



Australian Government  
Department of Industry,  
Science and Resources

Anti-Dumping  
Commission

## Australian industry verification report

### Verification and case details

<b>Initiation date</b>	4 August 2023	<b>ADN</b>	047
<b>Case number</b>	Investigation 628		
<b>The goods under consideration</b>	Pineapple Fruit (Food Service & Industrial, FSI)		
<b>Case type</b>	Dumping Investigation		
<b>Australian industry</b>	Golden Circle Limited		
<b>Location (1) – site visit</b>	260 Earnshaw Rd, Northgate QLD		
<b>Verification on</b>	18/10/2023		
<b>Location (2) – head office</b>	2 Southbank Blvd, Southbank VIC		
<b>Verification from</b>	25 October 2023	to	27 October 2023
<b>Verification from</b>	14 May 2024	to	15 May 2024
<b>Investigation period</b>	1 July 2022	to	30 June 2023

The Anti-Dumping Commission will review this report, including its views and recommendations.

This report may not reflect the Anti-Dumping Commission's final position.

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## Introduction

Golden Circle Limited (GCL) provided data to the Anti-Dumping Commission (the commission) in relation to dumping investigations:

- 627 (case 627) into Pineapple Fruit (Consumer) from the Republic of Indonesia (Indonesia)
- 628 (case 628) into Pineapple Fruit (Food Service & Industrial, FSI) from the Republic of Indonesia (Indonesia) and the Kingdom of Thailand (Thailand).

A verification team (the team) has verified if the data GCL submitted is complete, relevant and accurate for use in case 627 and 628. [Anti-Dumping Notice \(ADN\) 2016/30](#) describes the commission's verification procedure.

This report explains the team's key findings, including the evidence considered and material issues identified for case 628 only. Where GCL or the team materially revised the submitted data, this report outlines the nature, extent and outcomes of these revisions.

The commission prepared this report to publish on the electronic public record for case 628.

Verification teams are authorised to conduct verifications under sections 269SMG and 269SMR of the *Customs Act 1901* (Cth) (the Act).<sup>1</sup>

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<sup>1</sup> All legal citations in this report are to the Act unless otherwise stated.

## 1 Company background

### 1.1 Corporate structure and ownership

GCL began as a grower cooperative in the 1940s with the pineapple cannery commencing production in Northgate, Queensland (QLD) in 1947. Initially producing around 40,000 tonnes of canned pineapple annually, in addition to some canned fruit salad, tropical fruit chutneys and fruit juice cordials, the Northgate cannery now produces over 150,000 tonnes per year of canned pineapple, fruit juices and cordials.<sup>2</sup>

GCL was acquired in 2008 by what became Kraft Heinz Australia Pty Ltd (KHC).

GCL is a wholly owned subsidiary of H.J. Heinz Company Australia Limited (HJH). HJH is also a part of KHC.

GCL is one of many food and beverage brands sold by KHC in Australia and New Zealand (NZ).

### 1.2 Related parties

The team examined the relationships between GCL and parties involved in the production and sale of the goods.

#### 1.2.1 Related suppliers

The team found that GCL had an arms length relationship with its related suppliers.

GCL received shared services provided by KHC. The shared services include all head office functions performed by KHC. For example, the sales team, importing, human resources, legal, finance and corporate management.

Relevant staff from KHC participated in the verification. Shared services expenses incurred by KHC were allocated to GCL and calculated in GCL's selling and general administration expenses (SG&A). See chapter 8 of this report.

GCL did not purchase raw materials used in the manufacture/production of the goods from related parties.

GCL's suppliers of the goods imported from Indonesia and Thailand are not related to GCL.

#### 1.2.2 Related customers

The team found that:

- GCL's exports of the goods (both manufactured and imported) to related party Heinz Watties Pty Ltd in New Zealand (NZ) were arms length. See chapter 5.1 for the team's detailed assessment.
- GCL internally consumed the goods and sold the goods (both manufactured and imported) at its factory store located in Brisbane. The team does not consider these sales to be arms length and these have been excluded from the team's analysis of the economic condition of the Australian industry at chapter 10.

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<sup>2</sup> <https://www.goldencircle.com.au/our-story>

## 2 Like goods manufactured in Australia

### 2.1 Manufacturing in Australia

GCL is the sole Australian manufacture of FSI pineapple in Australia.

FSI pineapple is produced at GCL's factory in Brisbane. The team conducted a site visit and observed canned pineapple production.<sup>3</sup>

### 2.2 Model control codes

The sales and costs data GCL submitted complies with the preliminary model control code (MCC) structure detailed in ADN 2023/047 (the initiation notice).<sup>4</sup>

#### 2.2.1 Amendments to model control codes

The team has amended the preliminary MCC structure that was published in the initiation notice.

These changes were made after verifying importer and exporter data. The following changes were made to GCL's data.

#### Category 2 – Pineapple cut

The commission has changed MCC category 2 – 'Pineapple cut'. The change removes the distinction between 'tidbits', 'pieces' and 'pizza cut' to describe 'tidbits' only.

The terms 'tidbits', 'pieces' and 'pizza cut' are used interchangeably by exporters and their customers (in Australia and domestically). The interchangeable use of the terms was observed in product specification documents, brochures, purchase orders, contracts, and invoices (in the same transaction).

The information and evidence show that the pineapple cut size for either description is in the range of  $\frac{1}{14}$  to  $\frac{1}{16}$  of a pineapple slice. The other cut size dimensions such as the thickness and arc are either identical or have the same nominal measurements.

It is the commission's view that the cut size description 'tidbits', 'pieces' and 'pizza cut' is a term of art used by customers and manufacturers and not a description of a particular physical characteristic that influences price.

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<sup>3</sup> On the day of the site visit, pineapple in containers less than 1L were produced.

<sup>4</sup> EPR 628 – [document 3](#)

### Category 3 – Container type

Additional container types have been included in MCC category 3 – ‘Container type’.

Exporters sell like goods in tin cans, but also use the following container types:

- pouch – also identified by GCL
- aseptic bag (packaged in a carton)
- aseptic bag (packaged in a drum)

#### 2.2.2 Revised MCC structure

Category	Sub-category	Identifier	Sales data	Cost data
<b>Quality</b>	Prime	P	Mandatory	NA
	Non-prime (e.g. damaged can)	N		
<b>Pineapple cut</b>	Chunks	CH	Mandatory	Mandatory
	Crushed	CR		
	Tidbits (incl. pieces and pizza cut)	TB		
	Sliced	SL		
	Thin sliced	TS		
<b>Container type</b>	Tin can	T	Mandatory	Mandatory
	Pouch	P		
	Aseptic bag (in a carton)	AB		
	Aseptic bag (in a drum)	ABD		
<b>Container size</b>	Provide container size in net weight (grams)	e.g. ‘1250’	Mandatory	Mandatory
<b>Packing medium</b>	Light syrup	LS	Mandatory	Mandatory
	Heavy syrup	HS		
	Natural juice (sweetened)	NJS		
	Natural juice (unsweetened)	NJU		

**Table 1: Revised MCC structure**

### 2.3 Verification of model control codes

Table 2 below provides detail on the model control code (MCC) sub-categories were determined and verified to source documents.

Category	Determination of the sub-category
<b>Quality</b>	<p>For preserved pineapple, the verification team considers that:</p> <ul style="list-style-type: none"> <li>• Prime goods have physical characteristics that satisfy commercial customer requirements and price (agreed/contracted) and can be on-sold to downstream customers via distributors. These products have no dents, rust and no torn labels on cans. Additionally, the cans have the maximum possible shelf-life to allow for distribution and warehousing in Australia and shelf-life for the downstream customer.</li> <li>• Non-prime goods are not the same as expired or unsafe goods. Non-prime goods are goods that do not satisfy quality and price requirements that are necessary for customers purchasing prime products. Non-prime products can be safe to eat but can have physical damage and be close to the 'best before' date.</li> </ul> <p>GCL categorise slow moving or obsolete (SLOB) goods in its sales system and data. This category represents sales of non-prime goods.</p> <p>All other sales are considered prime goods.</p>
<b>Pineapple cut</b>	Described on the commercial invoice in the product description.
<b>Container type</b>	Described on the commercial invoice in the product description.
<b>Container size</b>	Described on the commercial invoice in the product description.
<b>Packing medium</b>	Described on the commercial invoice in the product description.

**Table 2: MCC sub-category determination**

## 2.4 Like goods

Like goods are defined under section 269T(1) of the Act as:

goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

The team considers that FSI pineapple manufactured by GCL are identical to, or have characteristics closely resembling, the goods exported to Australia, as:

- **Physical likeness:** GCL's manufactured goods have similar physical likeness.
- **Production likeness:** GCL produced the goods using similar raw material inputs, packaging, and production processes.
- **Commercial likeness:** GCL's manufactured goods compete in similar Australian market segments and have similar customers to the goods exported to Australia. GCL's manufactured goods and the exported goods are interchangeable.
- **Functional likeness:** all goods are functionally alike, as they have similar end uses.

## 2.5 List of all model control codes

Table 3 lists the like goods MCCs that GCL produced, imported, and sold during the investigation period.



Source	Australian sale MCC	Cost MCC
Manufactured	P-TH-T-3200-HS	TH-T-3200-HS
Import	P-CH-T-3000-LS	-
	P-CR-T-3000-HS	
	P-CR-T-3000-NJU	
	P-SL-T-3000-LS	
	P-SL-T-3000-NJU	
	P-TB-P-1500-NJU	
	P-TB-T-3000-LS	
	P-TB-T-3000-NJU	

**Table 3: List of MCCs sold during investigation period**

## **2.6 Like goods assessment**

The team is satisfied that:

- FSI pineapple produced by GCL are like to the goods<sup>5</sup>
- at least one substantial process of manufacture of FSI pineapple is carried out in Australia<sup>6</sup>
- the like goods were, therefore, wholly or partly manufactured in Australia by GCL<sup>7</sup>
- there is an Australian industry, consisting solely of GCL, which produce like goods in Australia.<sup>8</sup>

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<sup>5</sup> Section 269T(1) (definition of 'like goods').

<sup>6</sup> Section 269T(3).

<sup>7</sup> Section 269T(2).

<sup>8</sup> Section 269T(4).

## 3 Australian market

### 3.1 Australian market background

There were no anti-dumping measures in operation for FSI pineapple in the investigation period.

GCL is the sole Australian manufacturer of FSI pineapple. Its manufactured goods are branded *Golden Circle Australian Pineapple*.

GCL is also an importer of FSI pineapple from Indonesia and Thailand. GCL's imported goods are branded *Golden Circle Tropical Pineapple*.

The Australian market is supplied with FSI pineapple by GCL (as manufacturer and importer) and other importers. The goods are exported to Australia from:

- Indonesia by PT. Great Giant Pineapple (GGP)
- Thailand by Kuibuir Fruit Canning Co., Ltd (KFC), Dole Thailand Limited (DTL) Prime Products Industry Co., Ltd (PPI), Siam Food (2513) Company Limited, and others
- Exporters from other countries

Most Australian importers of FSI pineapple are distributors or wholesalers. Australian distributors import large volumes of the goods and other products. The imported FSI pineapple can be branded with the importer's private label brand.

The larger Australian importers can have relationships with intermediary traders who source the goods and negotiate price with multiple exporters from multiple countries.

Importers also purchase the goods and other products from GCL.

The goods are substitutable and can be sourced from multiple suppliers. Price is an important consideration when considering a supplier.

### 3.2 Australian market structure

#### 3.2.1 Market segmentation and end uses

GCL primarily sells the goods to the Australian importer-distributors and other distributor wholesalers in Australia. The other distributor-wholesalers also buy FSI pineapple from importer-distributors.

GCL also sell to downstream end-users.

These downstream Australian end-users operate in market segments that can be described as:

**Captive food service** – the goods are purchased as an ingredient in meal preparation for consumption by residents of the same facility. The meal is part of a package or service offering. e.g. aged care facilities, hospitals, schools, or Australian Defence Force (ADF) post locations.

**Commercial food service** – the goods are purchased as an ingredient in meal/food preparation for direct consumption by customers, for a fee.

e.g. cafes, restaurants, Quick Service Restaurants (QSRs), shop front bakeries.

**Commercial industrial** – the goods are purchased as an ingredient in the manufacture of a packaged food product that is sold via retailers or to the captive and commercial food service sectors for consumption.

e.g. manufacturers of frozen pizza and readymade meals, meal-kit subscription providers or supermarket bakery goods.

**Retail** – physical shop front or online sales of the goods direct to end users (either individuals or the above other market segments).

e.g. Amazon.

### **3.2.2 Supply and demand**

GCL has documented price lists with its customers. Prices are negotiated annually for supply of GCL manufactured and imported FSI pineapple.

Price negotiations between GCL and its customers will consider GCL's cost of production and GCL's modelling that uses independent subscription data for trends in global cost inputs for the goods.

GCL's negotiations are also influenced by the downstream market. GCL's customers are also intermediaries in the supply chain, and they also consider the price they can sell at in the downstream market.

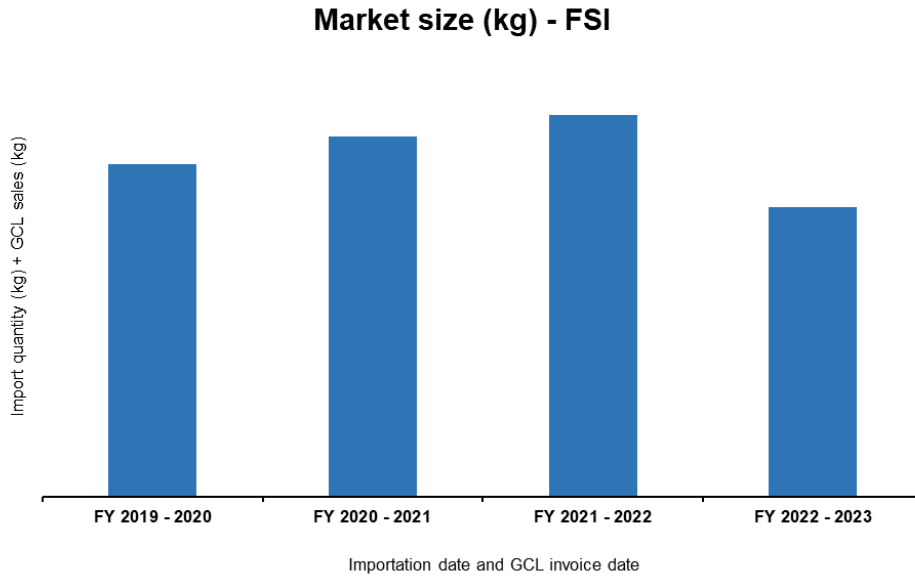
GCL's goods compete with imported substitutable goods that are also purchased and sold by GCL's customers. Price is an important factor that can affect sales with GCL's direct and indirect customers, and implementing price increases can affect GCL's competitiveness in the market.

GCL does not have volume commitments with its customers.

## **3.3 Australian market size**

The verification team has estimated the size of the Australian market between July 2019 to June 2023.

The size of the Australian market for FSI pineapple has declined over the injury analysis period.



**Figure 1: Australian market size (July 2019 – June 2023) – FSI**

Market size index (kg)	Jul19 - Jun20	Jul20 - Jun21	Jul21 - Jun22	Jul22 - Jun23
<b>All sellers</b>	100	108	115	87

**Table 4: Market size index – FSI (kg) – injury analysis periods**

The estimated size of the Australian market has been compiled using data from the Australian Border Force (ABF) import database and GCL’s sales data (of manufactured goods).

## 4 Verification of sales completeness and relevance

The commission typically verifies sales as complete and relevant by reconciling the revenue and quantity in sales listings up to management accounts and then audited financial accounts. ADN 2016/30 further describes this verification process.

The team verified whether the sales listings GCL submitted are complete and relevant by reconciling them to the audited financial statements, consistent with ADN 2016/30.

The team verified the relevance and completeness of the sales data. This was done by reconciling the following source of data and information:

- KHC total net sales revenue - recorded in profit and loss (P&L) management reports to 2022 consolidated accounts – all subsidiaries, categories and products.
- KHC umbrella category for GCL products total net sales revenue - recorded in P&L management reports to 2022 consolidated accounts.
- KHC umbrella category for GCL products - total net sales revenue for 2022 consolidated accounts to investigation period net revenue recorded in P&L management reports.
- GCL total net sales revenue - for the investigation period to KHC umbrella category for GCL products for the investigation period recorded in P&L management reports and the audited financial statement.
- GCL total net sales revenue of the goods and non-goods - recorded in P&L management reports for the investigation period to sales of the goods recorded in recorded in P&L management reports for the investigation period.
- GCL total net sales revenue of the goods (by size and whether self-produced or imported) – recorded in sales and customer ledgers to the recorded in P&L management reports for the investigation period.

The team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

### 4.1 Sales completeness and relevance exceptions

#### Exception 1: Incomplete sales data – consumer and FSI

**Description** The original sales dataset supplied by GCL excluded transactions (for example, sales to related parties, sales claims and refunds, rebates). The net revenue from sales of the goods in the original sales list did not reconcile with management reports, system data and KHC's consolidated audited financial statement.

The error affected the sales for the investigation period and the injury analysis periods from July 2019.

**Resolution:** GCL provided revised sales data that did not exclude transactions. This data was verified for the investigation period, and it reconciled with management reports, system data and KHC's consolidated audited financial statement.

**Exception 2: Net weight of sales calculation error – consumer and FSI**

**Description:** GCL incorrectly calculated the net weight (kg) of sales transactions.

The error affected the sales for the investigation period and the injury analysis periods from July 2019.

**Resolution:** The verification team calculated the net weight of sales using the formula:

number of containers per case x number of cases per transaction x net weight of each container (kg)

The net weight (kg) verified with the weight recorded as tonnes in GCL's system data. The verification team changed the weight heading in the data to describe explicitly "Net tonnes".

## **4.2 Import sales by company**

GCL imported consumer and FSI pineapple from Indonesia and Thailand during the investigation period.

Sales of imported goods and GCL manufactured goods were identifiable in GCL's sales data. The team verified sales of imported goods during this verification step.

## **4.3 Export sales by company**

GCL exported consumer and FSI pineapple to affiliate subsidiaries and unrelated customers during the investigation period. Exports of consumer and FSI pineapple comprised goods that were imported and goods that were manufactured by GCL.

Sales of Australian market and export goods were identifiable in GCL's sales data. The team verified sales of exported goods during this verification step.

## **4.4 Sales completeness and relevance finding**

The team is satisfied that the sales data GCL submitted is complete and relevant, including any revision outlined in an exception above.

## 5 Verification of sales accuracy

The commission typically verifies sales as accurate by reconciling a selection of volume, revenue and other key data in the sales listings down to source documents. ADN 2016/30 further describes this verification process.

The team verified whether the domestic sales listing GCL submitted was accurate by reconciling the data to source documents, consistent with ADN 2016/30.

The team did not identify any issues. The team detailed this process in the verification work program and its relevant attachments in **Confidential attachment 1**.

### 5.1 Related party customers

The team observed that GCL sold FSI pineapple to related customers.

For exports to Heinz Wattie's (NZ) GCL provided its transfer price policy (including assumptions and method for price setting) that is independently audited.

The team considers that transactions between GCL and Heinz Wattie's (NZ) are arms length transactions. However, these transactions are not included in the economic condition of the Australian industry because they are export transactions.

GCL's sales to the factory store and the goods that were internally consumed are not arms length and have been excluded from the assessment of the economic condition of the Australian industry.

### 5.2 Sales accuracy finding

The team is satisfied that the sales data GCL submitted is accurate. Details of this verification process are contained in the verification work program and its relevant attachments at **Confidential attachment 1**.

Accordingly, the team considers GCL's sales data suitable for analysing the economic performance of its FSI operations from 1 July 2022 to 30 Jun 2023.

## 6 Verification of imports and cost to import and sell

### 6.1 Verification of cost to import and sell

Prior to the verification, the commission selected 11 shipments of FSI pineapple for GCL to complete the cost to import and sell (CTIS) spreadsheet of the importer questionnaire.

For each of the selected shipments, GCL provided the following source documents:

- commercial invoice from GCL's suppliers in Indonesia and Thailand
- packing list
- phytosanitary certificate
- certificate of analysis
- certificate of origin
- bill of lading
- ocean freight invoice
- marine insurance policy
- import declaration notice
- port and handling invoices
- inland freight invoice (from Australian port to Northgate)

The commission typically verifies cost to import and sell (CTIS) as complete and relevant by reconciling the total cost to import and the SG&A expenses in cost listings up to management accounts and then audited financial accounts. ADN 2016/30 further describes this verification process.

The team verified whether the CTIS GCL submitted are complete and relevant by reconciling it to audited financial statements, consistent with ADN 2016/30.

The team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

### 6.2 Exceptions during verification of CTIS

#### Exception 3: Invoice value conversion error

**Description:** The CTIS listing requires the value of the invoice is entered. If the invoice currency is not in AUD, an additional step is required to convert the invoice value to AUD. For 3 samples, GCL incorrectly recorded the USD invoice currency instead of converting the value to AUD.

**Resolution:** The verification team converted the invoice value to AUD using the verified foreign exchange conversion factor provided by GCL. The AUD invoice value matched source customs documents provided.

#### Exception 4: Inland transport expense from Australian port to GCL's warehouse not recorded

**Description:** GCL did not record the amount for inland transport from the Australian port to its warehouse in the CTIS listing.

**Resolution:** The verification team identified the amounts for inland transport on the invoices provided by GCL's customs broker. The amounts were entered into the CTIS listing.



**Exception 5: Ocean freight costs incorrectly recorded**

**Description:** GCL did not record port and handling charges in the CTIS listing.

**Resolution:** The verification team identified the amounts for port and handling on the sample invoices provided by GCL’s customs broker. The amounts were entered into the CTIS listing.

**Exception 6: Allocation of Marine Insurance expense**

**Description:** GCL did not record an amount for marine insurance in the CTIS listing.

**Resolution:** GCL provided:

- the KHC marine insurance policy that listed the premium paid covered all imports, including the goods.
- allocation of marine insurance costs based on the value portion of pineapple imports to all imports.

The verification team found no issues with GCL’s allocation methodology and values. The percentage allocation was then applied to the net invoice value of the goods in the CTIS listing to calculate an amount of marine insurance.

### 6.3 CTIS allocation method

Table 5 outlines how the team allocated each CTIS component.

Cost Area	Method applied
<b>Ocean freight</b>	Actual cost. No allocation – not a mixed shipment.
<b>Marine insurance</b>	Total premium x % value of FSI imports (to all imports). No allocation – not a mixed shipment.
<b>Customs fees</b>	Actual fee. No allocation – not a mixed shipment.
<b>Port service charges</b>	Actual charge. No allocation – not a mixed shipment.
<b>Delivery – from port to Northgate</b>	Actual fee. No allocation – not a mixed shipment.
<b>SG&amp;A</b>	SG&A percentage calculated at chapter 8 – applied to net revenue (AUD)

**Table 5: CTIS allocation method**

### 6.4 CTIS verification finding

The team is satisfied that the CTIS provided by GCL, including any required amendments as outlined in the exception descriptions above, is accurate.

A table detailing the weighted average unit CTIS is at **Confidential appendix 1**.

## 7 Export price

### 7.1 The importer

The team considers GCL to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as GCL:

- was named on the commercial invoice from its supplier
- was named as the consignee on the bill of lading
- was declared as the importer on the importation declaration to ABF
- paid for all the importation charges
- arranged delivery from the port.

### 7.2 The exporter

GCL stated that it imported the goods to Australia. The team considers that the exporters from Thailand and Indonesia are exporters of the goods, as each exporter was named:

- on the commercial invoice and packing lists
- named as consignor on the bill of lading.<sup>9</sup>

### 7.3 Profitability of imports

The team assessed the profitability for the following selected shipments by comparing the revenue to the CTIS for each shipment. The team could not trace each selected shipment to GCL's actual sales transactions. To assess the profitability of each shipment, the team has used GCL's quarterly weighted average Australian sales revenue for imported products per model and manufacturer.

The outcome of this assessment is in Table 6 below.

Shipment	Profitable (Y/N?)	Shipment	Profitable (Y/N?)
1	N	6	Y
2	N	7	Not assessed – no sales of MCC
3	N	8	N
4	N	9	N
5	Not assessed – no sales of MCC	10	N
<b>Weighted average all shipments</b>		<b>Not profitable</b>	

**Table 6: Profitability of selected imports**

The team conducted further analysis to assess whether GCL could recover the losses within a reasonable time, being 12 months. After having regard to the price paid by the importer, and other

<sup>9</sup> The commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

related importation and selling costs, the team found that it is unlikely that GCL will be able to recover these costs within a reasonable period of time.

The assessment is at **Confidential appendix 1**.

## **7.4 Related party suppliers**

The team did not find any evidence that GCL is related to its supplier of the goods exported from Indonesia and Thailand during the investigation period.

## **7.5 Arms length**

The team found that GCL sold the goods at a loss. However, in respect of imports of the goods to Australia by GCL during the investigation period, the team found no evidence that:

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

Therefore, subject to further inquiries, the team is satisfied that the imports between GCL and its suppliers are arms length transactions.

## **7.6 Export price assessment**

The team is of the opinion that for the goods imported by GCL:

- the goods have been exported to Australia otherwise than by the importer
- the goods have been purchased by the importer from the exporter(s)
- the purchases of the goods by the importer were arms length transactions.

The team recommends that the export price for the goods imported by GCL can be established under section 269TAB(1)(a) of the Act, using the invoiced price, less transport and other costs arising after exportation.

## 8 Verification of CTMS completeness and relevance

The commission typically verifies cost to make and sell (CTMS) as complete and relevant by reconciling the total cost to make (CTM) and SG&A expenses in cost listings up to management accounts and then audited financial accounts. ADN 2016/30 further describes this verification process.

The team verified whether the CTM and SG&A listings GCL submitted are complete and relevant by reconciling it to audited financial statements, consistent with ADN 2016/30.

The team verified the following information to calculate a cost to make as follows:

1. KHC total COGS for the 2022 financial year - recorded in financial system to 2022 consolidated audited accounts – all subsidiaries, categories and products.
2. GCL total COGS for the 2022 financial year (all categories and products) – recorded in the same financial system (that was reconciled to the consolidated audited accounts).
3. KHC total COGS for the investigation period - recorded in the financial system to 2022 consolidated audited accounts – all subsidiaries, categories and products.
4. GCL total COGS for the investigation period (all categories and products) – recorded in the same financial system (that was reconciled to the consolidated audited accounts).
5. GCL direct COGS for the investigation period – recorded in the trial balance and reconciled to the financial system cube.
6. GCL COGS for the investigation period by product category relevant to the goods – recorded in the trial balance and reconciled to the financial system.
7. GCL COGS for the investigation period for canned pineapple (consumer and FSI) – recorded in the trial balance and reconciled to the financial system.

The team also verified GCL's inventory ledgers (opening and closing balance) for Work In Progress (WIP)/brite cans and finished goods (packaged cans).

The team verified the relevance and completeness of the SG&A data as follows:

1. The consolidated 2022 audited financial statement for KHC was verified to the KHC TB for the 2022 financial year.
2. The amount for GCL in the 2022 financial year was verified to the KHC consolidated P&L.
3. The 2022 financial year SG&A amount for GCL was reconciled with the investigation period SG&A for GCL using data from KHC's finance systems.

The team identified the issues outlined below during this process. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential attachment 1**.

## 8.1 Exceptions during verification of completeness and relevance of CTMS data

### Exception 7: Cost to Make data (including a revision) is unreliable

**Description:** The CTM data submitted by GCL (in the response to the Australian industry questionnaire (RAQ) and the data revision during the verification) is unreliable.

The verification team assisted GCL to complete the upwards cost reconciliation. A total CTM for FSI pineapple was calculated using the verified COGS and the change in finished goods inventory (as well as semi-finished/WIP goods inventory).

GCL's data had sufficient detail to allow the team to calculate a CTM per MCC for the investigation period. GCL submitted data for the injury analysis periods and this data was also sufficient to calculate a total CTM per MCC for these periods.

The verification team is satisfied that the total CTM calculated for the investigation period (per MCC) is complete and relevant. However, the team found a material variance between the total CTM calculated for the investigation period and the CTM data submitted by GCL in the RAQ. This means that the CTM GCL provided in the RAQ is not reliable.

**Resolution:** The verification team did not verify GCL's CTM data (the RAQ version or the data revision) 'downwards' to source documents and cannot conclude that the CTM is accurate.

The total CTM calculated for the investigation period (and injury analysis periods) will be used where possible for assessing the economic condition of the Australian industry. The verification team notes there will be limitations to subsequent analysis.

### Exception 8: SG&A

**Description:** GCL excluded SG&A expenses for shared services performed by KHC on behalf of GCL.

**Resolution:** GCL allocated an SG&A amount for shared services to the SG&A calculation. The verification team worked with GCL to perform this allocation and the methodology used was reasonable.

## 8.2 CTMS completeness and relevance finding

The team is not satisfied that the CTM data submitted by GCL is complete and relevant. The CTM data (including data revisions) is considered unreliable. The total CTM calculation performed by the team is considered complete and relevant.

The team is satisfied that the SG&A data provided by GCL, including any required amendments as outlined in the exception table above, is complete and relevant.

## 9 Verification of cost to make and sell accuracy

The commission typically verifies CTMS as accurate by reconciling a selection of volume, cost and other key data in the CTM and SG&A listings down to source documents. ADN 2016/30 further describes this verification process.

Due to time constraints, the team did not verify whether the SG&A listing GCL submitted is accurate by reconciling to source documents. However, some satisfaction on the accuracy of GCL's records was obtained by the team via the upwards SG&A verification, and other verification steps.

As detailed in section 8, the team found that GCL's CTM listing was unreliable. Accordingly, the team did not verify whether the CTM listing GCL submitted is accurate.

The team detailed this process in the verification work program and its relevant attachments in **Confidential Attachment 1**.

### 9.1 Cost to make and sell accuracy finding

The team is satisfied that the SG&A listing submitted by GCL is accurate and reasonably reflects the costs associated with the manufacture and sale of the goods.

The team is not satisfied that the CTM data submitted by GCL is accurate and reasonably reflects the costs associated with the manufacture of the goods.

## 10 Economic condition

### 10.1 Applicant’s injury claims and preliminary findings

GCL claimed in its application<sup>10</sup> that injury to the Australian industry for FSI pineapple started in 2017 to 2018. The specific forms of injury claimed are summarised in Table 7.

The verification team has also provided its preliminary finding of the injury identified. This is also in Table 7.

Economic condition - injury factor	GCL claim	Preliminary finding	Assessment period
Loss of sales volume	✓ Injury claimed	✓ Injury identified	FY 2019 - 2023
Reduced market share	✓ Injury claimed	✓ Injury identified	FY 2019 - 2023
Price depression	✗ No claim of injury	✗ No injury identified	FY 2019 - 2023
Price suppression	✓ Injury claimed	✗ No injury identified	FY 2019 - 2023
Loss of profit	✓ Injury claimed	✗ No injury identified	FY 2019 - 2023
Reduced profitability	✓ Injury claimed	✗ No injury identified	FY 2019 - 2023
Assets & capital investment	✗ No claim of injury	✗ No injury identified	CY 2019 - 2023
Research & Development	✗ No claim of injury	✗ No injury identified	CY 2019 - 2023
Revenue	✓ Injury claimed	✓ Injury identified	FY 2019 - 2023
Return on investment	✓ Injury claimed	✗ No injury identified	CY 2019 - 2023
Capacity	✗ No claim of injury	✗ No injury identified	CY 2019 - 2023
Capacity utilisation	✓ Injury claimed	✗ No injury identified	CY 2019 - 2023
Stocks & inventories	✗ No claim of injury	✓ Injury identified	FY 2019 – 2023 CY 2019 - 2023
Cashflow	✗ No claim of injury	✓ Injury identified	FY 2019 - 2023
Employment	✓ Injury claimed	✗ No injury identified	CY 2019 - 2023
Wages	✗ No claim of injury	✗ No injury identified	CY 2019 - 2023
Productivity	✗ No claim of injury	✗ No injury identified	CY 2019 - 2023

Table 7: Summary of GCL claimed injury and preliminary findings

### 10.2 Approach to injury analysis

The analysis detailed in this chapter is based on:

- verified financial information submitted by GCL
- unverified information submitted by GCL
- data from the ABF import database.

<sup>10</sup> EPR 628 – [document 1](#)

The use of GCL’s unverified data will limit the probity of the team’s analysis and findings, but the team preferred to use the submitted data by GCL rather than exclude assessment of an injury factor.

As noted in section 1.2.2 and 5.1, the commission has excluded GCL’s internal sales to the factory store and products that were internally consumed.

The team has assessed the economic condition of the Australian industry on an annual basis. The assessment periods are either on a financial year basis (FY) that align with the injury analysis periods or calendar year (CY) basis. The different assessment periods are based on the format of the data submitted by GCL.

The team has summarised the assessment period for each injury factor at Table 7 and stated the assessment period with the analysis of each injury factor below.

This preliminary assessment is at **Confidential appendix 3**.

### 10.3 Volume effects

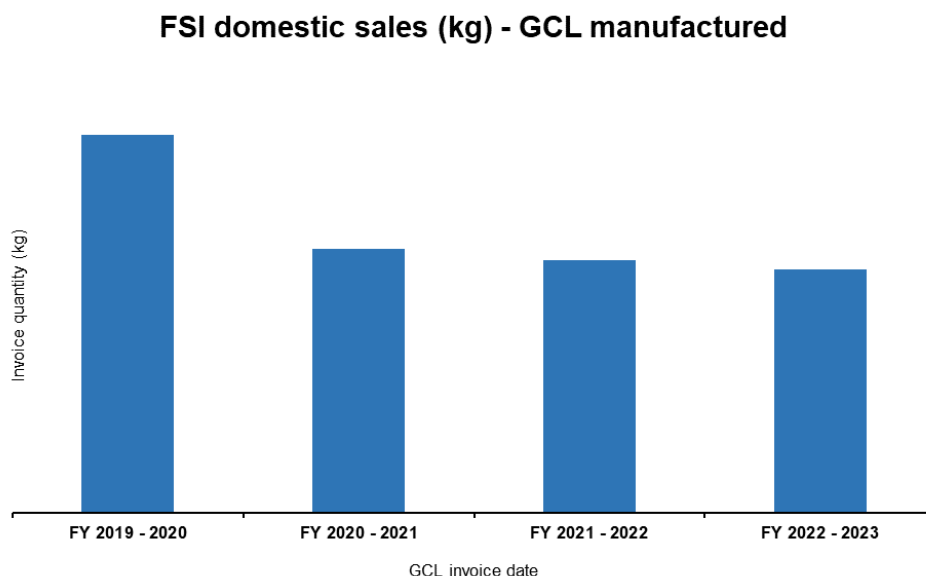
#### 10.3.1 Sales volume

There was injury identified for loss of sales volume.

GCL claimed injury for this economic factor, using CY 2018 as the base year for assessing changes in sales volume over time.

The verification team’s analysis shows that GCL’s sales volume (kg) of manufactured FSI pineapple has declined by approximately 36% between the start and end of the injury analysis periods. The largest decrease occurred after FY 2019–2020 when GCL’s sales volume declined by approximately 30% and sales continued to decline by approximately 3% in each subsequent FY period.

Details of the team’s analysis is at Figure 2 and Table 8.



**Figure 2: GCL’s domestic sales of FSI (July 2019 – Jun 2023) – invoice quantity (kg)**



Sales volume index (kg)	Jul19 - Jun20	Jul20 - Jun21	Jul21 - Jun22	Jul22 - Jun23
Invoice quantity (domestic)	100	70	67	64

**Table 8: Domestic sales quantity index – FSI – GCL manufactured (injury analysis periods)**

Based on this analysis, the team considers that GCL has experienced injury in the form of loss of sales volume during the investigation period.

### **10.3.2 Market share**

There was injury identified for market share.

GCL claimed injury for this economic factor.

The team’s analysis of Australian market share for FSI pineapple is at Figure 3. The analysis uses the financial year periods that align with the injury analysis periods.

The size of the Australian market for FSI pineapple (see Figure 1 at section 3.3) declined in the investigation period compared with the preceding 3-year injury periods.

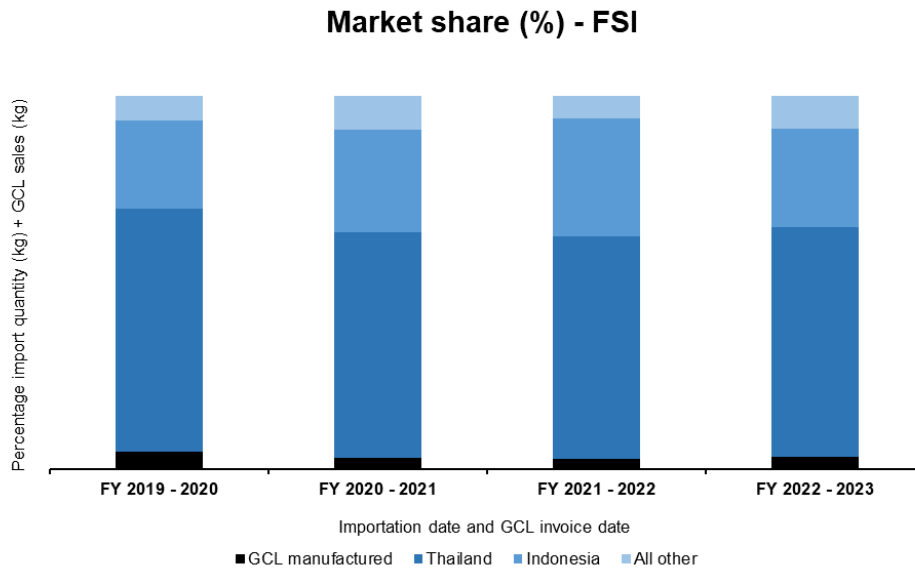
Both GCL and imports from Thailand:

- have a lower market share in the investigation period compared to the start of the injury analysis period in FY 2019–2020.
- increased market share in the investigation period compared to the period in FY 2021–2022.

Conversely, imports from Indonesia have an increased market share in the investigation period compared to the start of the injury analysis period in FY 2019–2020 but declined from the prior period in FY 2021–2022.

Imports from other countries have also increased market share in the investigation period compared to the start of the injury analysis period in FY 2019–2020 but also increased from the prior period in FY 2021–2022.

Of the four source groups analysed (Australian industry/GCL, Thailand, Indonesia and All other), GCL has consistently held the smallest market share in Australia.



**Figure 3: Australian market share - FSI (July 2019 – Jun 2023)**

Based on this analysis, the team considers that GCL has experienced injury in the form of reduced market share during the investigation period.

### 10.4 Price effects

There was no injury identified for price depression or price suppression.

GCL claimed injury for price suppression but did not claim injury for price depression.

Price depression occurs when a company, for some reason, lowers its prices. Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs.

The team’s analysis of price effects for FSI pineapple is at Figure 4 and Table 9. The analysis uses the financial year periods that align with the injury analysis periods.

As noted at section 10.2, the team has used GCL’s unverified production quantity data to calculate unit CTMS (AUD/kg).

As detailed in section 8, the team calculated an annual CTM for each year in the injury analysis period. This calculation demonstrated that GCL did not manufacture FSI pineapple in the FY 2019–2020. Instead, GCL sold its manufactured FSI pineapple from inventory. This is the reason for a price (AUD/kg), but not a unit CTMS (AUD/kg) for FSI pineapple in FY 2019–2020 analysis below.

GCL’s price in this analysis is net of discounts and rebates.

The team observes that GCL’s:

- prices have increased in each year of the injury and investigation periods.
- unit CTMS increased between FYs 2020–2022 but declined in the investigation period FY 2022 – 2023.

Between FYs 2020–2022, unit CTMS and price increased at approximately the same rate, with unit CTMS declining at a greater rate than GCL’s price increase in the investigation period.

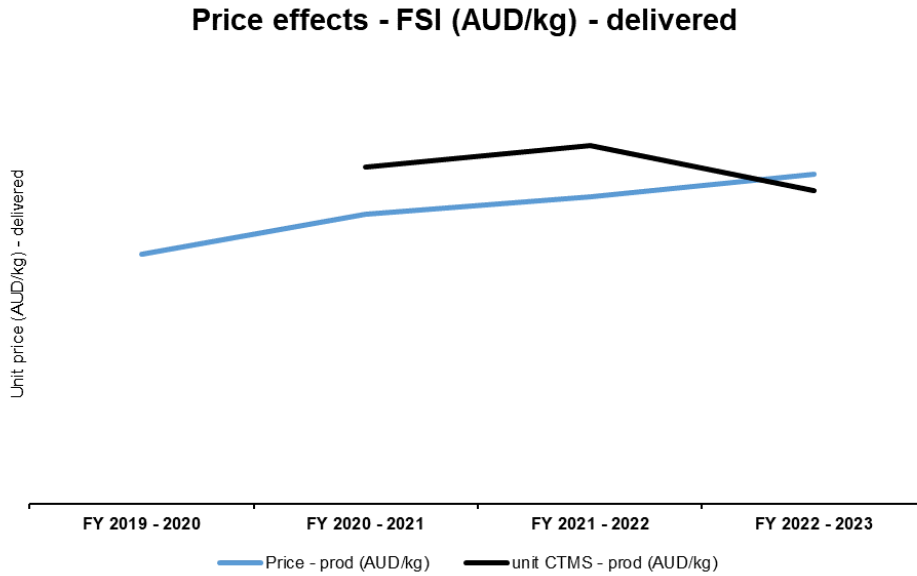


Figure 4: Price effects – FSI (July 2019 – June 2023)

Price effects index (AUD/kg) - delivered	Jul19 - Jun20	Jul20 - Jun21	Jul21 - Jun22	Jul22 - Jun23
Price	100	116	123	132
unit CTMS		100	106	93

Table 9: Price effects index (FSI) – injury & investigation periods

Based on this analysis, the team considers that GCL has not experienced injury in the form of price suppression and/or price depression during the investigation period.

## 10.5 Profit and profitability

There was no injury identified for profit and profitability.

GCL claimed injury for both economic factors.

The team’s analysis of profit and profitability effects for FSI pineapple is at Figure 5. The analysis uses the financial year periods that align with the injury analysis periods.

The team has not used unit profit (AUD/kg) in this analysis and notes that this will limit the probity of the team’s findings. GCL may have produced more than it sold in each period, inaccurately decreasing the profit and profitability calculations. It is also worth noting that even if the team used GCL’s unverified production quantity in these calculations, the result appears the same as Figure 5.

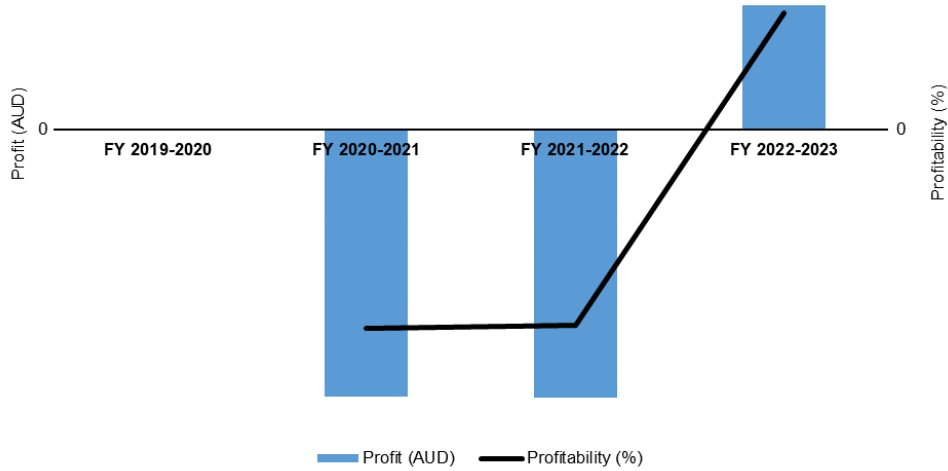
As noted in section 10.4, GCL did not manufacture FSI pineapple in FY 2019–2020. GCL sold its manufactured FSI pineapple from inventory. Accordingly, there is no profit or profitability data for FSI pineapple in FY 2019–2020.

The team observes from the analysis that GCL’s FSI pineapple business returned to profitability in the investigation period, having been unprofitable since FY 2020-2021.

It appears that the improvement in profit and profitability in the investigation period is driven by the higher prices and lower total CTMS (which could be the result of lower input costs or lower

production quantity), rather than higher prices alone, noting that GCL sold less FSI pineapple in the investigation period.

**FSI profit (AUD) & profitability (%) - GCL manufactured**



**Figure 5: Profit & profitability - FSI (July 2019 – Jun 2023)**

Based on this analysis, the team considers that GCL has not experienced injury in the form of loss of profits and reduced profitability during the investigation period.

## 10.6 Other economic factors

### 10.6.1 Assets and capital investment

There was no injury identified for assets and capital investment.

GCL did not claim injury for these economic factors.

The team’s analysis of assets and capital investment for FSI pineapple is Table 10. The analysis uses CY periods.

These economic factors were assessed using all canned pineapple production (consumer and FSI). The verification team found that GCL continued to invest in pineapple production assets which grew the asset value each calendar year.

Assets and capital investment were assessed on a calendar year basis to align with GCL’s financial year reporting of assets (in assets registers) and capital expenditure (capex) projects.

Assets & capex index (AUD)	CY 2019	CY 2020	CY 2021	CY 2022
Original cost (consumer & FSI)	100	110	124	132
Capex projects (consumer & FSI)	100	29	115	28

**Table 10: Assets & capex index – calendar year**

### 10.6.2 Research and Development (R&D)

There was no injury identified for R&D.

GCL did not claim injury for this economic factor and did not submit relevant information for verification.

**10.6.3 Revenue**

There was injury identified for revenue.

GCL claimed injury for this economic factor.

The analysis uses the financial year periods that align with the injury analysis periods.

Table 11 shows that GCL received approximately 14% less revenue for FSI pineapple in the investigation period than it did at the start of the injury analysis period.

Net revenue index (AUD)	Jul19 - Jun20	Jul20 - Jun21	Jul21 - Jun22	Jul22 - Jun23
<b>FSI production</b>	100	82	84	86

**Table 11: Revenue index (FSI) – injury & investigation periods**

**10.6.4 Return on investment (ROI)**

There was no injury identified for ROI.

GCL did not claim injury for this economic factor.

The verification team amended the approach used by GCL in its application and calculated ROI using the following formula:

$$Return\ on\ investment = \frac{Contribution\ margin\ of\ production\ (AUD)}{GCL\ asset\ value - all\ production\ (AUD)}$$

Where:

- the contribution margin of production is net revenue minus COGS
- GCL asset value includes capital investment.

ROI was assessed on a calendar year basis (at Table 12) to align with GCL’s financial year reporting of assets.

ROI index (AUD)	CY 2019	CY 2020	CY 2021	CY 2022
<b>FSI production</b>	0	100	146	191

**Table 12: ROI index (FSI) – calendar year periods**

**10.6.5 Capacity**

There was no injury identified for capacity.

GCL did not claim injury for this economic factor.

**10.6.6 Capacity utilisation**

There was no injury identified for capacity utilisation.

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GCL claimed injury for this economic factor, using CY 2017 as the base year for assessing changes in capacity utilisation over time.

The index submitted by GCL in its application was an index of annual changes in production volume and not an index of capacity utilisation.

The verification team did not verify GCL's production volume (refer section 9) and could not assess the change in production volume in each injury analysis period.

Additionally, the total production capacity for each of consumer and FSI was inaccurate. The capacity for consumer and FSI production was allocated using the respective unverified production volumes as a portion of the total capacity for canned pineapple.

The preference for determining capacity for each of consumer and FSI would be to assess GCL's actual capability to produce consumer and FSI pineapple, noting the number of lines in operation, labour-hours, and production schedules.

The verification team considers that the production capacity for each of consumer and FSI would not be dependent on production volume as this results in the same capacity utilisation rates for both consumer and FSI.

Table 13 shows these index results using the data and methodology submitted by GCL in its applications (but with 2019 as the base year for assessing injury).

Capacity utilisation index	CY 2019	CY 2020	CY 2021	CY 2022
Consumer production	100	91	129	129
FSI production	100	91	129	129

**Table 13: Capacity utilisation index (consumer & FSI) – calendar year periods**

### 10.6.7 Finished goods (FG) and materials inventories

There was injury identified for finished goods and raw materials inventories.

GCL did not claim injury for this economic factor.

The team's analysis of:

- FG inventory is at Table 14 and uses the financial year periods that align with the injury analysis periods
- materials inventory is at Table 15 and uses CY periods.

The value of GCL's closing FG inventory increased each year of the injury analysis periods.

The verification team used the FY 2020-2021 period as the baseline year for calculating the index. This is because the closing inventory value for the start of the injury analysis period in FY2019-2020 was low. This made the production and FG inventory indices in FY 2020–2021 (and the following periods) appear more significant (relatively) than it was.

Closing inventory (FG) index (AUD)	Jul19 - Jun20	Jul20 - Jun21	Jul21 - Jun22	Jul22 - Jun23
FSI production		100	202	204

**Table 14: Closing inventory index (FSI) – injury analysis periods**

The can and packaging units used for FSI pineapple, held by GCL, increased over the injury analysis periods.

Can & packaging index (units)	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023
Can	100	219	11	308	523
Can end	100	140	58	228	374
Label	100	653	439	1048	926
Packaging (trays/cartons)	100	190	178	399	254

**Table 15: Can & packaging index (FSI) – calendar year periods**

### 10.6.8 Cashflow

There was injury identified for cashflow.

GCL did not claim injury for this economic factor.

The team’s analysis at Table 16 uses the financial year periods that align with the injury analysis periods.

The verification team calculated inventory turnover days (for GCL produced like goods) using the formula:

$$\text{Inventory turnover days} = \left( \frac{\text{Average inventory value (AUD)}}{\text{COGS (AUD)}} \right) \times 365$$

The verification team observed that GCL held inventory longer in the investigation period than it did at the start of in the injury analysis period in FY 2019-2020.

Cash flow index (FG inventory turnover)	Jul19 - Jun20	Jul20 - Jun21	Jul21 - Jun22	Jul22 - Jun23
FSI production	100	418	1309	1711

**Table 16: Cash flow index (FSI) – injury analysis periods**

### 10.6.9 Employment

There was no injury identified for employment (number of persons).

GCL claimed injury for this economic factor, using CY 2017 as the base year for assessing changes in staff employed over time.

The verification team used the employment numbers submitted by GCL in its application and baselined the injury assessment at CY 2019. Table 17 shows these results.

The verification team did not allocate staff numbers to the production of consumer and FSI pineapple, because GCL does not employ 2 separate teams to manufacture different size cans. GCL require the full staff complement to manufacture both consumer and FSI.

Employment index	CY 2019	CY 2020	CY 2021	CY 2022
Persons employed (consumer & FSI)	100	100	102	107
Hours worked (consumer & FSI)	100	103	125	139

**Table 17: Employment index (consumer & FSI) – calendar year periods**

### 10.6.10 Wages

There was no injury identified for wages.

GCL did not claim injury for this economic factor, using CY 2017 as the base year for assessing changes in staff employed over time.

The team’s analysis of wages for FSI pineapple is at Table 18. The analysis uses calendar year periods and starts at CY 2019.

Wage index	CY 2019	CY 2020	CY 2021	CY 2022
<b>Total wages (consumer &amp; FSI)</b>	100	102	164	162
<b>Average wages (consumer &amp; FSI)</b>	100	102	160	139

**Table 18: Wage index (consumer & FSI) – calendar year periods**

### 10.6.11 Productivity

There was no injury identified for productivity.

GCL did not claim injury for this economic factor.

## 10.7 Conclusion

Based on the analysis of the information contained in the application and verified or obtained during the GCL verification visit, the team considers that GCL has experienced injury in the form of:

1. loss of sales volume
2. reduced market share
3. revenue
4. stocks and inventories
5. cashflow.



## 11 Causal link claims

### 11.1 Background and approach

Under section 269TG, one of the matters that the Minister must be satisfied of to publish a dumping duty notice is that material injury to an Australian industry producing like goods has been or is being caused or is threatened.

The team discussed with GCL if the alleged dumping of imported FSI pineapple can be demonstrated to be causing material injury to the Australian industry. The team collected further evidence to support those claims.

The commission will consider the evidence further during the investigation.

### 11.2 Discussion with GCL

#### 11.2.1 Price negotiations with customers

GCL submitted evidence of price negotiations with customers in its application. GCL provided further information about this process.

#### 11.2.2 Injury caused by factors other than dumping

- QLD drought in 2019 causing low and unstable pineapple fruit supply. This led to further imports of FSI pineapple to supplement GCL's product range.
- Natural flowering event for pineapple plantations in 2022-2023 leading to unplanned and increased pineapple fruit supply.

## **12 Appendices and attachments**

<b>Confidential attachment 1</b>	Verification work program
<b>Confidential appendix 1</b>	Cost to import and sell and profitability calculation
<b>Confidential appendix 2</b>	Forward orders
<b>Confidential appendix 3</b>	Economic condition of the Australian industry