REDACTED] [CONFIDENTIAL TEXT DELETED – information on discounts, rebates and allowances]

[REDACTED] ~~(Confidential Verification Exhibit 6).~~ [REDACTED] ~~(Confidential Verification Exhibit 6).~~ [CONFIDENTIAL TEXT DELETED – information on discounts, rebates and allowances]

[REDACTED]

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[REDACTED] [CONFIDENTIAL TEXT DELETED – information concerning discounts, rebates and allowances].

### 6.6 Sales verification - reconciliation to financial statements

The published findings of the 2013 verification did not find any issues regarding the completeness of Feger records and the visit team was satisfied that Feger's sales reconciled to their financial statements. As a result, the visit team did not carry out sales verification on this occasion.

Below is a summary of the published findings of the 2013 verification visit report;

- *Beginning with the audited financial statements for 2012, Feger was able to reconcile total sales revenue through to a trial balance report for the same period. Tracing the total sales, we were able to establish the further breakdown of sales into various product categories.*
- *Feger advised that identification of sales at this level between domestic and export was only possible by a discreet identifier in the customer codes. We requested a transactional report for each product category falling within the scope of the investigation.*
- *Using the transactional sales report, we were able to reconcile total sales values for selected customers in the 2<sup>nd</sup> half of 2012 to the D-4 domestic sales spread sheet submitted by Feger in its questionnaire response. We requested similar reports for the 1<sup>st</sup> half of 2013 and were able to confirm that the total sales value for the investigation period, matched the total value contained in attachment D-4.*
- *In matching the domestic market sales of canned tomatoes to the totals of the data submitted by Feger, we also took into account an immaterial discrepancy to account for minor credit and debit note adjustment.*
- *We were satisfied the data submitted in respect of domestic sales of canned tomatoes was a complete listing of sales made in the investigation period. Further, we were satisfied that all relevant discounts and rebates have been taken into account in the net sales values submitted by Feger.*

### 6.7 Domestic sales verification - reconciliation to source documents

Prior to the visit, the visit team requested Feger to provide supporting documents for the following [REDACTED] [CONFIDENTIAL TEXT DELETED – number] selected domestic sales transactions:

Customer	Product code	Invoice no.	Invoice date
[CONFIDENTIAL TEXT DELETED – sales information] [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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

Feger provided source documents for each of these shipments during the verification, containing the:

- commercial invoice;
- packing list;
- evidence of payment of rebate (where applicable);
- evidence of payment of commission (where applicable); and
- bank statement showing proof of payment.

The source documents for selected domestic sales transactions form **confidential attachment 7**.

The visit team were able to reconcile the sales volume, in cases and net weight, using the commercial invoices and packing lists, and sales values in EUR to the updated Domestic Sales spread sheet.

### 6.7.1 Inland transport, labelling, logistics, palletisation and packing expenses

Feger calculates a per unit rate (EUR/kg) for each of these expenses in the same method for export sales as described in section 4.

Feger also incurs an additional packing cost in relation to domestic sales for palletisation of the goods. This service is provided by the packaging provider. Feger calculates a per unit rate (EUR/kg) for palletisation by dividing the total cost incurred by the total volume of goods.

Feger provided the visit team with system generated reports for total transportation costs for the investigation period and customer volumes for the investigation period. These reports demonstrate how Feger calculates it's per unit cost. **Confidential Verification Exhibit 10**

The methodology is consistently applied to all of these costs. The visit team is satisfied that the costs recorded in the Domestic Sales spread sheet are the costs paid by Feger for these services.

### 6.7.2 Commissions

[REDACTED]

[CONFIDENTIAL TEXT DELETED – information on commissions]

Feger provided the contract of their largest domestic customer regarding the payment of commissions. Feger further provided invoices in relation to the commission it pays [CONFIDENTIAL TEXT DELETED – details concerning commission]. **Confidential Verification Exhibit 6 & 7**

The visit team is satisfied that the cost recorded in the Domestic Sales spread sheet is the cost paid by Feger for commissions.

## **6.8 Arm's length**

In respect of domestic sales during the investigation period, the visit team found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is 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, will directly or indirectly, be reimbursed, compensated or otherwise receive a benefit for, or in respect of, whole or any part of the price.

The visit team therefore considers that all domestic sales during the investigation period are arm's length transactions.

## **6.9 Ordinary course of trade**

Before considering the tests of profitability contained within section 269TAAD of the Act, the visit team considered the nature of the sales of prepared or preserved tomatoes made domestically. The visit team noted that for the value-add products exported to Australia, there were no comparable like goods based on the [CONFIDENTIAL TEXT DELETED – number] main factors that define the essential characteristics of the various models.

The visit team noted that the lack of value-added products sold domestically reflects no demand for [CONFIDENTIAL TEXT DELETED – product types] by Italian consumers. This is in contrast to the Australian market where the value-added products are increasing in popularity with Australian consumers. This is reflected in Feger's export sales with value-added products representing approximately [CONFIDENTIAL TEXT DELETED – number]% of its total export volume.

In the absence of relevant domestic sales of value-added products, the visit team conducted ordinary course of trade tests under section 269TAAD of the Act only in respect of [CONFIDENTIAL TEXT DELETED – product types] sold domestically.

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For each individual domestic transaction, the visit team compared the unit cost to make and sell per kilo to the corresponding unit net selling price per kilo (after on-invoice discounts). As production only occurs during a two month period each year, the single unit cost to make and sell is also the recoverable cost for ordinary course of trade purposes. Therefore, the visit team believe it would be unreasonable to conduct the recoverability test against all domestic models without the ability to obtain a weighted average unit cost to make and sell. As a result the domestic sales found to be unprofitable are also considered to be non-recoverable.

The visit team found that all domestic sales were in the ordinary course of trade as the volume of unprofitable sales did not exceed 20% of the total volume.

[REDACTED] CONFIDENTIAL TEXT  
DELETED – information on the ordinary course of trade].

The spread sheets outlining the ordinary course of trade tests are at **confidential appendix 8**

### 6.10 Volume of sales

The visit team compared the volume of each product category exported to Australia with the volume of the comparable product category of domestic sales sold during the investigation period.

The volumes of domestic sales for products to compare with export product categories [REDACTED] [CONFIDENTIAL TEXT DELETED – product types] exceeded 5% of the corresponding export sales volumes and were therefore made in sufficient volumes.

The sufficiency calculations are at **confidential appendix 8**

### 6.11 Suitability of domestic sales

The visit team explained to Feger that part of the investigation involved whether the operation and administration of the European Union's Common Agricultural Policy and related programmes have distorted domestic selling prices of prepared or preserved tomatoes and the purchase price of the major raw material input (fresh tomatoes) used in the manufacture of the goods. If so, the Minister may make a finding that a "particular market situation" has impacted the domestic selling prices of the goods in such a way that selling prices could not be relied on to determine normal values.

In its EQR, Feger submitted that it had not received any benefits, payments or forms of support from the Italian government, European Commission or any other affiliated agency or group related to the European Union's Common Agricultural Policy or related programmes.

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Feger's position was affirmed during the verification visit and confirmation of their position can be found in submissions to the Commission made on their behalf by their legal representation, Van Bael & Bellis.

The visit team is satisfied that Feger could provide no further information regarding the market situation claims.

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### 7 THIRD COUNTRY SALES

It its exporter questionnaire response, Feger provided summary sales information relating to its exports sales of prepared or preserved tomatoes to other third country export markets.

The visit team consider that there is insufficient information about each of these other export markets to establish whether the nature of trade of like goods in Italy would be similar to the nature of trade in these third countries.

Therefore, the visit team consider that third country export sales were not an appropriate basis for establishing a normal value to be compared with export sales to Australia.



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██████—[CONFIDENTIAL TEXT DELETED – information about commissions] (Confidential Verification Exhibit 7).

Feger's explanation regarding commissions paid is consistent with the published findings of the 2013 verification visit report. Therefore, the visit team consider that a downward adjustment is warranted for commissions paid on domestic sales.

### Transportation

As explained in the export sales section of this report, Feger arranges for the goods to be delivered to the port from its storage depot in fully loaded containers. Feger obtains a per unit cost (EUR/kg) by dividing the total cost of transport per container by the average number of cases in a container multiplied by the number and weight of cans in each case. (Confidential Verification Exhibit 3 and 4).

Feger explained that a similar methodology is used to calculate transportation costs incurred for domestic sales. Feger calculates their total transport costs and divides that cost by the total kilo volume of each customer. (Confidential Verification Exhibit 10).

The visit team consider that a downward adjustment is warranted for domestic inland transport and an upward adjustment is warranted to domestic selling prices to account for the inland transport incurred on export sales.

### Logistics and handling

Feger were requested to explain any differences regarding logistics and handling costs from the published findings of the 2013 verification visit. Feger stated that no differences in the allocation of logistics and handling costs have occurred. Below is a summary of that report's finding regarding logistics and handling.

- *Feger incurs handling and other FOB related charges on exports made to Australia. It also incurs logistics and handling charges on domestic sales which relate to the consolidation of part orders for loading of full truck loads. Additional work is also required to consolidate numerous orders across Feger's entire product range for individual customers.*
- *Feger estimated the cost of domestic logistics and handling by apportioning the total amount of haulage and labour identified in the relevant ledger account, across total domestic sales and then converted to a per kilo rate using the volumes for each individual customer.*

The visit team consider that a downward adjustment for logistics and handling charges incurred on domestic sales is warranted, along with an upward adjustment for handling and logistics related charges incurred on exports to Australia.

### Credit terms

Feger were requested to explain any differences regarding their credit terms from the published findings of the 2013 verification visit. Feger's stated that there are no differences in their credit terms. Below is a summary of 2013 published findings regarding credit terms.

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- Feger stated that payment terms on domestic sales [REDACTED] [CONFIDENTIAL TEXT DELETED – information concerning credit terms]. [REDACTED] In order to calculate the credit expense incurred on domestic sales, it used a [REDACTED] % [CONFIDENTIAL TEXT DELETED – number] rate of interest.
- In calculating the cost of providing domestic credit, we calculated the amounts on a line by line basis using the net value of the transaction multiplied by the interest rate, divided by 365 and multiplied by the average number of days credit.
- Payment terms for export sales [REDACTED] [CONFIDENTIAL TEXT DELETED – information concerning credit terms] [REDACTED] [CONFIDENTIAL TEXT DELETED – information concerning credit terms]
- As with domestic credit, the Commission has calculated the cost of providing export credit on a line by line basis using the net value of the transaction multiplied by the interest rate, divided by 365 and multiplied by the average number of days credit.

During the verification it was noticed [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] are provided with [REDACTED] [CONFIDENTIAL TEXT DELETED – number] [REDACTED] Feger stated that the [REDACTED] [CONFIDENTIAL TEXT DELETED – number] days payment terms for [REDACTED] [CONFIDENTIAL TEXT DELETED – names of customers] begins from the date of receipt and not from the date of invoice.

The visit team consider that a downward adjustment is warranted for domestic credit terms and an upward adjustment to domestic selling prices for export credit terms is necessary to ensure the normal value is comparable with the export price.

### Quality control

Feger claimed that it incurred expenses related to quality control testing undertaken by certain domestic customers across the range of products produced and sold by Feger. The amount of the claimed adjustment was calculated by apportioning the total amounts invoiced by relevant customers across the total revenue of all products sold to those domestic customers.

Feger was able to provide system generated reports for the invoices received and the allocation of quality control costs to product volume. **Confidential Verification Exhibit 8**

The visit team considers that Feger have incurred a cost for quality control. However, Feger have not provided sufficient evidence to satisfy the visit team of how;

1. the cost is allocated to the goods under consideration, and to like goods; or
2. the cost is distinguished between domestic and export sales.

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Without such evidence, the Commission cannot be satisfied as to whether and to what extent there is a difference in such expenses such that it would affect a comparison of export and domestic prices. Therefore, the visit team consider a downward adjustment for quality control expenses incurred on domestic sales is not warranted.

### Advertising

Feger stated that it incurred expenses related to [REDACTED]

[CONFIDENTIAL TEXT DELETED – details of advertising costs on domestic market]. Feger explained that the claimed adjustment was calculated by apportioning the total amounts invoiced by relevant customers across the total revenue of all products sold to those domestic customers.

Feger provided system generated reports that demonstrated the total invoices received for advertising and how the apportioned cost of advertising was calculated.

#### **Confidential Verification Exhibit 9.1 – 9.5**

The visit team considers that Feger have incurred a cost for advertising. However, Feger have not provided sufficient evidence to satisfy the visit team of how;

1. the cost is allocated to the goods under consideration, and to like goods; or
2. the cost is distinguished between domestic and export sales.

Without such evidence, the Commission cannot be satisfied as to whether and to what extent there is a difference in such expenses such that it would affect a comparison of export and domestic prices. Therefore, the visit team consider a downward adjustment for advertisement expenses incurred on domestic sales is not warranted.

**9 NORMAL VALUE**

**9.1 [REDACTED] — [REDACTED] — [REDACTED] — [REDACTED] — [REDACTED] — [REDACTED]**  
**[CONFIDENTIAL TEXT DELETED – product types]**

The sales of [REDACTED] [CONFIDENTIAL TEXT DELETED – product types] by Feger in the domestic market were found to be in transactions that were arm's length, and at prices that were in the ordinary course of trade. The price paid for the goods in those domestic sales was established satisfactorily.

Based on the information provided by Feger, and the verification processes conducted on site, the visit team is satisfied that prices paid in respect of those domestic sales are suitable for assessing normal value under section 269TAC(1) of the Act. The visit team considers those domestic selling prices require adjustment in terms of section 269TAC(8) of the Act, to ensure fair comparison to the export prices, for the following differences in export and domestic prices that are caused by differences in relation to:

- packing;
- commissions;
- transportation;
- handling and logistics; and
- credit terms.

Normal value calculations [REDACTED] [CONFIDENTIAL TEXT DELETED – product types] are at **confidential appendix 9**.

**9.2 [REDACTED] — [REDACTED] [CONFIDENTIAL TEXT DELETED – product types]**

The visit team has established that there is an absence of sales of [REDACTED] [CONFIDENTIAL TEXT DELETED – product types] products on the domestic market in Italy that allows normal value to be ascertained under section 269TAC(1).

Where normal values cannot be ascertained under subsection 269TAC(1), 269TAC(2)(c) of the Act states that normal value is, except when paragraph (2)(d) applies, the sum of:

- (i) such amount as the Minister determines to be the cost of production or manufacture of the goods in the country of export; and
- (ii) on the assumption that the goods, instead of being exported, had been sold for home consumption in the ordinary course of trade in the country of export – such amounts as the Minister determines would be the administrative, selling and general costs associated with the sale and the profit on that sale.

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### 9.2.1 Cost of production

Subsection 269TAC(5A)(a) of the Act provides that amounts to be determined to be the cost of production or manufacture of the goods when constructing a normal value, must be worked out in such a manner as the regulations provide.

The visit team is satisfied that the costs of production that have been verified are accurate and complete. In accordance with regulation 43 of the *Customs (International Obligations) Regulations 2015* (the Regulations), the visit team has used the cost of production of the goods, in this case the [REDACTED] [CONFIDENTIAL TEXT DELETED – product types], as the source for constructing a normal value.

### 9.2.2 Administrative, selling and general costs and profit

Subsections 269TAC(5A)(b) and (5B) of the Act provide, that the amounts determined to be the administrative, selling and general costs and profit in relation to goods under subparagraph (2)(c)(ii), and to the sale of the goods under subparagraph (2)(c)(ii), must be worked out in such a manner, and taking account of such factors, as the regulations provide.

Regulation 44 of the Regulations provides that the Minister must calculate the administrative, selling and general (SG&A) costs associated with the sale of like goods in the country of export providing that the exporter or producer of like goods keeps records relating to the like goods that are in accordance with generally accepted accounting principles and reasonable reflect the SG&A costs associated with the sale of like goods.

Regulation 45 of the Regulations provides that the Minister must, if reasonably practicable, work out the amount of profit using data relating to the production, manufacture, and sale of the like goods sold in the ordinary course of trade by the exporter.

As noted in the previous subsection of this report, the visit team have determined that Feger made domestic sales of like goods in the ordinary course of trade. Therefore the profit from those domestic sales must be used to construct normal values under s.269TAC(2)(c).

To ensure fair comparison to the export price adjustments have been for the following under section 269TAC(9) of the Act;

- Packing;
- Commissions;
- Transportation;
- Handling and logistics; and
- Credit terms.

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Normal value calculations for [REDACTED] [CONFIDENTIAL  
TEXT DELETED – product types] are at **confidential appendix 9**.

**10 DUMPING MARGINS**

Dumping has been assessed by comparing the weighted average of export prices to a corresponding weighted average of normal values for the investigation period.

The visit team considers the most appropriate approach to calculating weighted average normal values was to group [REDACTED]

[REDACTED] [CONFIDENTIAL TEXT DELETED – product types]. Similarly, we consolidated the export sales into the same [REDACTED] [CONFIDENTIAL TEXT DELETED – number] groupings in assessing weighted average export price.

The dumping margin for the investigation period is de minimis [REDACTED] % [Confidential TEXT DELETED – number].

The dumping margins are shown at **confidential appendix 10**.

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### 11 LIST OF APPENDICES AND ATTACHMENTS

Confidential appendix 1	Export model product codes
Confidential appendix 2	Export sales source documentation
Confidential appendix 3	Updated Export sales sheet (B-4)
Confidential appendix 4	Export Price Calculations
Confidential appendix 5	CTMS Worksheets provided by Feger
Confidential appendix 6	Domestic Sales Spreadsheet (D-4)
Confidential appendix 7	Source Documents relating to Domestic Sales
Confidential appendix 8	OCOT and Sufficiency Calculations
Confidential appendix 9	Normal Value Calculations
Confidential appendix 10	Dumping Margin Calculations
Verification Exhibit 2.1 – 2.4	Invoices relating to logistics costs Feger
Verification Exhibit 3 & 4	Invoices relating to Transport costs incurred by Feger
Verification Exhibit 5	Calculation of Rebates
Verification Exhibit 6	Customer Commission related contract
Verification Exhibit 7	Domestic Agents Commission Agreement
Verification Exhibit 8	Report of Quality Control Figures
Verification Exhibit 9.1 – 9.5	Advertising calculations and related invoices
Verification Exhibit 10	Transport Invoices relating to domestic sales
Verification Exhibit 11	Feger Trial balance sheet
Verification Exhibit 12	Account map to trial balance sheet
Verification Exhibit 13	Draft 2014 Financial Statements
Verification Exhibit 14	Internal Income Statement
Verification Exhibit 16	Raw Tomato Purchases
Verification Exhibit 17	Cost to Make Table for Material Costs
Verification Exhibit 18	Cost to Make Table for Raw Tomatoes and Juice
Verification Exhibit 19	Invoice for a purchase of Tomatoes
Verification Exhibit 20	Invoice for a purchase of Tomatoes
Verification Exhibit 21	Cost of Can Report
Verification Exhibit 22	Overheads Report
Verification Exhibit 23	Report for Raw Material Breakdown
Verification Exhibit 24	Depreciation and Burden Report
Verification Exhibit 25	Updated CTMS Tables by Product Code
Verification Exhibit 26	Administration Cost Report