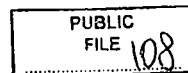




Australian Government
Australian Customs and
Border Protection Service

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**INVESTIGATION INTO THE ALLEGED DUMPING OF
FORMULATED GLYPHOSATE**

EXPORTED FROM

THE PEOPLE'S REPUBLIC OF CHINA

IMPORTER VISIT REPORT

TITAN AG

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED
THEREIN WILL BE REVIEWED BY THE CASE MANAGEMENT TEAM AND
MAY NOT REFLECT THE FINAL POSITION OF CUSTOMS AND BORDER
PROTECTION**

March 2012

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2 BACKGROUND AND PURPOSE

2.1 The application

On 21 December 2011, Nufarm Ltd (Nufarm) and Accensi Pty Ltd (Accensi) lodged an application requesting that the Minister for Home Affairs (the Minister) publish a dumping duty notice in respect of formulated glyphosate exported to Australia from the People's Republic of China (China).

The applicants subsequently provided further information in support of their application. As a result, Customs and Border Protection restarted the 20 day period for considering the application.

On 6 February 2012, following consideration of the application, the Australian Customs and Border Protection Service (Customs and Border Protection) initiated an investigation. Public notification of initiation of the investigation was made in *The Australian* on 6 February 2012. Australian Customs Dumping Notice No. 2012/05 provides further details of this investigation and is available at www.customs.gov.au.

Customs and Border Protection has previously conducted two investigations into formulated glyphosate from China. The most recent investigation was in 2001-2002, following an application lodged by Monsanto Australia Limited (TM Report 45 refers).

There are no current anti-dumping or countervailing measures on formulated glyphosate exported to Australia from China.

2.2 Purpose of meeting

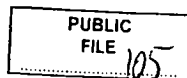
Prior to initiation of the investigation, Titan Ag was identified in the Customs and Border Protection import database (import database) as an importer of formulated glyphosate from China during the investigation period. Consequently, Titan Ag was invited to participate in the investigation, and was provided with an Importer Questionnaire to complete.

Titan Ag completed the Importer Questionnaire, providing details regarding the company, overseas supplier information, imports and expenses. A copy of Part A (company and supplier details) of Titan Ag's questionnaire response is at **confidential attachment GEN1**.

Thus, the purpose of this visit was to:

- confirm that Titan Ag is the importer of glyphosate as identified within the import database;
- verify information on Titan's imports of glyphosate to assist in the determination of export price;

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- establish whether the purchases of glyphosate by Titan were arms length transactions, and if not determine the first arms length transaction in the sale of the goods;
- establish post-exportation costs incurred by Titan in importing glyphosate;
- recommend how export price for exporters of glyphosate that supply Titan may be determined¹; and,
- provide the company with an opportunity to discuss any issues it believed relevant to the investigation including injury issues.

During the process of the investigation Titan Ag was identified as a toll manufacturer, and although Titan Ag was unable to complete and Australian Industry Questionnaire, the visit was also to obtain an understanding of:

- Titan Ag's position as a toll manufacturer;
- Factors that affected using toll manufacturing in Australia or importing formulated product, and;
- Titan's views on the Australian glyphosate market.

2.3 Meeting

At the meeting we advised that:

- The investigation period is 1 January to 31 December 2011;
- Customs and Border Protection will examine the Australian market from January 2008 for the purpose of analysing the condition of the Australian industry;
- The Statement of Essential Facts (SEF) would be published on 28 May 2012 unless extended by the Minister.
- A final report to the minister is due on 10 July 2012.
- A Preliminary Affirmative Determination (PAD) may be made at any time from 10 April 2012 – which is the first working day after the Easter public holiday. An implementation of a PAD would enable Customs and Border Protection to implement provisional anti-dumping and/or countervailing measures (in the form of securities) for the remainder of the investigation and until the Minister had made a decision on whether to impose definitive measures.

¹ under s. 269TAB of the *Customs Act 1901*

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- We would prepare a confidential report on the visit (this report), and before finalisation of the report, Titan would be given the opportunity to review the report for accuracy;
- Customs and Border Protection is required to maintain a Public Record of the investigation containing non-confidential copies of all reports, submissions, correspondence and other documents relevant to the case;
- A non-confidential version of this visit report would be prepared in consultation with Titan and placed on the Public Record, and;
- That Titan Ag is able to access the Public Record online through Customs and Border Protection's Electronic Public Record (EPR).

Titan was cooperative during the visit and provided documents and data to support their importer questionnaire as requested.

2.4 Visit report

We advised Titan Ag that we would prepare a confidential report on the visit and that Titan Ag would be given an opportunity to review the visit report for accuracy. A non-confidential version of this visit report would be prepared in consultation with the company and placed on the public record. We advised Titan of the confidentiality constraints Customs and Border Protection is subject to.

Company	Titan Ag
Address	[REDACTED]
Telephone no.	[REDACTED]
Fax no.	[REDACTED]
Email	[REDACTED]
Date	27 March 2012
Present	
Titan Ag	Andrew Ericsson, Director Martin Cayzer, Director
Customs and Border Protection	Bill Walsh, Manger Policy & Capability Carl Halpin, Supervisor Operations 2

Prior to the meeting we forwarded an agenda to Titan Ag. A copy of the agenda is at **confidential attachment GEN 2**.

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3 THE GOODS**3.1 The goods**General description

The goods the subject of the application (the goods) is formulated glyphosate. The application specifies that:

"The imported product the subject of this application is formulated glyphosate, a non-selective herbicide, imported in varying strengths of the active glyphosate acid ingredient ("glyphosate technical"). A non selective herbicide is one that controls weeds in all situations"².

Formulated glyphosate products are used for the non-selective control of weeds and are absorbed by the leaves and green tissue of susceptible plants. Translocated throughout the plant, formulated glyphosate based herbicides inhibit a specific enzyme, EPSP synthase, which plants need in order to grow. Without that enzyme, plants are unable to produce other proteins essential to growth, so they yellow and die over the course of several days or weeks.

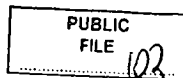
Glyphosate formulations

The application states that in the Australian market the different formulations (of glyphosate) are described according to grams of glyphosate technical per litre (g/L) or kilogram, whereas on the global market the formulations are commonly described by the percentage of glyphosate technical contained in the formulations on a weight for weight basis. The application contains the following indicative comparison of the glyphosate formulations described by grams per litre / kilogram or percentage basis of glyphosate technical.

Unit of product	Glyphosate content – measured as g/L or grams per kilogram	Glyphosate content – measured on a weight per weight basis (expressed as a percentage)
Litre	360	41.6%
Litre	450	50.6%
Litre	570	61.5%
Kilogram	680	75.7%

² Application for the publication of a dumping duty notice for formulated glyphosate exported from China (Application), page 7.

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This table is indicative only³.

The application specifies that:

"This application is concerned with imported Glyphosate in all its fully formulated liquid forms including Glyphosate 360, Glyphosate 450 and Glyphosate 570 and the fully formulated dry form including Glyphosate 680⁴."

The applicants claim that:

- the imported formulated glyphosate products (at varying strengths) have the same end use;
- all formulations strengths are substitutable;
- the imported dry formulation can be substituted for liquid forms; and
- all imported formulations are applied within the approved application rates indicated on the product label, expressed on a litre per hectare basis.

Therefore, at this stage of the investigation, Customs and Border Protection considers that the goods covered by this application, and thus any subsequent investigation, includes formulated glyphosate in any form (i.e. not limited to liquid forms) and at any concentration (whether described according to weight of glyphosate technical by volume or percentage of glyphosate technical).

Exclusion of certain goods from investigation

The application specifies that it is important to distinguish between formulated glyphosate (i.e. the goods) and glyphosate acid, which is the primary ingredient in the manufacture of formulated glyphosate. Glyphosate acid is **not** the subject of the application.

Customs and Border Protection considers that the goods covered by this application, and any subsequent investigation does **not** include glyphosate acid.

3.2 Tariff classification

Formulated glyphosate is classified under the tariff subheading 3808.93.00 (statistical code 48) of Schedule 3 to the *Customs Tariff Act 1995*. The current rate of duty applying to the goods imported to Australia from China is 5%.

There are currently no Tariff Concession Orders applicable to the relevant tariff subheadings.

³ Application, page 8.

⁴ Application, page 8.

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3.3 'Like' goods

Titan Ag agreed that like goods were sold on the Australian market and that both the like goods and goods under consideration are required to be registered with the Australian Pesticides and Veterinary Medicines Authority (APVMA) in order to be sold on the Australian Market. Due to this registration process, it believes that both goods are comparable.

3.4 Substitutable Products

Titan Ag stated that it did not believe there were products in the Australian market that were substitutable for Glyphosate, a product that was well engrained into the Australian farming cycle. It did note that the use of another non selective herbicide "Paraquat" was increasing as the price for this product decreased. However Titan Ag qualified this observation as alternative product used infrequently to reduce the likelihood of glyphosate resistance in plants. Titan Ag does not believe that this product could replace or be fully substituted for glyphosate.

Additionally Titan Ag noted that research and development into genetically modified crops which were resistant to glyphosate could increase the demand for glyphosate in the future; however this technology was currently only available to Monsanto GM crops and glyphosate. It also noted that this was a small part of the market and would not affect the majority of Australian farms.

4 COMPANY BACKGROUND**4.1 Company background**

Established in October 2006, Titan Ag described itself as a manufacturer of Agricultural chemicals for the Australian market with 83 APVMA registrations for various agricultural chemical products. The company is an unlisted company with two principle shareholder directors

Through a family member of one of the directors of Titan Ag it was noted that there is extensive experience in both importing Glyphosate technical from China since glyphosate came off the Monsanto patent as well as in the glyphosate business in Australia.

4.2 Commercial operations

Titan Ag described itself as an exclusive label model, whereby they import raw key active ingredients for the majority of its products from China and India and formulate these into finished goods using local formulators such as [REDACTED]. Titan's preferred model for Glyphosate production is through locally tolled goods in Australia. Tolling is generally conducted by [REDACTED]. Titan Ag formulates some products overseas for goods where the quality is proven to be equal or better than that of locally formulated goods and that these finished goods are either not manufactured in Australia or for which it is not cost competitive to formulate the finished good in Australia.

For both locally manufactured and imported finished goods, Titan Ag has an exclusive distribution supply agreement with Elders, and supplies Elders with their range of agricultural chemicals.

4.2.1 Quality Assurance

Titan Ag stated that it puts considerable effort into ensuring that it sources high quality raw materials including glyphosate technical, surfactants and MIPA to ensure that its products are of a high quality. Titan Ag stated that a failure of one of its products in the field would result in significant brand damage and thus ensures quality assurance of its product at all stages of manufacture to protect its brand image.

Titan Ag explained that all raw materials and finished goods are tested during manufacture and that certificates of analysis are provided for all consignments of finished goods. Titan Ag also explained that retention samples are held for all raw materials and finished products to allow testing up to two years later should a failure occur.

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Titan Ag stated although price is important, it would not produce product that failed on quality. Titan Ag stated that a key ingredient to ensuring an effective glyphosate formulation was the surfactant used. Titan Ag stated it only used the Hunstman Terwet 3780 surfactant, despite being able to reduce its costs by approximately \$0.28US per L by switching to generic surfactant. Titan Ag believes that other manufacturers use generic and reduced surfactant contents to save on costs, which increase the risk of product failure.

Additionally Titan Ag conducts analysis to ensure its products are compatible with other agricultural chemicals and only publishes claims on its products where the claims have been tested, in accordance with APVMA regulations.

[REDACTED]

[Results of Analysis]

4.3 Significance of Glyphosate

As far as significance to current operations, Titan Ag interrogated their Enterprise Resource Planning Software (ERP) ([REDACTED]) and determined the sales quantities of glyphosate (imported and locally formulated) and total sales. We observed that there was \$[REDACTED] of total glyphosate sales of which \$[REDACTED] was of imported glyphosate. The total company sales of all products for the period were approximately \$[REDACTED]. From these figures we calculated that glyphosate represented approximately [REDACTED]% of the business by sales revenue. Titan Ag noted that glyphosate volumes represented [REDACTED]

[REDACTED]
[Significance of Glyphosate]

4.4 Relationship with suppliers

Titan stated that, as part of its business model, it maintained close relationships with its suppliers and customers alike, however that relationships with their suppliers were arms length and of a normal commercial nature.

We reviewed the shareholding of Titan Ag, and noted that no companies owned a stake in Titan Ag and that shareholders were individuals, [REDACTED]

[REDACTED]
[Shareholding structure]. Thus we were satisfied that relationships between Titan Ag and its suppliers were normal commercial relationships.

4.5 Relationships with customers

As stated earlier, Titan Ag has an exclusive sale relationship with one customer, Elders. [REDACTED]

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[REDACTED] [Business Strategy]. Titan Ag stated that although their relationship with Titan Ag was exclusive, Elders have other suppliers and that if Titan Ag were not competitive in the market that Elders sourced from other suppliers Relationships with toll providers

Titan Ag utilise various toll providers for different products that they produce, both within Australian and overseas. Titan Ag advised that they reviewed the relationships with each toll provider and renegotiated prices according to market conditions. Titan Ag stated it did not have exclusive relationships with any of its toll providers and that all transactions with toll providers were arms length.

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5 IMPORTS**5.1 Introduction**

Customs import database indicated that Titan Ag imported [REDACTED] KG of Glyphosate [REDACTED] into Australia during the investigation period. As the statistical unit for imports in this case are kg, yet the units generally used in the industry are L, we calculated the volume in L by dividing the volume in kg by the specific gravity for Glyphosate, 1.2, resulting in an import volume of [REDACTED]. Titan Ag's import database spreadsheet is at **confidential attachment IMP1**.

Titan Ag stated that [REDACTED] [REDACTED]. [it's preferred model is to formulate glyphosate locally in Australia. Since early 2011 the overwhelming majority of it's goods were formulated locally in Australia] There were a few exceptions to this for orders that needed to be filled quickly that the local toll providers were unable to fill due to shortages in technical. However, generally speaking from early 2011 until now there were few importations of formulated glyphosate.

We examined the Customs import database and identified [REDACTED] shipments of formulated glyphosate imported by Titan Ag during the investigation period. The timing of these importations is consistent with the account provided by Titan Ag during the visit.

5.2 Verification

Prior to the visit, we selected shipments, representing [REDACTED]% of the total number of importations during the period, so that Titan Ag could provide the necessary source documents in the form of shipment information and invoicing to allow Customs and Border Protection to reconcile the documents to the completed importer transaction form. The completed importer transaction form is at **confidential attachment IMP 2**.

During the visit Titan Ag explained their record keeping process, which stored all documents electronically for each shipment ordered. As part of the ordering process Titan Ag maintain all documents relating to the commercial sale, delivery, importation, analysis of finished and raw materials and photograph the raw and finished good packing processes. For the selected transactions, Titan Ag provided us with:

- Commercial invoices
- Purchase order for raw materials, tolling and Elders customer orders
- Shipping Documents including Bills of lading
- Customs broker and domestic freight invoices

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- Proof of payment of the invoices to the commercial supplier and from Elders for selected sales.

The source documents are at **confidential attachment IMP 3**.

During the visit we reviewed the documentation and were satisfied with the reconciliation of the commercial invoices to the completed importer transaction form.

5.3 Importation costs

5.3.1 Ocean Freight and Insurance

As all sales of formulated glyphosate were made at CIF terms, Titan Ag were unable to provide source documents to verify the information provided in the importer transaction form, as these transactions were made by their supplier. Titan Ag contacted their customs broker, [REDACTED], to establish how the broker determined freight and insurance costs for the import declaration. The broker advised that as the commercial shipping documents did not state actual shipping costs, the brokerage would contact the shipping line to obtain an estimated freight cost. The broker would then compare this quote with similar importations of other goods on similar voyages and, if reasonable, enter this as the freight and insurance cost on the Customs declaration.

On face value, the methodology provided by the broker and the values provided appear reasonable. Should the investigation team require a deductive export price we would recommend benchmarking the ocean freight and insurance values provided by Titan Ag against other importers verified data to ensure that the values entered by the Customs broker for Titan Ag, and provided in this report are in fact reasonable. Verified freight data should become available in exporter visits.

We calculated the average post free on board expenses for the selected shipments, which are summarised in the following table (expressed in Australian dollars per tonne). Our working is included in rows I-J of the import transaction spreadsheet.

Cost item	Weighted average cost per unit (1L)
Ocean freight	[REDACTED]
Insurance	[REDACTED]
Australian importation costs (excluding GST, including 5% Customs Duty)	[REDACTED]
Selling, general and administrative expenses (based on average selling price)	[REDACTED]

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Total weighted average post free on board (FOB) expenses	
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5.4 Who is the importer

We noted that Titan Ag Australia:

- is named as the customer on supplier invoices;
- is named as the consignee on the bill of lading;
- declares itself as the owner of the goods for entry to Customs; and,
- pays the importation costs associated with the entry.

We consider Titan Ag was the beneficial owner of the goods at the time of importation and is therefore the importer.

5.5 Who is the exporter?

Customs and Border Protection will generally identify the exporter as:

- a principal in the transaction located in the country of export from where the goods were shipped who gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or their own vehicle for delivery to Australia; or
- a principal will be a person in the country of export who owns, or who has previously owned, the goods but need not be the owner at the time the goods were shipped.

Where there is no principal in the country of export Customs and Border Protection will normally consider the exporter to be the person who gave up responsibility for the goods as described above.

When we reviewed the source documentation provided in relation to the selected shipments of glyphosate it was identified that <<company name removed>> sold the goods to Titan Ag and arranged for their transport to Australia. In summary, upon review of this documentation, we identified that:

- <<company name removed>> is identified as the supplier in the commercial invoices;
- <<company name removed>> is identified as the supplier in the bills of lading;
- <<company name removed>> pays the relevant costs of ocean freight and insurance; and
- Titan Ag pays <<company name removed>> for the goods.

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Thus we are satisfied that <<company name removed>> is the exporter of the goods.

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6 AUSTRALIAN MARKET AND SALES

6.1 General

Titan Ag described the Australian formulated glyphosate market as a mature market that has remained relatively constant over time, supplied by both imported product and locally manufactured product produced by toll manufacturers including Nufarm. Titan Ag estimated that the total Australian market was approximately 70mil L of 450g/L equivalent glyphosate.

6.2 Australian sales

During the visit Titan Ag provided a complete sales listing by product for all sales of glyphosate during the investigation period. All sales of glyphosate made by Titan Ag are to its one customer, Elders. As discussed in section 4.5 above, the relationship with Elders is exclusive. Glyphosate is sold in the following pack sizes:

- 1000L IBC's
- 110L drums
- 20L drums
- 10L packs

Predominately, glyphosate is sold for sales in [REDACTED]
[Product Sizes]

6.3 Price and distribution arrangements

Titan Ag stated that the price of the goods is dependant on the cost of manufacture, which in turn is dictated heavily on the key cost inputs of raw material and tolling cost. Titan does not differentiate price based on imported or locally produced goods, as all pricing is dependant on costs, not origin.

As stated earlier, [REDACTED]
[Customer Distribution Arrangements]

6.4 Rebates and discounts

[REDACTED] During the visit we confirmed that the prices shown in the Australian sales spreadsheet are net of any discounts. [REDACTED]

[REDACTED]

6.5 Sales verification (accuracy)

During the visit, Titan Ag provided us with a line by line sales list of its sales of glyphosate for the investigation period at **confidential attachment SALES 1**.

All sales were imported to order, and we selected a sample of import transactions for verification.

Titan Ag provided us with commercial invoices and purchase orders for the selected transactions. We found these transactions in the sales spreadsheet and noted that the invoice numbers, date, amount and values reconciled between the invoices and sales spreadsheet.

Based on the source documents provided we are satisfied that the sales values in the sales list are accurate and are the net value of the sales.

6.6 Proof of Payment

We requested proof of payment for the goods from Elders to Titan Ag. Titan advised that the terms of sales [REDACTED] and that [REDACTED] paid on account. Titan Ag provided the remittance advice for December 2011, which reconciled upwards to a selected transaction and downwards to a copy of their Bank's transaction history. These documents are included in the source documents at **confidential attachment SALES 2**. The documents confirmed that payment had been made for the amounts identified in the Titan Ag invoice, net of any discount received.

Thus we are satisfied that the net price shown in the sales spreadsheet is the net price paid by Elders for the glyphosate.

6.7 Upwards verification (completeness)

In addition to transactional listing of glyphosate sales, Titan Ag provided a download of total sales of all products, by transaction during the investigation period at **confidential attachment SALES 3**. We identified that all sales of glyphosate within this total sales spreadsheet.

During the visit we sighted the Profit and Loss statement for the 2010/2011 FY. Although the download of sales was for a calendar year and the P&L was for the financial year, we are satisfied that the total sales provided in the sales spreadsheet were reasonably representative of total sales shown in the P&L.

During the visit we interrogated Titan Ag's ERP system extensively, and are satisfied that the sales spreadsheets provided are reasonably complete and accurate.

6.8 Selling, general and administrative expenses (SG&A)

We calculated SG&A based on Titan Ag's financial statements for financial years from 2007-2011. We divided the total cost of "expenses" for the financial years 2007-2011 by the total sales values for the same period to arrive at a weighted average SG&A expense of [REDACTED] %.

[REDACTED] [Business Strategy]

6.9 Profitability of sales and selling price

We calculated profitability for the imports identified in the importer transaction form and found that [REDACTED] transactions were profitable. We then calculated the weighted average profitability per L across the sample of transactions which resulted in a profit of [REDACTED] per L, which when compared to the average selling price results in a profitability of approximately [REDACTED] %.

The following table shows the weighted average net selling price (Delivered) and total volume for the each of the formulations sold during the investigation period.

Formulation	Volume (L)	Unit Price
450	[REDACTED]	[REDACTED]
495	[REDACTED]	[REDACTED]
540	[REDACTED]	[REDACTED]
700	[REDACTED]	[REDACTED]
Grand Total	[REDACTED]	[REDACTED]

6.10 Forward orders

Titan Ag identified one forward order in it's Importer Questionnaire Response, [REDACTED] During the visit we sighted ongoing forward orders with Australian toll providers for glyphosate.

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7 ARMS LENGTH

In determining export prices under s. 269TAB(1)(a) and normal values under s. 269TAC(1), the Act requires that the relevant sales are arms length transactions.

S.269TAA outlines the circumstances in which the price paid or payable shall not be treated as arms length. These are where:

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

Titan Ag stated that it does not receive any reimbursement, rebates or other support from its suppliers in respect of the goods. Titan Ag advised that the invoice price was the price actually paid.

We reviewed the documentation for the selected shipments and did not find any evidence, in respect of the purchase of glyphosate, that:

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

Furthermore, during the visit we:

- Verified that the invoice price was the price paid for imported goods and;
- That the sales of those goods onto another party were generally profitable,

We are satisfied that import transactions between Titan Ag and its suppliers are at arms length in terms of s. 269TAA.

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8 CAUSATION AND MATERIAL INJURY

Titan Ag stated that it believed during the investigation period some Australian produced glyphosate has been replaced by imported product, specifically from China. It attributes the growth of imported product to the following reasons:

- Rapid growth of the number of new companies in the Australian glyphosate market. Titan Ag stated that many new import oriented companies have come into the market in the past few years with very large volumes for new companies.
- Titan Ag is of the belief that many of the new entrants are accessing glyphosate that is produced using generic surfactants and reduced MIPA or with product that had lower concentrations of these ingredients. As stated earlier it Titan Ag switched to this quality of product, it could save \$0.28USD per L, however for reasons discussed earlier it chooses to only import what it believes is a quality product.
- It believes that certain companies imported [REDACTED] of formulated glyphosate in the first year of business, which it believes is not sustainable and may be a result of utilising low cost, low quality plants in China that were set up using government grants. As a result of using what Titan Ag describes as lower quality product, some importers may be dumping the product into Australia.
- Unfair advantage of importers misclassifying goods. Titan Ag believes that some importers are classifying formulated glyphosate as technical glyphosate to avoid the 5% duty applicable to the formulated product. Due to the small profit margins involved in glyphosate, Titan Ag believes this misclassification is attractive to importers and allows them to unfairly undercut Australian prices. Titan believes this could be readily identified in a compliance check by examining import volumes and matching sales volumes.
- The increased competitiveness of the Australian dollar, and the attraction to cheaper imports as a result of the strengthened Australian Dollar.

Additionally Titan Ag claimed [REDACTED] resulted in changes within the Australian market.

9 UNSUPPRESSED SELLING PRICE

Unsuppressed selling price and non-injurious price issues are examined at an early stage of an investigation and, where possible and appropriate, preliminary examinations are made during the application consideration period for the purpose of assessing injury and causal link and therefore the appearance of reasonable grounds for the publication of a dumping duty notice.

Customs and Border Protection generally derives the non-injurious price by first establishing a price at which the applicant might reasonably sell its product in a market unaffected by dumping. This price is referred to as the unsuppressed selling price.

Customs and Border Protection's preferred approach to establishing unsuppressed selling prices observes the following hierarchy:

- industry selling prices at a time unaffected by dumping;
- constructed industry prices – industry cost to make and sell plus profit; or
- selling prices of un-dumped imports.

Having calculated the unsuppressed selling price, Customs and Border Protection then calculates a non-injurious price by deducting the costs incurred in getting the goods from the export free on board point (or another point if appropriate) to the relevant level of trade in Australia. The deductions normally include overseas freight, insurance, into-store costs and amounts for importer expenses and profit.

At the time of the visit Titan Ag did not have any comments on the calculation of an unsuppressed selling price.

10 NORMAL VALUE COMMENTS

As a toll manufacturer and importer aware of the cost of manufacture and markets in both China and Australia we asked Titan Ag if they had any comments to make on how Customs and Border Protection might determine a normal value for the goods sold on the domestic market in China. Titan Ag stated that it believed it was not possible to use the domestic selling prices in China as the basis for normal value calculations for the following reasons:

- Formulation of glyphosate in China differs from the formulation in Australia. Titan Ag claims that the majority of glyphosate sold in the domestic market in China is glyphosate 360 whereas in Australia the major formulation is glyphosate 450. Titan Ag claims that although you can apply a formula to adjust for the grams per L of glyphosate between the two formulations, it is complicated to adjust the formula to account for the differing concentrations of surfactants and MIPA in each formulation. Thus on the basis of comparing like to like, Titan Ag does not believe it is possible to accurately compare the cost, and thus price profiles of the differing formulations.
- Generic surfactant use in China. Titan Ag claims that the Huntsman Terwet 3780 surfactant that is used in exports to Australia is not used in Chinese formulations and that cheaper and lower concentrations of surfactants are used. As discussed earlier, the cost difference at the same concentration between Huntsman and generic was \$0.28US / L.
- Pack size used in China. Titan Ag estimates that there are approximately 700mil farmers in China with the average farm size being significantly less than that in Australia where they estimate there are approximately 110,000 farms. During the visit we confirmed that a common pack size sold by Titan Ag to the Australian market was the 1000L IBC. Titan Ag claims that the most common pack size sold on the domestic market in China is approximately 500mL, smaller than residential retail packs sold in Australia. Due to the cost difference between packaging a 1000L IBC and the equivalent 2000 x 500ml packs, Titan Ag believes the price between Australian and Chinese domestic markets are not comparable.

Titan Ag were unable to suggest a method to construct a normal value, however are of the view that domestic selling prices should not be used to construct a normal value.

11 RECOMMENDATIONS

As a result of the importer questionnaire response submitted by Titan Ag, and the verification conducted on site, we are of the opinion that the goods imported by Titan Ag are:

- goods that have been exported to Australia otherwise than by the importer;
- goods that have been purchased by the importer from the exporters; and
- purchases of the goods by the importer that were sold in arms length transactions.

Subject to further inquiries with exporters who supplied Titan Ag, we recommend that the export price for glyphosate imported by Titan Ag can be established under s.269TAB(1)(b) of the Act, using the invoiced price, less deductions to the FOB level as required.

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12 ATTACHMENTS AND APPENDICES

Confidential Attachment GEN1	Importer Questionnaire Response
Confidential Attachment GEN2	Importer Visit Agenda
Confidential Attachment COST1	Cost Calculation Spreadsheets for Local and Chinese Tolling.
Confidential Attachment IMP1	Customs Database for Titan Ag's imports
Confidential Attachment IMP2	Import Transaction Spreadsheet
Confidential Attachment IMP3	Import Source Documents
Confidential Attachment SALES1	Glyphosate Transaction Sales Listing for IP
Confidential Attachment SALES2	Proof of Payment Documentation
Confidential Attachment SALES3	Total Sales Transaction Listing for IP

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