



INVESTIGATION 217

**ALLEGED DUMPING OF
PREPARED OR PRESERVED TOMATO PRODUCTS
EXPORTED FROM ITALY**

VISIT REPORT - EXPORTER

LA DORIA S.p.A

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

January 2014

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ABBREVIATIONS

The Act	<i>Customs Act 1901</i>
ADN	Anti-Dumping Notice
The applicant	SPC Ardmona Pty Ltd
AUD	Australian Dollars
the Commission	Anti-Dumping Commission
CTMS	Cost to make & sell
DDP	Delivery Duty Paid
EXW	Ex-Works
EUR	Euro Dollars
FOB	Free On Board
GBP	Great British Pound
GUC	Goods Under Consideration
La Doria	La Doria S.p.A
PAD	Preliminary Affirmative Determination
REQ	Response to exporter questionnaire
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
the then Minister	the Minister for Home Affairs
USD	United States of America Dollars

1 BACKGROUND AND PURPOSE

1.1 Background

On 17 June 2013, SPC Ardmona Pty Ltd (the applicant) on behalf of the Australian industry manufacturing prepared or preserved tomatoes (tomatoes) lodged an application requesting that the Minister for Home Affairs (the then Minister) publish a dumping duty notice in respect of prepared or preserved tomatoes exported to Australia from Italy.

The application alleges that prepared or preserved tomatoes have been exported to Australia from Italy at prices lower than its normal value, and that this dumping has caused material injury to the Australian industry producing like goods.

Following consideration of the application, the Anti-Dumping Commission (the Commission) decided not to reject the application. Public notification of initiation of the investigation was made in the Australian newspaper on 10 July 2013.

Anti-Dumping Notice (ADN) No. 2013/59 provides further details on this investigation and is available at www.adcommission.gov.au.

1.2 Purpose of visit

The purpose of the visit was to verify information submitted in the La Doria S.p.A (La Doria) exporter questionnaire response. Information verified during the visit has been used to make preliminary assessments regarding:

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

1.3 Meeting details

Company	La Doria S.p.A.
Dates of visit	23 – 25 and 28 October 2013 at company

The following were present at various stages of the meetings.

La Doria S.p.A.	Antonio Ferraioli – Chief Executive Officer Iolanda Ferraioli – Management Control Director Giovanni Giudice – Management Control Manager
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	Alberto Festa – Chief Financial Officer Cristiano Ermenegildo – Export Sales Director Fabrizio Cuomo – Export Area Manager Giuseppe Tammaro – National Sales Director Ciro Gaglione – Business Analyst Fiammetta Monaco – Legal Affairs Manager
Anti-Dumping Commission	Geoffrey Gleeson, Director, Capability Anthea Hung, Supervisor, Operations 3

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.

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

- the Statement of Essential Facts (SEF) for the investigation was due to be placed on the public record by 28 October 2013. However an extension was granted by the Minister for Industry (the Minister) under s.269ZHI of the *Customs Act 1901* (the Act). The SEF is now due to be published on 16 December 2013.

The SEF will set out the material findings of fact on which the Commission intends 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.
- the final report is due no later than 21 March 2014.

1.5 Visit report

We explained to the company that we would prepare a *confidential* report of our visit (this report) and provide it to the company to review its factual accuracy, and to identify those

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We explained that, in consultation with the company, we would prepare a non-confidential version of the report, and place this on the Public Record.

2 COMPANY INFORMATION

2.1.1 General

La Doria S.p.A (La Doria) was established by the Ferraioli family in Angri in 1954. Angri is located within the territory of Agro Nocerino Sarnese. La Doria was a private family business before becoming a publicly listed company on the Italian Stock Exchange, Borsa Italiana.

La Doria manufactures tomato-based products, fruit juices, canned vegetables and pasta at its five factories located in Angri, Sarno, Fisciano, Faenza and Lavello. The products are split into three product lines of which tomato products are categorised as the red line. Tomato products are produced at all factories except for Faenza, which is dedicated to producing fruit juices only.

La Doria explained that its tomato-based products account for the largest proportion of its sales, amounting to ■% of total sales in the investigation period. La Doria advised that the majority of their products are produced for private labels which are distributed domestically and internationally. Private labels comprise approximately ■% of La Doria's sales in the investigation period.

La Doria also explained that approximately ■% of its overall sales in the investigation period are to the domestic market. Its international markets include the United States, the United Kingdom, Europe, Africa, Asia and Australia.

2.2 Corporate, organisational and ownership structure

La Doria belongs to the La Doria Group, which comprises parent company, La Doria, and subsidiaries Eugea Mediterranea S.p.A. (Eugea) and trader LDH (La Doria) Ltd (LDH). Only La Doria is publically listed, of which 70.74% of the corporate capital is held by various members of the Ferraioli family, 7.46% held by the company, and the remaining shares free floating.

The Lavello factory is owned by Eugea. Eugea manufactures canned tomato products (without labels) that are subsequently purchased, labelled and sold to market by La Doria. Eugea does not engage in the direct sales of the goods.

2.3 Related parties

La Doria engages in related party transactions with its subsidiaries LDH and Eugea.

LDH is a UK trader that supplies La Doria products to the UK. As mentioned in section 2.2, Eugea is a manufacturer of tomato products which are sold to La Doria.

La Doria stated that with the exception of LDH and Eugea, it is not related to its customers, suppliers, agents or the tomato growers supplying their raw materials. La Doria advised in relation to suppliers who arrange for transportation of the raw materials from the supplier tomato growers that all parties are independent. It was also explained that none of La Doria's customers of the finished products are related parties, nor the agents representing La Doria customers.

2.4 Accounting structure and details of accounting system

La Doria's accounting period follows the calendar year of 1 January to 30 December.

La Doria maintains SAP for its financial management information system. This is a fully integrated system including sales, costs and inventory records.

La Doria's accounts are maintained in Euro (EUR).

La Doria's cost accounting system is based on actual costs and is organised by direct and indirect cost centres, and product lines.

Cost centres are divided into:

- [REDACTED]
- [REDACTED]

Profit centres in the cost accounting system are:

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

Tomatoes are manufactured at four of La Doria's five factories:

- Angri (Salerno)
- Sarno (Salerno)
- Fisciano (Salerno); and
- Lavello (Potenza).

3 THE GOODS UNDER CONSIDERATION AND LIKE GOODS

3.1 The goods

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.

This also includes multiple packs of individual packs of prepared or preserved tomato products, each not exceeding 1.14 litres in volume, which are sold together to aggregate to greater than 1.14 litres in volume.

Goods excluded from this application are pastes, purees, sauces, pasta sauces, juices, and sundried tomatoes.

3.1.1 Tariff classification

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

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

3.2 Product range and manufacturing facilities

3.2.1 Product range

In relation to the goods under consideration (GUC) La Doria explained that it manufactures and sells a variety of canned tomato products with differing attributes in terms of tomato recipe, cut, brix, can size, can type and pack type.

La Doria informed the Commission that roma tomatoes are used for peeled tomato products and round tomatoes for diced tomato products. It explained that the level of brix determines the amount of tomato within the canned tomato product. A higher brix indicates a higher proportion of tomato content. It further advised that round tomatoes are also used for juices for the purpose of increasing the level of brix as required.

La Doria advised that the type and characteristics of a canned tomato product are identified by the product code. [REDACTED]

). [Discussion regarding specific product code identifiers]

La Doria advised that when sold to market, the finished product is either a private label product or a proprietary label product. It explained that the private label product is commercially branded according to the customer's specifications; the proprietary label product is La Doria's branded product. A brochure presenting the range of La Doria branded products was provided and is at **confidential attachment GEN 1**.

Product characteristics and technical specifications of each product type identified as the GUC were provided by La Doria in the REQ. For one model however the incorrect specifications sheet was provided. La Doria provided the correct specifications sheet during the meeting (refer **confidential attachment GEN 2**).

In addition we asked for, and were provided, copies of all specification sheets for all models of the like goods sold domestically. The information is at **confidential attachment GEN3**.

3.2.2 Manufacturing facilities

La Doria advised that tomatoes are a seasonal produce with crops planted in April, and the harvest period operating between mid-July to late September/early October. La Doria informed us that where supply contracts are in operation, the prices are generally agreed prior to the harvest period and the production executed according to the sales.

There are 4 factories that manufacture tomato products: Angri, Sarno, Fisciano and Lavello. La Doria advised that canned tomato products are, depending on the model, manufactured at either one or multiple plants.

La Doria also has can manufacturing equipment located at the Sarno and Angri plants.

3.2.3 Production process

In its REQ, La Doria provided a flow diagram of its production process for canned tomato products.

At the meeting, it described the following production process:

- upon delivery at the manufacturing plants raw tomatoes are stored on the truck within the factory yard for a maximum of 24 hours;
- at the commencement of the canning process the raw tomatoes are washed and have mud and other foreign matters removed;
- the raw tomatoes are then inspected and depending on the quality they are selected for use in the canned product or sent to the juicing line;
- tomatoes are graded for consistency in size, colour and blemishes;
- tomatoes are then peeled, with the skins and seeds removed – of which a small proportion are sold as animal feed;
- the tomatoes selected for chopped tomato products are sent for chopping; tomatoes sent to the juicing line are crushed;

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- attempts are made to recover any tomato juice lost during the peeling, crushing and chopping process, which is sent to the juicing line;
- citric acid (powder form) is added to tomato juice if the brix of the tomato content is too high;
- the can is filled with the peeled and/or cut tomato, and tomato juice from the juicing line and other ingredients as required;
- a lid is applied, the can sealed and a code printed on the can;
- the sealed can is pasteurised, cooled and air dried; and
- the cans are then palletised and labelled, before being warehoused at the factory and despatched.

3.3 Goods exported to Australia by La Doria

La Doria explained that almost all of the canned tomato exports to Australia in the investigation period were either 400 gram or 800 gram cans that contained cherry, peeled, or chopped tomatoes. However, a small proportion of exports were in 390g 'combi safe' packaging. The brix level of the products were said to range between 4.8 – 7. The type of can containing the tomatoes had either an easy open top or a standard open top can, and could be lacquered or non-lacquered. It was also clarified during the meeting that goods were exported in cartons of twelve (except for combi-safe, which was in cartons of sixteen). The export sales verification confirmed this to be the case. The following table shows the product codes and brief goods description in relation to the goods exported to Australia:

Brite can code	Type	Weight	Easy open/ Open top	Lacquer/ non-lacquer
██████	████████████████████	██████	██████	██████
██████	████████████████████	██████	██████	██████
██████	████████████████	██████	██████	██████
██████	████████████████	██████	██████	██████
██████	████████████████	██████	██████	██████
██████	████████████████████	██████	██████	██████
██████	████████████████	██████	██████	██████
██████	████████████████	██████	██████	██████
Brite can code	Type (cont.)	Weight (cont.)	Easy open/ Open top	Lacquer/ non-lacquer

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[illegible]

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Of its exports to Australia, La Doria advised that █% are sold under private brands with 400g products being the dominant product. The La Doria branded product comprises the remaining █% of its Australian sales.

La Doria advised that factors affecting price of the goods sold to Australia are:

- quality of the crop used for the production year;
- can type, including the presence of lacquering and lacquering type (standard, white or gold);
- recipe, including brix content;
- can top type, be it either open top or easy open top;
- addition of ingredients; and
- packing, the standard packing tray size being 12 cans with 6 and 24 packs available.

La Doria identified the following Australian customers in its REQ that it exported to during the investigation period, all of which were confirmed during the visit:

It was advised during the meeting that [REDACTED] is [REDACTED] Australia importer of La Doria proprietary brand products.

3.4 Like goods sold domestically by La Doria

La Doria considers that the distinguishing features of canned tomato products and the factors that affect price by kilogram are the cut, recipe type, can size, can type and packing type. In the REQ, La Doria identified the models of like goods identical to the GUC and submitted product specification information for each of the models as discussed above. However, we noted this comparison was only based on brite can codes.

During the visit, La Doria advised that although the cost of peeled tomato products is fractionally higher than chopped, the difference is negligible. It also considered that the market generally accepted a low price premium for peeled tomatoes relative to chopped tomatoes.

However, La Doria explained that cherry and organic tomato products are sold at significantly higher prices.

We noted that tomato products with added ingredients (value-added tomato products) were not present in La Doria's domestic sales during the investigation period. La Doria informed us that value-added tomato products are manufactured for export sales only as there is no demand for them in the domestic market.

Prior to the visit we identified several variations in can sizes. Two sizes – 400g and 800g – were present in both domestic sales and export sales to Australia. We noted that other sizes sold domestically in the investigation period included 230g, 680g and 690g products. The latter two are in glass bottles only. La Doria confirmed during the meeting that the size of the can affects the sale price per kilogram.

La Doria requested that we consider the type of can used in determining comparable models since the type of can lid and whether the can had undergone lacquer treatment affects price. Can lids can either be open top or easy open top, the latter generally being more expensive. Tomato products sold in lacquered cans are also generally more expensive than those sold in non-lacquered cans as the lacquering process reduces the rate of oxidation between the can and the tomatoes, therefore increasing the product's shelf life.

Domestic sales of canned tomato products are in standard trays of 12 cans and La Doria explained that this pack type is more efficient to produce. In addition to the x12 pack type, we also noted in the domestic sales data that the pack types took the form of: 12x2, 24x, 3x8, 4x3, 8x3, x24, x 6 and x86.

3.5 Like goods – preliminary assessment

We consider that all the domestic sales of prepared or preserved tomato products contained in the La Doria sales domestic listing are like goods to the products it exported to Australia.

However, having regard to the factors that affect the prices of prepared or preserved tomatoes, discussed in the sections above, we consider it is appropriate to group the products in accordance with the following factors:

- can size;

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- product type;
- can type; and
- pack type

Furthermore, for the product type of 'chopped – added ingredients' we further categorised with respect to the variations of added herbs, vegetables and spices.

This approach to categorisation resulted in 20 export model groups. We regarded only those domestic sales of products that fell within these model groups as directly comparable models.

4 SALES TO AUSTRALIA

4.1 Sales to Australia

During the investigation period La Doria exported canned tomatoes on a contract basis to all its Australian customers listed in Section 3.3.

In the REQ La Doria had included its export sales of pasta sauces, which are excluded from the goods subject of the investigation. It was clarified during the meeting that the pasta sauce products had been included erroneously. A revised spreadsheet excluding pasta sauce sales to Australia was provided by La Doria during the visit.

La Doria explained that:

- the supply contract with each customer is negotiated individually, and price is determined by the product sold, not the customer level of trade;
- the contract process opens [REDACTED], in which customer requests for quantities and price are received;
- the tomato crop quality influences the price of the final product, with contracts finalised towards the harvest season reflective of the best price; and
- the contract is representative of a full year's supply. If changes are made to the contract during the production season, a new contract is issued.

La Doria stated that [REDACTED] uses Italian agent [REDACTED] to handle its sales. La Doria informed us that [REDACTED] is an agent for [REDACTED] with whom it engages with directly to arrange supply contracts, purchase orders and delivery of the GUC for [REDACTED]. There is no direct involvement between La Doria and [REDACTED].

In the case of sales to [REDACTED], La Doria explained that it engages Italian agent, [REDACTED] to manage its orders. For its service [REDACTED] is provided with [REDACTED]% commission on each purchase order. The verification of the commission is discussed in more detail later in the report.

La Doria informed us that it also provides payment to importer [REDACTED] in relation to market research. [REDACTED] conducts market research [REDACTED] [explains purpose of market research]

In its REQ, La Doria provided an export sales spreadsheet listing each sale of canned tomatoes made to Australia during the investigation period.

The spreadsheet included line-by-line information relating to:

- customer;
- level of trade;
- product code;

- product description;
- invoice number and date;
- order number;
- date of sale;
- shipping terms;
- payment terms;
- sales quantity in colis;
- net weight value (kg);
- gross invoice value (EUR);
- gross invoice value (AUD);
- net invoice value (EUR);
- ocean freight;
- inland transport;
- handling;
- warranty expenses;
- commissions; and
- other factors

We sought to verify the export sales data contained within the export sales spreadsheet during our meetings with La Doria. Further discussion of the verification process is detailed later in the report.

4.1.1 Export sales process

La Doria described its export sales process as follows:

- during May to June La Doria commences the negotiation process by offering new season prices and contract volumes.;
- following a negotiation process customers and La Doria agree on a contract with volumes, price, shipment periods and payment terms;
- each month the customer sends a purchase order (PO) via email and requests a date of shipment;
- the La Doria warehousing department will confirm stock, labels and vessel;

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- La Doria confirms the PO;
- the La Doria warehousing department will arrange labelling and packaging of cans into cartons that are shrink wrapped and loaded onto a pallet;
- prepared pallets are loaded onto a flatbed truck and transported by freight forwarder [REDACTED] (for FOB orders only) to the port in Naples;
- the commercial invoice is issued to the customer;
- [REDACTED] stuff the cartons into shipping containers; and
- sailing time to Australia is about 6 to 7 weeks with vessel stopping at a number of Australian ports.

4.1.2 Currency

La Doria invoices its Australian customers in [REDACTED], except for [REDACTED] who is invoiced in [REDACTED]. For accounting purposes La Doria converts the [REDACTED] sale to [REDACTED] at the spot rate of the date of invoice. La Doria takes out forward cover in relation to [REDACTED].

La Doria advised that it transacts in a number of currencies for its export sales, including [REDACTED], [REDACTED] and [REDACTED]. La Doria accounts for foreign transactions and foreign exchange gains and losses in the non-operating expenses within the management accounts.

4.1.3 Delivery terms

La Doria explained that during the investigation period its sales to Australia were on either an FOB or EXW basis. We noted in the export sales spreadsheet that the transactions were either FOB or EXW except for those to [REDACTED] and [REDACTED] (EXW), and [REDACTED] (EXW and FOB).

4.1.4 Payment terms

La Doria advised that its payment terms vary according to the customer. The terms and the respective customer/s are listed below and are calculated from the date of invoice:

Payment terms	Customer
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

4.1.5 Discounts, rebates and allowance

La Doria advised that it does not provide any discounts, rebates or allowances for export sales to Australia.

4.1.6 Date of sale

La Doria explained that technically the date of sale is the bill of lading date. However, it further explained that for accounting purposes it records the invoice date as the date of sale, which is generally only a day or two different to the bill of lading. We indicated to La Doria that we would regard the invoice date as the date of sale, which La Doria agreed was appropriate.

4.2 Verification of export sales and domestic sales to audited financial statements

Prior to the visit we sought to reconcile the sales value and volumes in the export sales and domestic sales spreadsheets to the volumes and values in the turnover summary; and figures in the turnover summary to those in the income statement.

We were able to match the gross sales in the income statement with the total company turnover for full year 2012. However, we were unable to match the gross sales for the investigation period as financial data provided in the REQ was for the first half of the investigation period only.

La Doria provided an additional income statement for the first half of year 2012. After receipt of the revised turnover statement we were able to calculate gross sales in the income statement for the investigation period, which matched with the total company turnover for the investigation period.

We also requested La Doria provide revised versions of both export and domestic sales spreadsheets to include the net weight of the sales to enable sales volumes reconciliation, and exclude the non-GUC products (pasta sauces) originally listed in the export sales spreadsheet. Revised versions of both spreadsheets with net weights were submitted prior to the visit; however non-GUC sales were still included. We were able to match net sales value and volume figures in both the export sales spreadsheet (inclusive of pasta sauces) and domestic sales spreadsheet with the turnover of the goods figure in the turnover summary for the period of the investigation. Although non-GUC sales were included, we were satisfied with the accuracy of the preliminary data.

At the visit we sought to verify the figures provided by La Doria in the income statement, the revised turnover summary, the export sales spreadsheet and the domestic sales spreadsheet.

4.2.1 Total company turnover

During the visit La Doria generated from SAP a total company turnover report for the 12 months ending December 2012. Total domestic and export turnover reports were also generated. From the domestic and export turnover reports we were able to sum the figures and match the total figure with the total company turnover figure. The total company turnover figure in turn matched the turnover summary.

We are satisfied that the total company turnover for the 12 months ending December 2012 includes all sales.

4.2.2 Turnover of the goods

With regard to verifying the turnover of the goods La Doria generated SAP reports for the [REDACTED], filtered by product classes, for the 12 months ending December 2012. These reports also distinguished between export and domestic sales. The reports listed sales value and volumes that were consistent with the net sales and volumes figures in the turnover of the goods for exports to Australia, and domestic sales (allowing for the removal of sales data for products greater than 3 kilograms in weight and passata products).

We were satisfied that the turnover summary of the goods for the 12 months ending December included all relevant sales of the goods and like goods and omitted all irrelevant sales. Therefore we are satisfied that the turnover summary of the goods for the investigation period includes all relevant sales of the goods and like goods and no irrelevant sales (other than the readily identifiable sales of passata and 3 kilogram products).

4.2.3 Audited Accounts

We then sought to trace figures in income statements for financial years ending December 2012 and June 2013 to the company's audited accounts. Since La Doria's accounting period follows the calendar year, the turnover statements and generated data were for the full year of 2012 and first half of 2013. Noting that the same system was used to produce both turnover statements, upwards reconciliation was performed by interrogating data for the year 2012 due to completeness of information.

La Doria generated two reports from SAP - one for year 2012 and one for 6 months ending June 2013. The totals for each of these reports matched the revenue figures in the corresponding audited accounts.

We were satisfied that for the 12 months ending December 2012 and the 6 months ending June 2013 we can reconcile the management accounts to the audited accounts.

Given the sales data for the 12 months ending June 2013 was assembled in the same manner, from the same systems, we considered all sales data submitted could be reasonably linked to the management reports that are relied upon for the purposes of the audited financial statements. Therefore we are also satisfied with the completeness and relevance of sales data for investigation period, which takes into account the first half of 2013 and second half of 2012.

4.2.4 Completeness and relevance of sales - conclusion

On the basis of the verification discussed above, we were satisfied that the export sales and domestic sales listings submitted by La Doria (as amended) are complete and relevant. Tests of accuracy have been addressed with reference to links to source documents (discussed below for export sales and later in this report for domestic sales).

4.3 Verification of export sales to source documents

Prior to visit we requested that La Doria provide supporting documents for seventeen shipments to Australia selected by the Commission. These seventeen shipments represented a wide cross section of importers and exported products to Australia during the investigation period.

During the verification visit La Doria provided source document bundles for each of these shipments containing the:

- supply contract;
- La Doria commercial invoice;
- order confirmation;
- packing list;
- bank statement showing proof of payment to La Doria;
- bill of lading; and
- inland transport invoice for FOB shipments.

Additional source documents were provided for several shipments including:

- purchase order;
- contracts outlining commission; and
- invoices for commissions.

These document bundles form **confidential attachment EXP 1**.

4.3.1 Shipment of negative quantity

The export sales spreadsheet listed quantity (measured in colis) for each shipment. Prior to the visit we noted two consecutively listed shipments in the spreadsheet where the quantity of both shipments matched but the subsequent shipment was of negative value. La Doria explained that the original shipment was cancelled due to packing issues in their warehouse. To reflect this cancellation in the company's system a credit note was issued for which an invoice number was assigned. Hence, the invoice number and corresponding credit note information was included in the spreadsheet. La Doria also advised that the packing problem was rectified and the shipment re-established for which a new invoice was issued. A copy of the new invoice was provided and is at **confidential attachment EXP 1**.

4.3.2 Supplementary invoice

In the export sales spreadsheet several shipments were identified as having an additional supplementary invoice issued due to invoice price corrections. One of these shipments

was selected for verification. La Doria explained that the unit price on the original invoice was EUR 1 less than the unit price agreed in the supply contract. As a result a supplementary invoice was issued charging the amount omitted from the original invoice. Copies of the supply contract, original invoice and supplementary invoices were provided (**confidential attachment EXP 1**).

We were able to link the original commercial invoice and supplementary invoice to the supply contract as well as the supplementary invoice to the export sales spreadsheet.

4.3.3 Sales volume and value

We were able to reconcile sales volume in kilograms and sales value in EUR and AUD (applicable to [REDACTED] only), using the commercial invoices and packing lists to the figures in the export sales spreadsheet. With regard to payment we noted that some transactions were made with other shipment payments as part of a lump sum payment. For these transactions La Doria provided remittance advices that listed the amounts of each transaction, with the total amount matching the proof of payment amount. For all other transactions we confirmed that payments matched the invoiced amounts.

We noted that the credit terms quoted on the invoices ranged from 30 to 120 days, customer dependent. However, for several of the selected invoices it came to our attention during verification that there were delays in payment in relation to the respective invoiced credit terms. We sought clarification on these delays, for which La Doria explained that the delayed payments were only from a select few customers with turnovers amounting to a small percentage of total turnover of Australian sales.

La Doria generated SAP reports to calculate the average period of delay in payment for all Australian customers during the investigation period. The reports returned an average delay of 9 days, with two of its high import value customers having payment delay periods below this average. La Doria also explained that the SAP report summarised payment amounts in respect of total turnover for each customer during the investigation, and therefore non-GUC could be included.

Based on the information provided we are reasonably satisfied that the payment terms are consistent with the invoiced credit terms. We have no reason to believe that La Doria's export price reflects anything other than the quoted credit terms; hence the quoted terms have formed the basis of export credit terms adjustments discussed later in this report.

4.3.4 Supply contract

La Doria advised that the supply contracts outline the agreed terms and conditions for the supply of tomato products for the entire production and supply period. ie. the year following harvest.

Given this arrangement reconciliation of the selected shipments by matching order quantities could not be completed. Rather, we reconciled the shipment details by matching the product type and corresponding unit price listed on the commercial invoice with the respective details on the supply contract.

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We were able to reconcile the figures and are satisfied with the accuracy of the documents.

4.3.5 Inland freight, terminal handling and customs charges

La Doria provided line by line data for the expenses incurred for transporting the goods from the factory to the Naples port and loading them on the ships for FOB sales listed within its export sales spreadsheet.

For FOB sales we were advised that there are three components in the breakdown for the transportation expenses incurred— inland transport, terminal handling charges and customs charges. Transport of the goods from the warehouse to the port is provided by freight forwarding company, [REDACTED], [REDACTED] [explains negotiation process with La Doria]. Terminal handling charges, which includes the loading of the goods onto the ship, is performed by the customer's chosen shipping company. The cost of this component is determined by the shipping company and is non-negotiable for La Doria.

As mentioned in section 4.3 above, La Doria included invoices for inland transport, terminal handling and customs charges in the source document bundles for the selected FOB shipments (refer **confidential attachment EXP 1**). We sought to match the amounts on the invoices with the figures listed in the export sales spreadsheet.

La Doria explained that the total figure in the spreadsheet for inland transport expenses was calculated by using a weighted average. The amount of EUR [REDACTED] was set as the average cost for a full container load of the goods. Thus, for quantities less than a full container load, cost calculations were made based on a percentage of the shipment's gross weight.

Of the selected FOB shipments, approximately half of the inland transportation invoices matched the figures in the export sales spreadsheet. Although the invoices of the other shipments did not match the figures, the differences were minor.

We also noted that the average cost for inland transportation was entered in the export sales spreadsheet against all EXW sales. Since La Doria confirmed that all EXW sales follow the standard procedures and therefore no inland transportation invoices could be produced for the selected EXW shipments, we consider that the figures have been included in the spreadsheet erroneously.

Based on all the information presented, we are satisfied that the invoiced amounts for transport from the warehouse to the port as well as the customs charges and terminal handling charges were reasonably consistent and representative of the figures listed in the export sales spreadsheet.

4.3.6 Handling charges

La Doria provided line by line data for the expenses incurred for handling charges. Prior to the visit, we calculated that handling charges accounted for [REDACTED] % of the net invoice value.

During the visit La Doria explained that handling charges comprised loading charges and bank charges. Loading charges covers tasks including manual loading and labelling of trays; packing, manual shrink wrapping of and moving pallets to transport; and loading pallets into the container. The charges are calculated based on the weight but for the purposes of the investigation, La Doria advised they were calculated as a percentage which gave a rate of [REDACTED]%. Further discussion of handling and loading charges is contained in the cost to make and sell section of this report.

Bank charges are applicable to all customers and are charged at a standard rate of [REDACTED]% of the net invoice values. Two shipments were selected for reconciliation of this figure, which was satisfactorily completed from proof of payments and remittance advices. The proof of payments and remittance advices are at **confidential attachment EXP 2**.

We are thus satisfied that the handling charges data in the export sales spreadsheet is accurate.

4.3.7 Credit insurance

A column labelled 'warranty expenses – costs of credit insurance' with figures listed for each shipment during the investigation period was provided by La Doria in the export sales spreadsheet. La Doria explained that this charge was in fact related to cost credit insurance. Preliminary calculations inferred that the cost of credit insurance was set at the rate of [REDACTED]% of the net invoice value.

La Doria explained in the meeting that the company's policy enforces the requirement of credit insurance cover so that should a customer default on its agreement, a percentage of bad debts can be claimed. For Australian customers, La Doria explained that it can claim [REDACTED]% of bad debts.

La Doria provided us with copies of the insurance policies which indicated that the cost of credit insurance from July 2012 to December 2012 was at a rate of [REDACTED]%, and from 1 January 2013 the rate was [REDACTED]%.

The information supporting the cost of credit insurance is at **confidential attachment EXP 3**.

4.3.8 Commissions

In the export sales spreadsheet, commission amounts were entered for sales of the goods to [REDACTED]. Prior to the visit, we calculated the commission to be valued at [REDACTED]% of the net invoice value.

La Doria confirmed at the meeting that [REDACTED]% commissions are applicable to [REDACTED] sales only and are paid to the customer's agent, [REDACTED]. For the selected shipments we were able to match the commission invoice amounts to the figures in the spreadsheet. Copies of the commission invoices addressed to [REDACTED] are at **confidential attachment EXP 2**.

4.3.9 Market research costs

In their response to the REQ La Doria stated that it incurred market research expenses for all exports supplied to [REDACTED] during the investigation period. Preliminary calculations

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made by the Commission attained a [REDACTED] % average for the market research expenses account in respect of the net invoice value for each [REDACTED] shipment.

At the visit La Doria explained that [REDACTED] performs market research [REDACTED]
[REDACTED]
[REDACTED] Australia.[discusses purpose of market research]

A breakdown of market research expenses by product over the investigation period was provided by La Doria during the meeting. Invoices reconciling the figures were also submitted. [REDACTED]

[REDACTED] The breakdown and invoices are at **confidential attachment EXP 5**.

We were able to reconcile the breakdown pertaining to canned tomatoes with the invoices provided. An average of [REDACTED] % for overall market research costs during the investigation period was attained through simple average calculations, which is reasonably consistent with the export sales spreadsheet data.

We are therefore satisfied with the market research expenses component of La Doria's export sales.

4.3.10 Export sales – conclusion

We have examined the documentation provided by La Doria to support the data in the revised export sales spreadsheet.

As discussed earlier in the report, irrelevant sales were identified in the export sales data. The irrelevant sales were for pasta sauce products, which are not considered the GUC. These sales were therefore excluded from any export price calculations.

We are satisfied that the invoiced amount for the exported goods was the price paid and this was accurately reflected in the spreadsheets. We are also satisfied that the export sales spreadsheet contains reasonably accurate amounts (where relevant) for:

- inland transport; terminal handling charges, and other export fees;
- handling and loading charges;
- cost of credit insurance;
- commissions; and
- market research expenses.

4.4 The exporter

For all export sales during the investigation period, we consider La Doria to be the exporter of canned tomatoes as La Doria:

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- is the manufacturer of the goods;
- owned the goods at the time prior to export;
- is listed as the supplier on the bill of lading (except for sales to [REDACTED]);
- invoices the importer for the goods (except for sales to [REDACTED]);
- arranges and pays the inland transport costs from the place of manufacture to the port of export for FOB transactions;
- arranges and pays for associated handling costs and other export expenses incurred in moving the goods to the port of export;
- for EXW transactions, does not arrange nor pay for inland transport costs from the place of manufacture to the port of export;
- 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 good for export to Australia and was aware of the identity of the purchaser of the goods; and
- received payment for the goods from the importer (except for sales to [REDACTED]).

4.5 The importer

4.5.1 All Australian customers other than [REDACTED]:

We consider that, in relation to export sales of tomato products to all Australian customers other than [REDACTED] in the investigation period, all customers:

- negotiate directly with La Doria for the purchase of the goods;
- are named as the consignee on the bill of lading; and
- were the beneficial owner of the goods at the time of their arrival in Australia.

Therefore we consider the following Australian customers were importers prepared or preserved tomatoes from La Doria during the investigation period:

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

4.5.2 [REDACTED]:

We consider that, in relation to export sales of tomato products to [REDACTED] in the investigation period:

- Although [REDACTED]' agent, [REDACTED], negotiates directly with La Doria for the supply of the goods to [REDACTED] and enters into binding legal contracts pursuant to negotiated terms, we note [REDACTED] to be the importer since: [REDACTED] is named both the brand and private labelled in the binding legal contract;
- [REDACTED] is named as the consignee on the bill of lading; and
- [REDACTED] is the beneficial owner of the goods at the time of their arrival in Australia.

We consider [REDACTED] to be the importer.

4.6 Arms length

In respect of export sales to Australia during the investigation period, we 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.

We therefore consider that all export sales to Australia during the investigation period were arms length transactions.

4.7 Export price – preliminary assessment

We consider that for all La Doria Australian importers other than [REDACTED]:

- the goods have been exported to Australia otherwise than by the importer;

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- the goods have been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arms length transactions

Therefore, for all La Doria transactions with Australian importers other than [REDACTED], we consider export price can be established in terms of section 269 TAB(1)(a) of the Act. Specifically, we have calculated export price using the invoiced La Doria prices less amounts for charges after exportation. In this case, for reasons that are explained in the dumping margins section of this report, we have calculated export price at EXW.

However, in relation to La Doria's transactions to [REDACTED], through [REDACTED], we consider:

- the goods have been exported to Australia otherwise than by the importer;
- the goods have not been purchased by the importer from the exporter; and
- the purchases of the goods by the importer were arms length transactions

Therefore, for all La Doria transactions with [REDACTED] through [REDACTED], we consider export price can be established in terms of section 269 TAB(1)(c) of the Act, having regard to all the circumstances regarding the exportation. Specifically, we have calculated export price using the invoiced La Doria prices to [REDACTED] less amounts for charges after exportation. These prices have also been calculated at EXW.

Details of the export price calculations are at **confidential appendix 1**.

5 COST TO MAKE & SELL

5.1 General

In its REQ, La Doria provided cost to make and sell (CTMS) spreadsheets for its domestic and Australian sales of canned tomatoes. The data was provided for all canned tomato product models exported to Australia, and all canned tomato product models sold domestically except for the 3kg can size, which is not part of the GUC.

La Doria explained that the CTMS data represents the actual costs of production and associated expenses incurred in the production and sale of canned tomatoes. La Doria confirmed that it does not use a standard costing system.

La Doria advised that many product models were manufactured in more than one of its production facilities, and that in these cases the CTMS data represents a weighted average of its production costs for the two or more sites. It explained that this is the case for production costs incurred at all four of La Doria's production facilities for canned tomatoes. However, La Doria advised that the costs reported for purchases of Eugea products are the cost of the purchases of that product – which is discussed further below.

The detailed CTMS data was presented in accordance with the following broad categories:

- industrial costs (including raw materials, labour and fixed and variable manufacturing overheads);
- destruction and depreciation;
- transport;
- loading;
- commissions;
- year-end bonuses, promotionals, and promotions for free;
- credit insurance;
- advertising; and
- structure and operating expenses.

La Doria explained that the year-end bonuses, promotionals, and promotions for free are also shown in the domestic sales listing, collectively, as "other discounts – promotional expenses". These were all described by La Doria as off-invoice discounts, which we noted were also included in the CTMS data. Therefore, in order to correctly compare the CTMS of any product to that product's net-net selling price (price after on-invoice and off-invoice discounts), the CTMS should not include the costs of the off-invoice discounts because the CTMS is being compared to the net-net selling price. That is, in the profitability tests discussed later in this report we compared the net-net selling prices per

unit (after on-invoice and off-invoice discounts) with the CTMS excluding the year-end bonuses, promotionals, and promotions for free (i.e. the off-invoice discounts).

The destruction and depreciation costs were included by La Doria in its industrial costs for the purposes of the Income Statements. The verification to source documents (discussed later in this report) focused on selected items for raw materials, labour, and manufacturing overheads. We did not seek to verify the destruction and depreciation costs in particular. However, we did note that such costs were allocated to each of the models of the goods and like goods on the basis of revenue (at a rate of █%). Furthermore we noted it was necessary to take account of the pool of costs to achieve the upwards verification to the Income Statements and audited financial statements as discussed the next section.

5.2 Verification of costs to the audited financial statements

We sought to trace the detailed CTMS data provided by La Doria to its audited financial statements to ensure the CTMS data is relevant and complete.

La Doria showed how the sum of the industrial costs for all models of like goods sold domestically in 2012 could be traced to Income Statements for *Total Domestic Commercial*; and *Total Domestic Industrial*.

Each of these Income Statements showed a range of revenue, cost and expense items for █ profit centres, which included the following profit centres that relate to canned tomatoes:

████████████████████
████████████████████
████████████████████

To reconcile the industrial costs shown in the detailed CTMS data with the corresponding cost item shown in the █ profit centres above, it was necessary to add back the costs associated with the 3kg products. La Doria provided copies of reports that contained detailed cost breakdowns for all domestic models, including the 3kg products, to enable this reconciliation. The costs of the 3kg cans were not shown in the CTMS data submitted because these size cans are not part of the GUC.

La Doria then demonstrated how the sum of the *Total Domestic Commercial*; and *Total Domestic Industrial* Income Statements, together with *Total Export* Income Statement agreed with the *Total La Doria* Income Statement. The details contained in the latter report in relation to total product sales were consistent with the results shown in the La Doria audited financial statements for 2012¹.

¹ La Doria Annual Report, p. 158, provided as attachment A-4 No 3.3 to the REQ

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We undertook the same exercise for all the other cost/expense categories listed in the section above, and the reconciliations were established successfully in each case.

We noted in the independent auditors (PWC) report for La Doria, the following statement was made:

In our opinion, the financial statements of La Doria S.p.A as of 31 December 2012 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree no. 38/2005; accordingly, they have been prepared clearly and give a true and fair view of the financial position, result of operations and cash flows of La Doria S.p.A for the year then ended. (p.255)

Copies of the 2012 Income Statements and the report containing all costs by product model for 2012 are at **confidential attachment CTMS 1**.

5.3 Verification of production costs to source documents

We focused our verification to source documents upon one domestic model of like goods - model [REDACTED]. This model accounted for the second highest volume of sales for any finished product sold domestically in the investigation period. The highest volume of sales was for a model that was not exported to Australia.

5.3.1 Production volume

La Doria provided an extract from a report that summarises the production volumes and production costs of each model, showing amounts for the stock on hand at period (2012) beginning, production figures, and totals at period end. The weighted average unit amount for the industrial cost of [REDACTED] for 2012 derives from the total cost divided by the total volume at period end. The amount of industrial cost shown for [REDACTED] in the CTMS data agreed with the report.

We asked La Doria to provide evidence of the production volume for this model. La Doria provided a material listing from SAP showing all production lots for the selected model in 2012. The sum of this listing agreed with the sum shown in the report. We selected one of the lots and asked for a source document to support the details. La Doria provided a copy of a computer screenshot which it explained was a record of the details input at the factory upon completion of production for that lot. The details matched the material listing.

Copies of the documents supporting the production volume are at **confidential attachment CTMS 2**.

5.3.2 Materials

We chose to verify the cost information for tomatoes and cans.

Tomatoes

La Doria provided a detailed bill of materials for [REDACTED], and two related bills of materials for the corresponding brite can code of [REDACTED]. One of these latter bills of

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materials was for production of that product in Fisciano, and the other was for production by Eugea at Lavello.

We noted that for this particular brite can, the quantity of tomatoes used during 2012 was [REDACTED] grams and [REDACTED] grams for each [REDACTED] grams can produced at Fisciano and Lavello respectively. The full costs of the tomatoes consumed were attributed to the brite can product, and no cost was attributed to waste. La Doria explained that the ratio of tomato used to finished product is relatively high for this product because of the relatively high optical residue of 6.0° to 6.5° brix.

La Doria explained that all tomato costs for any given brite can recipe are contained in the tomatoes cost line of the bill of materials, except where additional tomatoes of a different kind are used for juice. We noted in the case of [REDACTED] production at Fisciano, there were additional costs for round tomatoes used for making juice for this product.

In terms of waste, La Doria explained that only a very small proportion of tomato waste is sold. La Doria advised that some skins and seeds were sold in 2012 and that while this generates only a very small return it avoids the payment of an environmental fee for disposal. La Doria provided a schedule of waste volumes, values and proportions of tomato purchases for La Doria and Eugea. We noted the ratio of waste sold to tomatoes purchased was around [REDACTED]% for both entities, and we confirmed the revenue was extremely small (less than [REDACTED]% of tomato costs). A copy of the schedule summarising sales of La Doria and Eugea tomato waste is at **confidential attachment CTMS 3**.

We asked for evidence of the volume of tomatoes consumed in manufacturing [REDACTED], and for the volume of [REDACTED] manufactured. La Doria provided copies of material listings for both items in relation to its Fisciano plant for 2012. The data on the material listings agreed with the bill of materials.

Copies of the bills of materials for [REDACTED] and [REDACTED], and copies of the material listings for tomatoes consumed and [REDACTED] brite cans produced at Fisciano, are at **confidential attachment CTMS 4**.

La Doria then provided a summary report of purchases of long tomatoes which showed the full volume and cost of purchases for 2012, and the weighted average cost of EUR [REDACTED]/kilogram. This rate matched the one used in the bill of materials for [REDACTED]. La Doria explained that this cost comprises three elements – cost of tomatoes (EUR [REDACTED]/kilogram), cost of transport (EUR [REDACTED]/kilogram), and any price adjustments for tomatoes (EUR [REDACTED]/kilogram). It explained that the price adjustment for supply of tomatoes arises from seasonal factors that affect supply.

La Doria showed us a detailed *Cost of Purchases* report listing all long tomato purchases, by customer, by transaction, for 2012. We noted the report totals agreed with the summary report. We selected a transaction and asked for a copy of the corresponding invoice. La Doria provided a copy of the invoice, and we noted the details matched those of the full report listing for all tomato purchases. We also noted that the unit amount (EUR [REDACTED]/kilogram) was reasonably consistent with the overall 2012 average purchase price for long tomatoes.

Copies of the documents supporting the purchase price of tomatoes are at **confidential attachment CTMS 5**.

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In relation to the transport cost for delivery of tomatoes to La Doria production facilities, La Doria explained that it uses five independent transport companies. La Doria provided an invoice for one transport company, together with a schedule of hundreds of deliveries and associated charges. The weighted average rate per kilogram evidence by this invoice and was reasonably consistent with the overall average of EUR [REDACTED]/kilogram.

Copies of the documents supporting the cost of transport for tomatoes purchased are at **confidential attachment CTMS 6**.

After gaining an understanding of the links between these source documents, we requested, and La Doria provided, copies of the *Cost of Purchases* reports listing all tomato purchases, associated transport costs and price adjustments for 2012. We selected a further invoice for tomatoes, and a further invoice for transport, and were also provided copies of these documents. The details were consistent and they fully supported the unit cost of EUR [REDACTED]/kilogram for tomatoes delivered to La Doria.

The *Cost of Purchases* reports and additional tomatoes and transport invoices are at **confidential attachment CTMS 7**.

Cans

La Doria explained that it manufactures its own cans at its Angri and Sarno plants. Therefore we sought to verify the cost of the raw material - tinplate.

Using the bill of materials for [REDACTED], we identified the code ([REDACTED]) for the can that was used in production of that model and we asked for the associated bill of materials for the can, and for evidence of the associated purchases and consumption of tinplate.

La Doria provided two bills of materials for the can – one pertaining to Angri production and one to Sarno production. We noted these were presented in the same way as the bill of materials for the brite can, and for the finished can, that we had already examined. Accordingly it contained all costs of materials, labour and overheads associated with the manufacture of the cans.

In relation to tinplate purchases for the Angri production of cans, La Doria also provided a report that summarised the production volumes and production costs of tinplate sheets, showing amounts for the stock on hand at period (2012) beginning, production figures, and totals at period end. Using this report we were able to trace back to the purchases of various types of tinplate over 2012. We selected one type and La Doria provided an invoice to support the cost of tinplate purchases for that transaction. The purchase price on the invoice was reasonably consistent with the average for that type of tinplate.

Copies of the documents supporting the cost of cans and purchase price of tinplate are at **confidential attachment CTMS 8**.

5.3.3 Labour costs

La Doria provided a schedule of direct labour costs for [REDACTED], showing labour costs and hours for each cost centre for 2012. We noted that the total cost of labour divided by the total direct labour hours for [REDACTED] cost centre [REDACTED] ([REDACTED]) derived a

unit amount (EUR [REDACTED]/hour). The unit amount matched the rate used in the bill of materials for brite can [REDACTED].

We noted that the direct labour rates for the other [REDACTED] cost centres were very similar to the rate used for [REDACTED], with the exception of that applied to the line for [REDACTED], which was higher. The weighted average of the [REDACTED] direct labour rates across all cost centres was slightly higher than the rate attributed to peeled tomatoes.

A copy of the schedule of labour costs for [REDACTED] is at **confidential attachment CTMS 9**.

5.3.4 Electricity

La Doria provided a summary report of all the electricity costs and usage (kilowatts) at Fisciano for 2012. It also provided two invoices from the electricity supplier and we observed that the unit rate was reasonably similar to the average shown in the summary report.

Copies of the documents supporting the electricity costs are at **confidential attachment CTMS 10**.

5.3.5 Manufacturing overheads

La Doria provided reports for fixed and variable burden (overheads) for each plant in 2012. We examined the report for Fisciano, noting the cost categories were as follows:

- direct overheads including direct depreciation;
- common burden (overheads)
- maintenance for energy/gas;
- La Doria structure cost; and
- Fiscano structure cost.

La Doria explained that these costs were allocated on the basis of direct labour hours. Using the information discussed above in relation to direct labour hours we were able to confirm this was the case. The rates per hour were calculated separately in this report for fixed burden (overhead) and variable burden (overhead) costs and these rates matched the corresponding rates used on the bill of materials for [REDACTED].

Copies of documents supporting the cost of manufacturing overheads are at **confidential attachment CTMS 11**

5.3.6 Costs for Eugea products

La Doria explained that its SAP system can identify both the actual cost of production for Eugea products, and the purchase price of brite can products from Eugea by La Doria. La Doria advised it is the latter that is absorbed into the weighted average industrial costs of the brite can for La Doria. La Doria demonstrated this for the selected model [REDACTED].

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We noted at CTMS 4 that in the bill of materials for [REDACTED] the unit cost of the brite can [REDACTED] was EUR [REDACTED]/can. La Doria provided a report that summarises the production volumes and production costs for [REDACTED], showing amounts for the stock on hand at period (2012) beginning, production figures, and totals at period end. The closing average industrial cost was also EUR [REDACTED]/can. In this report, it was evident that the average was derived from the cost of La Doria purchases from Eugea (EUR [REDACTED]/can); the production costs of that model at Fisciano (EUR [REDACTED]/can); as well as a significant volume of carry over stock at (EUR [REDACTED]/can). The amount for Fisciano matched the unit industrial cost for [REDACTED] (Fisciano) at CTMS 5.

The purchases of model [REDACTED] from Eugea were further supported by a schedule of all Eugea sales in 2012; a listing of La Doria purchases of [REDACTED] in 2012; and an invoice for one of those transactions. La Doria also provided a copy of the Income Statement for Eugea for 2012. We noted the total Eugea revenue shown in the schedule matched the corresponding Income Statement amount. We noted the Eugea sales revenue and volume for model [REDACTED] matched the listing of La Doria purchases, indicating that all Eugea sales of [REDACTED] in the year were to La Doria.

The schedule of Eugea sales also contained costs and gross margins calculated by model. We noted that the gross margin generated by sales of [REDACTED] was around the same as the overall average for all Eugea sales. The net profit margin for Eugea in 2012 for all products was [REDACTED] %.

Copies of the documents supporting the La Doria purchases of brite cans from Eugea and the treatment of such purchases in La Doria's costs is at **confidential attachment CTMS 12**.

5.3.7 Additional bills of materials

To gain further satisfaction with the approach to determining costs for a range of the GUC, we asked for copies of additional bills of materials for the following finished and semi-finished products:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

La Doria provided the bills of materials and also supplemented each one with a report that summarises the production volumes and production costs for the respective model, showing amounts for the stock on hand at period (2012) beginning, production figures, and totals at period end.

We noted these cost details also matched the industrial costs shown in the CTMS data submitted by La Doria. We also noted that where multiple production plants were producing the particular model, the weighted average cost was shown in the CTMS data.

Copies of the documents additional bills of materials and supporting documents are at **confidential attachment CTMS 13**.

5.4 Selling, general and administration expenses

The La Doria CTMS spreadsheets also contained amounts for the following selling, general and administration expenses:

- transport;
- loading;
- commissions;
- year-end bonuses, promotionals, and promotions for free;
- credit insurance;
- advertising;
- structure and operating expenses; and
- non-operating expenses (including net interest expenses)

La Doria provided copies of reports showing all cost items for all product models to demonstrate how the total of each of these expenses can be matched to the corresponding amounts in the Income Statements. This was done separately for [REDACTED], [REDACTED] and [REDACTED] profit centres. In turn, these amounts were traced to the Income Statement for La Doria. The net results at the level of *profit before taxes from normal operations* reconciled with the corresponding result contained in the Income Statement with only a minor discrepancy. Accordingly, we were satisfied that all expenses above were allocated to the goods and like goods.

Copies of the reports with all cost items for all product models are at **confidential attachment CTMS 14**.

We also sought greater detail on the composition of the loading (and handling) costs. La Doria provided copies of contracts that outlined charges (and terms and conditions) for various loading, picking, and handling charges provided by independent service providers at Angri and Sarno. Copies of the contracts are at **confidential attachment CTMS 15**.

The allocation of the following expenses was based on the total of the particular expense as a percentage of net revenue:

- credit insurance ([REDACTED]%)
- advertising ([REDACTED]%)

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- structure and operating expenses (■■■■%); and
- non-operating expenses (■■■■%)

La Doria explained that the remaining items were assigned directly, according to the customer, such that the amounts shown for each model were effectively an average of such costs for that model over a range of customers. We measured these expenses as a percentage of revenue for the models of the GUC, and for the ■■■■ profit centres, and for La Doria overall, and noted the rates were reasonably similar.

5.5 Costs to make and sell – preliminary assessment

We have verified La Doria's CTMS data for canned tomatoes with reference to audited financial statements and to source documents. In doing so, we formed the view that such data was based on the exporter's records which were in accordance with the generally accepted accounting principles of Italy, and reasonably reflected the production costs, and the administrative, general and selling costs, of La Doria. As a result, we are satisfied that the information provided is complete, relevant and accurate.

We consider that these costs to make and sell are suitable for:

- determining a constructed normal value under section 269TAC(2)(c); and
- assessing ordinary course of trade under section 26

The verified unit CTMS calculations for La Doria's products are contained in **confidential appendix 2**.

6 DOMESTIC SALES

6.1 General

La Doria explained that the domestic market for canned tomatoes in Italy is highly competitive. It explained that Conserve Italia, Princes and La Doria were among the largest volume producers and probably the also the largest in terms of domestic sales volume. That said, La Doria explained that there were many Italian manufacturers and even the biggest individual producers are likely to hold no more than around 15% of the domestic market.

6.1.1 Levels of trade

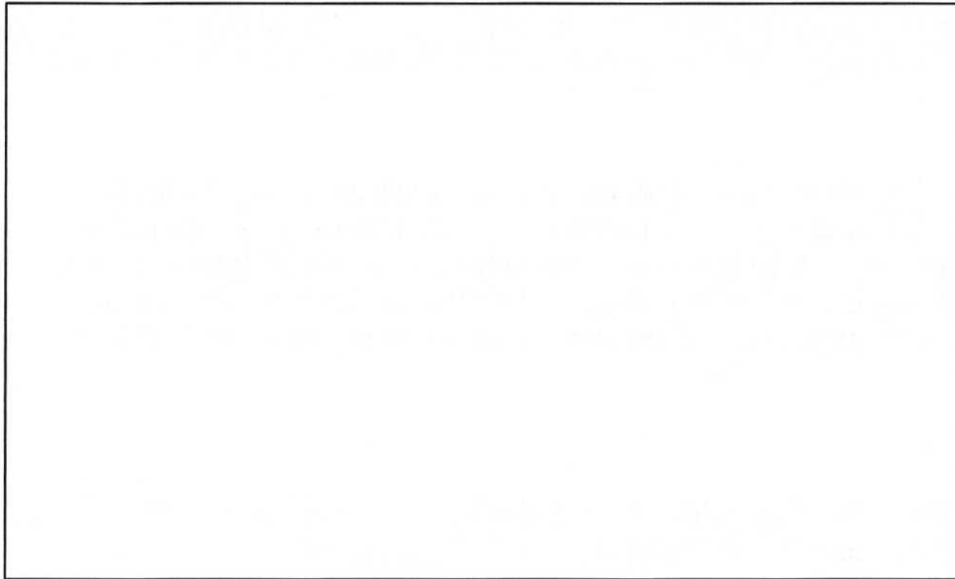
La Doria explained that it sells canned tomatoes in the domestic market to the following distribution channels (with related categories of customers in brackets):

- Retail – (including customers that are big retail chains; “Discounts”; and “Normal trade”)
- Industrial customers; and
- Other sales – (including customers categorised as catering, various sales, marginal retail sales)

La Doria explained that its relationship management and the types of products typically sold to these distribution channels varies according to the following table:

<i>Channel</i>	<i>Retail (GDO) & Discounts</i>	<i>Industrial</i>	<i>Normal trades/ Other sales</i>
Relationship management	La Doria personnel	La Doria personnel	Agents (Commissions apply)
Product	Private labels	Client trademarks or without label	Various eg. La Doria, La Romanella, Vivi G, Catering

La Doria advised that price does not vary according to differences in distribution channel or category of customer. We noted from the domestic sales spreadsheet that the following weighted average prices per kilogram were evident according to the category of customer:



[Chart displaying weighted average prices shown above]

La Doria explained that the relatively low unit price for Normal Trade is driven by La Doria's sales of *second choice* product, primarily to one customer – Novi SRL. It also explained that the unit price of the Industrial customers is influenced by the fact that most of these sales are brite can products sold to entities that label and on-sell the goods. The domestic sales data supported these explanations. The issues of brite can products and second choice products are discussed further below.

6.1.2 Sales of brite can product

La Doria explained that a significant proportion of its domestic sales were brite cans. La Doria informed us that for such sales it is not aware of the identity of the final customer, and it was not aware of whether the product was ultimately sold for home consumption in Italy or sold to an export market (including Australia).

We consider that La Doria's sales of brite cans are therefore not relevant sales for the purpose of s. 269TAC(1) of the Act because we cannot be satisfied that the price paid or payable for like goods sold in such sales were in the ordinary course of trade *for home consumption in the country of export*.

La Doria provided a series of summary analyses of its domestic sales in the investigation period, with one summary showing the proportion of sales made up of brite can product. We noted from that summary that sales of brite can product represented approximately [REDACTED] % by value in that period.

Sales of the brite can product are readily identifiable in the domestic sales spreadsheet provided by La Doria. We filtered the data on brite can product and agreed with the value figures in La Doria's summary analysis. We also noted that in terms of volume the brite can product represented approximately [REDACTED] % of domestic sales of like goods for La Doria during the investigation period.

We also noted that La Doria makes domestic sales to its related party, Eugea, and that all such sales were for brite can products.

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La Doria's summary analyses of domestic sales are at **confidential attachment DOM 1**.

6.1.3 Sales of second choice products

La Doria advised that it sells *second choice* products to certain customers and the unit prices for such products are generally quite low relative to its selling prices for primary product. La Doria explained that second choice products are those that have an expiry date within 12 months of the date of sale, and as result are classified as having a short shelf life.

La Doria identified the following sales as being sales of second choice finished product in the investigation period, which together accounted for around [REDACTED] % of the domestic sales of like goods by volume (kilograms):

Customer	Labels	Quantity (kilos)
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED] [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED] [REDACTED] [REDACTED]	[REDACTED]

We consider that while these goods may still be regarded as like goods, we do not consider these goods to be reasonably comparable to the goods sold in export sales to Australia in the investigation period.

A summary of the *second choice* sales (which can be replicated by filtering the domestic sales data according to label) is also at confidential attachment DOM 1.

6.1.4 Domestic sales process and pricing

La Doria advised that it sets the price for La Doria labelled products on the basis of price lists and negotiation with the purchaser. La Doria explained that its price lists are revised periodically, and it showed us a series of price lists over time to demonstrate that only one (List number 30) applied to the investigation period. A copy of the relevant price list is at **confidential attachment DOM 2**.

In relation to private label products (the majority of its domestic sales), La Doria advised that its prices are set in accordance with the relevant supply contract. We asked for, and were provided a copy of the supply contract for sales to [REDACTED], one of La Doria's largest domestic customers of canned tomatoes. The contract included all terms and conditions of the supply, including ordering process, label requirements, and quantities. In relation to price it referred to a price list – not the one discussed above but a customer-specific

price list. In the case of [REDACTED], a copy of the price list was included in the selected transaction bundles discussed in the section of this report dealing with verification of domestic sales data to source documents. A copy of the supply contract for sales to [REDACTED] is at **confidential attachment DOM 3**.

La Doria explained that after price is agreed, either according to the price list for La Doria product or according to the contracts for private labels, then it receives orders through e-mail, facsimile or electronic data interchange. La Doria inputs the orders to the system to arrange picking and delivery. La Doria indicated that invoices are generated at the time of dispatch.

6.1.5 Factors affecting price

La Doria explained that the following factors affect price per kilogram of prepared or preserved tomatoes sold domestically in Italy:

- product type – chopped; peeled; cherry; or chopped organic (noting that added ingredients are not a feature of the products sold domestically)
- can size – 800 gram can ; 400 gram can; 230 gram can; 680 gram glass jar; or 690 gram glass jar;
- packing type (number of cans and configuration per carton) – 12x2; 24x; 3x8; 4x3; 8x3; x12; x24; x6; x86
- can type – easy-open with lacquer; easy-open without lacquer; open top with lacquer; or open top without lacquer

The distinctions of price that were evident in La Doria's price list and in the supply contract for [REDACTED] supported the categorisation above.

6.1.6 Delivery and payment terms

La Doria stated that the delivery terms for domestic sales were either:

- delivered into store - shown in the domestic sales spreadsheet as delivery duty paid (DDP) – approximately [REDACTED]% by volume (kilograms) was delivered; or
- ex-works – shown in the domestic sales spreadsheet as EXW – approximately [REDACTED]% by volume (kilograms) was EXW.

La Doria informed us that a variety of payment terms existed for domestic sales during the investigation period. We noted in the domestic sales spreadsheet the payment terms ranged from payment in advance to [REDACTED] days from the end of the month of the invoice. We noted that the following two payment terms were the most common in the investigation period:

- [REDACTED] from the end of the month of the invoice – [REDACTED]% of net invoice value
- [REDACTED] days from the end of the month of the invoice – [REDACTED]% of net invoice value

- other payment terms – █% of net invoice value

6.1.7 Rebates and discounts

La Doria stated that there were no rebates of price paid in relation to its domestic sales of tomatoes.

However, La Doria explained that it does offer the following range of discounts to prices for tomatoes:

- channel discounts - we noted this was the same, █%, for all products (supporting the La Doria claim that price does not vary according to different channels of distribution)
- on-invoice discounts – the maximum available for all tomato products was █%. La Doria explained that the greater the on-invoice discount the lesser is the off-invoice discount provided
- promotional discounts – the maximum available for tomato products was █%
- discount extra – the maximum available for tomato products varied from █% to █% according to product type
- transport discounts – ranged from █% to █% for full trucks

Details of these possible discounts were provided on the price list at confidential attachment DOM 2.

La Doria explained that where multiple discounts were applied they were done sequentially, not cumulatively. That is a discount sequence of █%, █% and █% was the equivalent of an overall discount of █%, not █%.

La Doria explained that the on-invoice discounts were recorded in the domestic sales spreadsheet as discounts applicable to the gross invoice price, and the net invoice price on the invoice matched the amount by the same name in the spreadsheet. It further explained that all of the other discounts were recorded in aggregate in the spreadsheet column called "Other discounts – promotional expenses". Further discussion of these amounts is contained in the section dealing with verification of the domestic sales data to source documents.

6.1.8 Commissions

La Doria explained that commissions apply only to those sales that involve agents. We noted in the domestic sales data provided for the investigation period that where commissions did apply, the amount generally ranged up to approximately █%. Further discussion of these amounts is contained in the section dealing with verification of the domestic sales data to source documents.

6.2 Domestic sales data submitted by La Doria

In its response to the REQ, La Doria provided a domestic sales spreadsheet listing each domestic sale of canned tomatoes (except for 3kg cans) made during the investigation period.

The spreadsheet included line-by-line information relating to:

- customer code and name;
- level of trade;
- model;
- product code;
- label;
- invoice number and date;
- order number;
- delivery terms;
- payment terms;
- sales quantity in cases;
- sale quantity in kilos;
- gross invoice value;
- discounts;
- net invoice value;
- other discounts – promotional expenses;
- inland transport;
- handling and other charges;
- cost of credit insurance; and
- commissions.

We sought to verify the domestic sales data contained within the domestic sales spreadsheet. Firstly we sought to test for completeness and relevance by tracing the data through management reports to audited financial statements. Secondly we sought to test

the accuracy by tracing the data to source documents. These verification exercises are discussed in the following two sections of this report.

6.3 Verification of sales to audited financial statements

Our verification of the completeness and relevance of domestic sales was undertaken in conjunction with the same test for export sales. This verification is discussed at section [4.2](#) above.

6.4 Verification of sales to source documents

Prior to the visit we selected 12 domestic sales transactions, including two credit transactions, for detailed verification. For each transaction we asked for and were provided:

- purchase order;
- order confirmation;
- commercial invoice;
- packing list;
- evidence of on-invoice discounts; and
- payment of net invoice amount.

The domestic sales documents are at **confidential attachment DOM 4**.

Where appropriate for each selected invoice, we also asked for and were provided evidence of:

- off-invoice discounts;
- inland transport charges;
- handling and other expenses;
- cost of credit; and
- commissions

6.4.1 Key invoice details including value and volume

We were able to match the sales volume and sales value of the net invoice amounts on commercial invoices to the detail in the domestic sales spreadsheet. The net invoice amount was after on-invoice discounts. The packing lists provided also supported the volume detail in the domestic sales spreadsheet.

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Other key information on the invoices and packing lists also matched the details provided in the domestic sales spreadsheet. In particular we checked the product description; invoice number and date; customer name; and delivery and payment terms.

6.4.2 Discounts

In terms of on-invoice discounts, three of the selected transactions included amounts, which ranged from ■% to ■% of gross invoice value. We examined the transaction with the highest discount, with reference to the corresponding invoice (■■■■■■■■■■) and supporting schedule of discounts (included at confidential attachment DOM 4) applicable to this customer. We noted that the on-invoice discounts were made up of “channel” discount (■■%); “on-invoice” discount (■■%); promotional discount (■■%); “transport” discount (■■%); and “Extra” discount (■■%). In sequence, this provides for a combined discount of ■■■%. This matched the amount in the domestic sales spreadsheet exactly.

We also examined the two lesser amounts of on-invoice discounts, which related to invoices ■■■■■■■■ and ■■■■■■■■. Again, in both cases, we found that the corresponding invoice and supporting schedule of discounts (see confidential attachment DOM 4) matched the data in the domestic sales spreadsheet.

In relation to off-invoice discounts, five of the selected transactions included amounts, which ranged from ■% to ■% of net invoice value. We examined the transaction (Invoice ■■■■■■■■) with the highest off-invoice discount. La Doria provided copies of signed agreements between it and the customer in relation to two components of discount. One related to “promotional contributions” (■■%) and the other to “end of the year award” (premio fine anno) (■■%).

We also asked for evidence of the payment of these two off-invoice discounts. La Doria provided copies of the customer invoice in relation to the promotional contributions, and a summary of the sales to which it applied in the year 2012. We noted that the invoice value was ■% of the Turnover for that client in 2012. La Doria also provided a copy of its credit note that was raised in relation to the end of year award. We noted this amount was ■% of the turnover for that client.

In relation to the discount of ■% (invoices ■■■■■■■■ and ■■■■■■■■), La Doria provided copies of an agreement with the customer that identified discounts for promotional expenses. The amount of ■% was an average of two rates of discount shown on the agreement - at the rates of ■% up to end of February 2013, and ■% from March 2013.

In relation to the only other rate of discount applying to the selected sales, ■%, La Doria provided copies of agreements between it and the customer in relation to two components of discount that together comprised ■%.

Copies of the documents supporting the off-invoice discounts are at **confidential attachment DOM 5**.

6.4.3 Payment terms

The selected transactions included payment terms of ■, ■ and ■ days from the end of the month of the invoice. Using the evidence of payment documents provided by La Doria, we noted that payment was made in close parallel to the agreed terms for the selected transactions. Copies of the documents that represent evidence of payment are included at confidential attachment DOM 4.

6.4.4 Inland transport

Five of the selected transactions were for goods sold on delivery terms of delivered to customer (marked in the spreadsheet as DDP).

La Doria provided, for each such transaction, a detailed sales order schedule which included gross weights for each line of the transaction. It also provided a copy of the relevant transport invoice with a schedule of transport activities and charges. Within this latter document, La Doria identified the particular transport charge applicable to the selected invoice. The transport charge, when allocated to each line in accordance with the gross weight, derived a cost of inland freight for each domestic sales transaction that was very similar to the amount shown in the spreadsheet.

Copies of the documents supporting the cost of inland freight for domestic sales are at **confidential attachment DOM 6**.

6.4.5 Commissions

The domestic sales spreadsheet indicated that two of the selected transactions incurred commissions expenses, paid to agents. They were both in relation to sales to the same customer, but for different products sold at different times of the investigation period. Included at confidential attachment DOM 4, La Doria provided copies of the signed agreements with the relevant agent for the commission involved. The evidence provided support for the rates of commission used in the spreadsheet.

La Doria also provided evidence of payment for the commissions, together with a summary of the sales values to which the payment related. We noted that the commission payment, when measured as a percentage of the sales value, matched the commission rate used in the spreadsheet.

To further test the payment of commissions, we selected another invoice (No. ■■■■■) and requested the associated evidence of the commissions applicable. La Doria provided copies of an invoice from the agent; a schedule of invoices to which the commission related (which included the selected invoice) and evidence of the components of commission that, in aggregate, was consistent with the percentage rate applied in the spreadsheet.

Copies of the documents pertaining to commission payments are at **confidential attachment DOM 7**.

6.4.6 Domestic sales – conclusion

We have examined the documentation provided by La Doria to support the data contained in the domestic sales spreadsheet.

On the basis of our downwards verification to source documents we are satisfied that the data in the domestic sales spreadsheet is accurate.

With regards to our upwards verification to the management reports and the audited financial statements we are also confident about the completeness and relevance of the data in the domestic sales listing. However, as discussed above, we are aware that the domestic sales data contains certain sales data which we do not consider as suitable for use in any normal value based on domestic sales. The unsuitable sales are:

- sales of brite can products (which includes sales to La Doria's related party, Eugea); and
- sales of second choice products.

6.5 Arms length

In respect of domestic sales during the investigation period, we 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.

However, we noted that the buyer will in some instances be reimbursed for part of the price through the operation of the year-end bonuses. The evidence provided by La Doria (discussed in section 6.4.2 of this report) to support the year-end bonuses indicated that these were well established trading practices, underpinned by written agreements between buyer and seller, and such agreements specified a period and made clear the amount of the bonuses in advance of the sale. Therefore, we consider, pursuant to section 269TAA of the Act, that in spite of the payment of the year-end bonuses, the domestic sales can be treated as arms length transactions.

We therefore consider that all domestic sales during the investigation period were arms length transactions.

6.6 Ordinary course of trade and sufficiency of volume tests

We compared La Doria's unit domestic selling price (net-net, i.e. after on-invoice and off-invoice discounts) for each transaction to the corresponding fully absorbed CTMS for each item in the quarter of the sale (as discussed earlier, the CTMS used for this purpose excluded year-end bonuses, promotional expenses and promotions for free). We found domestic sales at a loss to be in substantial quantities (greater than 20%) for some models.

We then tested whether those sales at a loss were recoverable, by comparing the unit selling prices to the relevant and corresponding weighted average CTMS for the investigation period. The sales that were profitable, and those loss making sales that were recoverable, have been regarded as sold in the ordinary course of trade.

We also tested, in relation to those models exported to Australia for which there were directly comparable models sold domestically, whether the sales in the ordinary course of trade were in sufficient volume (i.e. 5% or greater than the corresponding export volume, measured separately for each model).

The results of the ordinary course of trade tests and the tests for sufficiency of domestic sales volumes are summarised on the table on the next page.

The domestic sales data in the blue boxes relates to domestic sales of models that comprise the two most common categories of exports to Australia:

- 400gram cans, pack type x12; and
- 800gram cans, pack type x12.

These categories contain data for the only domestic sales of directly comparable models to the goods exported to Australia.

Several other export models are not sold domestically, as follows:

- 400gram can, pack type x12, chopped with added ingredients;
- 400gram can, pack type x12, peeled – organic;
- 390gram combi-safe, pack type x 16, chopped;
- 800gram can, pack type x12, chopped

The table shows that there are sufficient volumes of sales made in the ordinary course of trade for nine (9) directly comparable models to those exported. Those exported models account for approximately 70% of all exports in the investigation period.

[confidential table inserted here]

The calculations for the ordinary course of trade tests and the sufficiency of volumes are at **confidential appendix 3**.

6.7 Profit on sales made in the ordinary course of trade

We calculated profit rates applicable to domestic sales of like goods that were made in the ordinary course of trade in the investigation period. These are discussed further in the context of a constructed normal value, later in this report. The overall profit rate for domestic sales of like goods that were made in the ordinary course of trade in the investigation period was [REDACTED] %.

The calculations of profits achieved on domestic sales of like goods made in the ordinary course of trade are at **confidential appendix 4**.

7 Third country sales

In its REQ, La Doria provided a summary of sales quantities and values to third countries.

The data does not contain sufficient information to be able to assess whether the nature of the trade in like goods between Italy and any or all of these third countries is similar to the nature between Italy and Australia. Therefore we considered that third country export sales were not a suitable basis for establishing normal value.

We noted that sufficient information was available to establish normal value on the basis of domestic sales for some models, and by way of constructed normal value for other models.

8 Adjustments

To ensure proper comparison of normal values with export prices we considered the adjustments discussed in this section of the report.

It is important to note that the comparison of export price and normal value was done on the basis of cash, ex-works terms. This approach was adopted because of the multiple credit and delivery terms that applied to both export and domestic sales.

It is also important to note that the export prices and normal values exclude commissions, again because of the multiple commission rates. Another exclusion from export prices was made in the case of exports to [REDACTED], which related to market research expenses that were paid by La Doria.

The export prices and normal values include handling/loading charges and also include the cost of credit insurance.

8.1 Inland freight

La Doria included within its domestic sales data amounts for inland transport charges for each invoice. The verification of these amounts is discussed above in the domestic sales section of this report. We concluded that the amounts recorded in respect of the domestic sales transactions were relevant and reliable.

In order to ensure normal values are comparable with export prices expressed at ex-works, we consider that a downward adjustment to domestic selling prices is required for domestic inland freight.

8.2 Credit terms

We verified the amounts paid and also the actual credit terms applicable to the payments for the selected transactions, which is discussed above in the domestic sales section of this report. We concluded that the credit terms recorded in respect of the domestic sales transactions were relevant and reliable.

During the visit, we asked for evidence of the interest rate applicable to short term borrowings during the investigation period. La Doria provided details of its average short-term borrowings and its total interest expenses in relation to those borrowings. From this data it determined quarterly interest rates for the term of the investigation period. We used the simple average of these rates ([REDACTED]%) as a basis for calculating the opportunity cost of extending credit terms.

Copies of the documents supporting the calculated interest rates are at **confidential attachment ADJ 1**.

In order to ensure normal values are comparable with export prices expressed at cash terms, we consider it is appropriate to make a downward adjustment to domestic selling prices for domestic credit terms.

8.3 Commissions

We verified amounts for commissions paid by La Doria in relation to certain domestic sales, and the verification of these amounts is discussed above in the domestic sales section of this report.

In order to ensure normal values are comparable with export prices that are calculated excluding commissions, we consider it is appropriate to make a downward adjustment to domestic selling prices for the amount of domestic commission.

8.4 Handling/loading charges

In its export price spreadsheet La Doria listed expenses for "*Handling - Loading & Ancillary expenses and Bank Charges*". In its domestic sales spreadsheet, La Doria included amounts for "*Handling & other*" expenses". Further discussion of handling and loading charges is contained above in the cost to make and sell section of this report.

In order to ensure normal values are comparable with export prices we consider it is appropriate to make a downward adjustment to domestic selling prices for the amount of the domestic *Handling & other expenses*, and an upward adjustment for *Handling - Loading & Ancillary expenses and Bank Charges* relating to exports.

8.5 Cost of credit insurance

We noted this expense was determined by La Doria with reference to a percentage rate applicable to sales value, and that the percentage rate was the same for domestic and export sales. Accordingly, we do not consider it is necessary to adjust normal values because of the cost of credit insurance.

8.6 Other factors (export)

La Doria listed expenses described as "*Other factors*" which, at the visit, it described more specifically as payments to [REDACTED] for market research [REDACTED]. We consider that these expenses are likely to make up some part of the La Doria export prices to [REDACTED]. Rather than calculate separate normal values for [REDACTED] transactions, we considered it was appropriate to deduct such expenses from the export price so that all export prices were exclusive of the expenses for other factors (market research).

8.7 Specification differences

We do not consider it is necessary to adjust for specification differences. This is because the two approaches to normal values are as follows:

- normal value based on domestic sales for those export models where a directly comparable model was sold domestically in the ordinary course of trade in sufficient volumes – no adjustment necessary because of the directly comparable models; or
- normal value was constructed, based on the costs of production of the exported models, plus selling general and administration expenses, and profit, as if the sale

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had been made on the domestic market (refer section 269TAC(2)(c) of the Act) – no adjustment necessary because the cost of production was the exported model.

9 Normal Values

9.1 Normal value assessments

As discussed in section 6.6 of this report, La Doria sold certain directly comparable models of prepared or preserved tomato products on the domestic market in the ordinary course of trade. The table in that section of the report identifies those models, and it also identifies where sales in the ordinary course of trade were in sufficient volumes.

Where La Doria made domestic sales of directly comparable models (i.e. directly comparable to the exported goods), and those sales were in the ordinary course of trade and in sufficient volumes, we used the domestic selling prices as the basis of normal value in terms of section 269TAC(1) of the Act. We adjusted those domestic selling prices to ensure the normal values were properly comparable with export prices, which were expressed as EXW, cash (also excluding commissions and market research expenses). The adjustments, which were made in terms of section 269TAC(8) of the Act, were in relation to:

- domestic inland freight (negative adjustment)
- domestic credit (negative adjustment)
- domestic commissions (negative adjustment)
- handling and loading charges (negative adjustment for domestic charges and positive adjustment for export charges)

In relation to those models of prepared or preserved tomato products exported to Australia by La Doria where it did not make domestic sales of directly comparable models, and for the one model where there was an insufficient volume of domestic sales in the ordinary course of trade, we considered it was appropriate to construct normal values.

Normal values that were constructed were done so in accordance with section 269TAC(2)(c) of the Act, which provides that normal value is 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.

In relation to those models where normal value was constructed, we therefore used the verified La Doria unit costs of production for each model exported, and we added the verified selling, general and administration expenses calculated with reference to the domestic sales. In relation to profit, we calculated the net profit achieved by La Doria in relation to its domestic sales of all like goods that were sold in the ordinary course of trade in the investigation period.

We also ensured that the constructed normal values were inclusive of adjustments, made in accordance with section 269TAC(9) of the Act, to ensure proper comparison with export prices.

Normal value calculations based on domestic sales are at **confidential appendix 5**. Constructed normal value calculations are at **confidential appendix 6**.

9.2 Market situation

The Commission is also investigating whether the operation and administration of the European Union's Common Agricultural Policy and related programmes have distorted domestic prices of prepared or preserved tomatoes and the major raw material input (fresh tomatoes) used in the manufacture of the goods. If so, the Commission 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.

La Doria advised that it had not received any payments or support from any level of government in connection to the European Union's Common Agricultural Policy or related programmes. La Doria also advised that it was unaware of whether or how the tomato growers, which it stated were unrelated to La Doria, benefit from such a program.

We asked La Doria whether it had received any income or support from any level of government in the investigation period. La Doria confirmed that it had, and it provided details of the items that in aggregate made up its "other operating revenues". It explained that the only item pertaining to government payments was a payment provided for investment in property, plant and equipment. In relation to 2012, this payment represented approximately [REDACTED] % of its [REDACTED] revenues or, when compared to [REDACTED] revenue for 2012, this measured approximately [REDACTED] %.

The documents supporting the nature and amounts of La Doria's other operating revenues are at **confidential attachment DOM 8**.

We consider that the benefits attached to such a government payment would apply to a period of time in excess of the investigation period, and that such a period might relate to the useful life of the assets purchased. Therefore, having regard to the amount of the amortised benefit within the investigation period, we do not consider that the government payment is likely to have distorted La Doria's costs or prices of prepared or preserved tomatoes to a material degree.

Accordingly, we found no reason during the verification visit to consider that La Doria's domestic sales of prepared or preserved tomatoes are unsuitable for use as normal value by reason of any particular market situation.

10 Dumping margin

We compared the weighted average of export prices over the whole of the investigation period with the weighted average of corresponding normal values over the whole of that period and found that the goods exported to Australia were dumped at a margin of minus 0.5%.

The dumping margin calculations are at **confidential appendix 7**.

11 APPENDICES AND ATTACHMENTS

Confidential Appendix 1	Export Price calculations
Confidential Appendix 2	Cost to make and sell
Confidential Appendix 3	Ordinary course of trade and substantial quantities (20%) test
Confidential Appendix 4	Profit calculations
Confidential Appendix 5	Domestic sales normal value calculations
Confidential Appendix 6	Constructed normal value calculations
Confidential Appendix 7	Dumping margin calculations
Confidential Attachment GEN 1	La Doria product brochure
Confidential Attachment GEN 2	Rectified product technical specifications sheet
Confidential Attachment GEN 3	Domestic product technical specifications sheet
Confidential Attachment EXP 1	Bundles for 8 selected export sales
Confidential Attachment EXP 2	Bank charges
Confidential Attachment EXP 3	Cost of credit insurance policies
Confidential Attachment EXP 4	Invoice for [REDACTED] commissions for [REDACTED] sales
Confidential Attachment EXP 5	Invoices and calculations for [REDACTED] market research costs
Confidential Attachment CTMS 1	Income statements – management level
Confidential Attachment CTMS 2	Evidence of production volumes for selected domestic model [REDACTED]
Confidential Attachment CTMS 3	Tomato waste sales
Confidential Attachment CTMS 4	Costs of [REDACTED] and [REDACTED] production
Confidential Attachment CTMS 5	Cost of raw materials

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Confidential Attachment CTMS 6	Cost of transport for raw materials
Confidential Attachment CTMS 7	Cost of purchase reports for raw materials and transport plus price adjustments for raw materials
Confidential Attachment CTMS 8	Cost of can and tinplate purchase price
Confidential Attachment CTMS 9	Labour costs summary for [REDACTED] plant
Confidential Attachment CTMS 10	Cost of electricity supporting documents
Confidential Attachment CTMS 11	Cost of manufacturing overheads supporting documents
Confidential Attachment CTMS 12	Supporting documents for Eugea brite can purchases and treatment by La Doria
Confidential Attachment CTMS 13	Additional bill of materials for finished and semi-finished products
Confidential Attachment CTMS 14	Reports for SG&A costs
Confidential Attachment CTMS 15	Loading and handling charges contract
Confidential Attachment DOM 1	Summary of semi-finished and second choice products
Confidential Attachment DOM 2	La Doria product price list number 30
Confidential Attachment DOM 3	[REDACTED] supply contract
Confidential Attachment DOM 4	Bundles for 12 selected domestic sales
Confidential Attachment DOM 5	Supporting documents off-invoice discounts
Confidential Attachment DOM 6	Supporting documents domestic sales inland freight costs
Confidential Attachment DOM 7	Commission payments evidence
Confidential Attachment DOM 8	Other operating revenues evidence
Confidential attachment ADJ 1.	Short term borrowings interest rate evidence