Australian Government

Australian Customs and Border Protection Service

INVESTIGATION INTO THE ALLEGED DUMPING OF FORMULATED GLYPHOSATE

EXPORTED FROM

THE PEOPLE'S REPUBLIC OF CHINA

EXPORTER VISIT REPORT

JIANGSU GOOD HARVEST-WEIEN AGROCHEMICAL CO.,LTD

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

MAY 2012

PUBLIC RECORD

1 CONTENTS

PUBLIC RECORD

2 BACKGROUND

2.1 Background to the current investigation

On 21 December 2011, 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), was lodged on behalf of Nufarm Limited (Nufarm) and Accensi Pty Limited (Accensi)[1], members of the Australian industry manufacturing formulated glyphosate.

The initiation of the investigation was publicised 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.

Following initiation of the investigation, a search of Customs and Border Protection's import database indicated that Jiangsu Good Harvest-Weien Agrochemical Co., Ltd (Good Harvest) exported formulated glyphosate from China during the investigation period (1 January 2011 to 31 December 2011).

Customs and Border Protection advised the company of the initiation of the investigation and invited their co-operation in responding to the exporter questionnaire.

Good Harvest completed the exporter questionnaire, providing details regarding the company, its exports, domestic sales and costs to make and sell.

2.2 Purpose of meeting

The purpose of the visit was to verify information submitted by Good Harvest.

A non-confidential version of the exporter questionnaire response was placed on the public record. The confidential version included cost and sales data and it was decided that a verification visit was warranted.

The verified information will be examined to make preliminary assessments of:

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

[1] Unless otherwise specified, Nufarm and Accensi are herein referred to as "the applicants".

2.3 Meeting dates and attendees

Verification meetings were held in Good Harvest's offices, located at its manufacturing facility in Laoganng, Qidong City, Jiangsu China, from Wednesday, 9 May to Friday, 11 May 2012.

Where required, Mr Lan (Good Harvest's consultant) translated for Good Harvest and necessary translations of documents were provided.

The following people were present at various stages of the meetings:

Good Harvest	
Mr Du Rong	Secretary to the Board of Directors (Good Harvest)
Mr [redacted]	Chief Accountant
Mr	Export Sales Person
Mr	Domestic Sales Person
Mr	Production Dept. Director
Consultants	
Mr Lan Xiong Mr WANG Peng Ms MAO Zhihui	Beijing B&H Associates
Australian Customs and Border Protection	
Mr Bill Walsh	Manager, Policy
Mr Jason Farr	Supervisor, Operations 1

Mr Du Rong was present throughout the entirety of the verification meeting.

2.4 Preliminary issues

At the commencement of the meeting we explained the usual details of the investigation background and the statement of essential facts (SEF) reporting deadline and the right of interested parties to make submissions in response to this SEF within 20 days of its publication.

We advised Good Harvest generally of the investigation process and timeframes.

- The investigation period is 1 January 2011 to 31 December 2011.
- Customs and Border Protection will examine exports to Australia from 1 January 2008 for injury analysis purposes.
- A preliminary affirmative determination (PAD) may be made no earlier than the 60th day following the date of initiation of the investigation (being 10 April 2012). Provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made. Customs and Border Protection would not make such a determination until it was satisfied that there appears to be, or that it appears there will be, sufficient grounds for the publication of a dumping duty notice.
- An SEF will be placed on the public record by 28 May 2012 or such later date as the Minister allows and parties may respond within 20 days from its release date. Submissions received in response to the SEF will be

considered when compiling the report and recommendations to the Minister. We advised Good Harvest that the Minister may grant an extension of time to publish the SEF.

We advised Good Harvest that we would prepare a confidential report on the visit, a copy of which would be provided to them to provide them opportunity to review the report for accuracy. Good Harvest was also advised that a non-confidential version of this visit report would be prepared in consultation with the company and placed on the public record.

Good Harvest cooperated with the verification of the exporter questionnaire response and met all requests for further information in a timely manner.

PUBLIC RECORD

3 COMPANY INFORMATION

3.1 Company background

Good Harvest is a privately owned company – as such it does not make public its annual reporting.

Good Harvest identifies itself as a 'producer" in its questionnaire response, which performs the following functions:

- produces and manufactures;
- sells in the domestic market;
- exports to Australia; and
- exports to countries other than Australia.

Good Harvest provided a company brochure, which included its product range, see **attachment GEN 1**. Good Harvest specialises in development and production of agrochemical products. Good Harvest producers and sells herbicides, insecticides and chemical intermediate products. The company's herbicide range includes:

- Glyphosate Technical (IDA method);
- Glyphosate IPA SL (specification 41"w/w,51"w/w,62"w/w;
- Ammonium salt of glyphosate WG & Tech (specification 31.5", 77.7", WG & 98 Tech;
- Ethofumesate Tech (specification 97);
- Phendmedipham Tech (specification 97);
- Desmedipham Tech (specification 97); and
- Ethofumesate (112G/L), Phenmedipham (91G/L), Desmedipham (71G/L).

These products are listed in its catalogue under the heading 'Herbicide'. The insecticides and intermediate products are listed on the same page of the catalogue.

Good Harvest provided a list of shareholder's as part of its questionnaire response. There are [redacted] individuals/entities and one individual who is the general manager of Good Harvest and has a majority holding. Good Harvest also provided a copy of its Internal Organisation Chart (**confidential attachment GEN 1**).

Good Harvest advised that under Chinese law Good Harvest has no parent company as no enterprise holds more than 50% of the shares issued in Good Harvest.

Good Harvest also provided details of the paid up capital with the ledger provided confirming the equity holdings of the [redacted] entities/individuals. The long term equity investment ledger also confirmed the names of the subsidiary companies.

Good Harvest is the 3rd largest producer of glyphosate in China. About [redacted] people are employed in technical production; about [redacted] in formulation including packaging; and [redacted] in administration.

3.2 Related Parties

Good Harvest provided a copy of its corporate structure diagram as part of its questionnaire response - at **confidential attachment GEN 2**. Good Harvest also provided a list of raw material suppliers, which identified [redacted] related parties (**confidential attachment GEN 3**).

The corporate structure diagram identifies Good Harvest's major shareholders and Good Harvest's ownership percentage of a number of subsidiary companies. We examined the role of each subsidiary, which included the identified related parties in the list of raw material suppliers.

[redacted] of them are companies involved in the purchase of the main raw materials, iminodiacetonitrile (IDAN) and isopropylamine salt (IPA), and their names appear on the invoices. The [redacted] company is involved in the purchase of raw materials for the non subject goods. [redacted] had no current operation and the remaining subsidiary was registered in the [redacted] for its [redacted] sales.

Good Harvest has not made any export sales to related companies based on the corporate structure diagram and its Australian sales listing (**confidential attachment EXP 1**).

We examined the purchase invoices for IPA and IDAN for the subsidiary companies. The invoices/ contracts showed:

- the contract between Good Harvest and the related subsidiary
- the purchase contract between the related subsidiary and the supplier of the IPA or IDAN
- the invoice from the supplier (net of VAT)

One set of documents was obtained for each quarter ie there were 8 documents in all. We noted that the price paid by Good Harvest for these main raw materials purchases to the subsidiary included a positive margin over the invoice price charged by an unrelated raw materials supplier, for which supporting documentation was also provided. Details are at **confidential attachment GEN 4**.

3.3 Commercial operations and Production

Good Harvest's head office and factory is located in Laogang, Qidiong City, Jiangsu province, China. It also has an office in Shanghai and Changzhou. All sales and production records are at the head office.

Production

Good Harvest provided a production flowchart as part of its questionnaire response (**confidential attachment CTMS 1**). We sought further detailed information on Good Harvest's production process of formulated glyphosate and related products at the visit.

Good Harvest confirmed that it produces glyphosate technical by the isopropylammonium (IDA) method. This method of producing glyphosate has two stages. The first stage is to manufacture a chemical called N-(phosphonomethyl) iminodiacetic acid (PMIDA). The second stage is to use PMIDA as the base chemical to make glyphosate technical, the goods the subject of the application.

Good Harvest said that this process is the most efficient as it maximises yield. The main raw materials, IDNA and IPA, are purchased from unrelated producers (via a subsidiary company as described above).

(The other peroxydation methods were described as older methods with lower yield rates).

The final stage of the production process is to produce and package the formulated glyphosate products under investigation.

Good Harvest also produces glyphosate ammonium salt. The glyphosate ammonium salt is produced using ammonia gas, which results from the process of making glyphosate technical.

Mother liquor - a 1% concentration that was a by-product of making glyphosate technical - was previously used to make 10% ammonium salt. The 10% product can no longer be sold in 2012 due to environment regulations. As a consequence, Good Harvest stated that it had developed a different production process whereby the 1% solution is filtered with the input of the ammonium gas (no IPA is added); other usable materials; and some glyphosate technical. Good Harvest now manufactures the allowable concentration of ammonium salts which are permitted to be sold on the market in China. The allowable concentration is now no less than 33%, which Good Harvest advised had an actual active content of 28% of glyphosate technical and therefore its sales of 30% and 31.5% during the investigation period will also be prohibited under the environmental regulations.

Facility inspection

We undertook an inspection of Good Harvest's production facility. During the inspection we confirmed the production steps outlined in the cost to make sell section below and the broad process outlined above. Namely, we viewed the bagged

IDAN material and the reactors used to produce the DSIDA in building one. We then viewed the reactors to produce PMIDA in building 2. We then viewed building 3 where the glyphosate technical is produced and bagged for movement to the formulation of glyphosate and the 1% solution is captured in large tanks. In respect to the 1% solution, we noted how it was channelled for formulation as ammonium salt and then packaged all in the same separate building complex. We then viewed the formulation reactors on the other side of the facility used in producing IPA salt of varies concentrates, including the surfactants waiting for use in store.

Production capacities and rates of production

Good Harvest operates [redacted] operation process. It employs about [redacted] people in glyphosate technical manufacture; [redacted] in formulation including packing; and about [redacted] in administration.

The glyphosate technical (97%) capacity is about [redacted] metric tonnes (MT) a year.

The formulated glyphosate capacity is about [redacted] MT a year. [redacted] ***[confidential production sourcing information]***

Some of Good Harvest's Glyphosate tech.97% production is exported – the volume exported in the period of investigation (POI) was [redacted] MT.

There are no domestic sales of Glyphosate tech.97% - meaning that apart from some production for export sales the rest of the production is used internally.

In 2011, total production of finished glyphosate technical was [redacted] MT. Total production of 'semi finished' glyphosate technical in the POI was [redacted] MT – this is made up of what is known as 'wet' glyphosate technical which has the product code 05.07.02.02, and some is used to make 'dry' glyphosate technical which has the product code 05.21.02.01. Total production of 'wet' glyphosate technical was [redacted] MT; and total production of 'dry' glyphosate technical was [redacted] MT.

'Wet' glyphosate technical is all used in formulation and is transferred to the formulation stage in large bags. Some of the wet glyphosate technical is dried for external sales – although a small quantity of dry glyphosate technical may come back into further production of the glyphosate ammonium salt for example.

[redacted] ***[confidential production information]*** In making formulated product about [redacted] of the glyphosate technical used is self produced and about [redacted] purchased from outside suppliers. See **confidential attachment GEN 5**.

3.4 Accounting

Good Harvest provided the following accounting documents (**confidential attachment GEN 6**):

- Chart of accounts;
- 2010 Audited Report; and
- Income statements for each month at the end of each quarter of 2011 which shows the month and year to date data (unaudited).

The 2010 Audited Report had been audited by BDO China Shu Lun Pan, Certified Public Accountants, Shanghai. Good Harvest provided a translation of the auditors statement for 2010 – the auditor's report stated that the financial statements conformed to the stipulations of "Accounting Principle of Enterprise" and reasonably reflects the financial status on December 31 2010, and the operational results and the cash flow in 2010. It was signed April 26 2011.

We asked Good Harvest to provide the 2011 auditors report as soon as it became available – Good Harvest indicated this is likely to be before the end of May 2012 and Good Harvest confirmed it would provide it to Customs and Border Protection as soon as it became available.

Good Harvest operates on a calendar year accounting period (1 January to 31 December).

The accounting system is integrated company wide and profits are reported only for the whole company operations.

Good Harvest utilises a highly integrated computerised system called "Kingdee" ERP (Enterprise Resource Planning (ERP) system). Kingdee is a common accounting system available in China and as an ERP system it is a more sophisticated version for accounting and enterprise planning.

The accounting system uses all units on a MT (metric tonne) basis – all material purchases are calculated on a MT basis as are the sales of finished goods. We inquired how the MT are determined in the accounting system. Good Harvest explained that they regularly sample the specific gravity of goods produced with a gravity machine before the packing point. An example of the gravity inspection report is at **confidential attachment GEN 7**. Each product code has a specific gravity recorded. Good Harvest provided details of all specific gravities and these could be used to convert MT to litres if there is a need (number of litres * specific gravity for that product/1000=MT). Some product types may have more than one specific gravity such as [redacted] glyphosate. Where there is a different specific gravity a different product code will be created. The purpose of this is to meet the needs of the Kingdee ERP system which uses a MT unit. Therefore records must be accurate to keep the production data accurate within the accounting system.

Each month financial statements are prepared – a balance sheet and an income statement. The cost to make is calculated every month.

Good Harvest used Kingdee to provide relevant supporting material at the visit and we examined certain reports ordered on line.

PUBLIC RECORD

4 GOODS UNDER CONSIDERATION AND LIKE GOODS

4.1 The goods

4.1.1 General description

The good 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.*

Formulated glyphosate products are used for the non-selective control of weeds and are absorbed by the leaves and green tissue of susceptible plants.

4.1.2 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 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 grams per litre 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%

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 680.*

The applicant's claim that:

- the imported formulated glyphosate products (at varying strengths) have the same end use;
- all formulation 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.

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

4.1.3 Exclusion of certain goods from investigation

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

4.2 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 formulated glyphosate imported to Australia from China is 5%.

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

4.3 Export sales of the goods

The products exported to Australia are glyphosate IPA salt (IPA salt) of various levels of concentration. These are all a liquid and are formulated products.

Table: Australian sales by product type:

PRODUCT TYPE	No. of Product types	Form
GLyphosate IPA SL.360G/L	3	Liquid
GLyphosate IPA SL.450G/L	8	Liquid
GLyphosate IPA SL.470G/L	2	Liquid
GLyphosate IPA SL.510G/L	3	Liquid
Glyphosate IPA SL.62%	2	Liquid

4.4 Domestic sales of goods

The domestic product codes covered all glyphosate IPA salt and glyphosate ammonium salt products sold by Good Harvest domestically during the investigation period:

PUBLIC RECORD

Table: Domestic sales by product type:

OBS	PRODUCT TYPE	No. of Product types	Liquid or not?
1	Glyphosate Ammonium Salt 77.7%	1	No
2	Glyphosate Ammonium Salt 10% (CM)	9	Yes
3	Glyphosate Ammonium Salt 10% (HE)	3	Yes
4	Glyphosate Ammonium Salt 30%	6	Yes
5	Glyphosate Ammonium Salt 31.5%	5	Yes
6	Glyphosate Ammonium Salt 33%	15	Yes
7	Glyphosate Ammonium Salt 55%	1	Yes
8	*Glyphosate IPA SL.41% (GD)*	*13*	*Yes*
9	*Glyphosate IPA SL.41% (GH)*	*1*	*Yes*
10	*Glyphosate IPA SL.62%*	*2*	*Yes*

Good Harvest advised that individual product codes are allocated to all products based on the formulation, particular packaging and specific gravity (where there are slight variances).

Good Harvest provided a table of like goods as part its questionnaire response, which showed directly comparable goods by formulation and packaging, and non comparable products (**confidential attachment GEN 8**).

Like goods

In response to the visit agenda (**confidential attachment GEN 9**) Good Harvest provided a document on the standards that apply to international and domestically sold glyphosate IPA salt.

Item	GB 20684 (Chinese standard)	FAO Specification (International standard)
ISO name of active content	plyphosate	plyphosate
Empirical formula of active content	C3H8NO5P	C3H8NO5P
Relative molecular mass of active content	169.07	169
CIPAC code of active content	284	284
Tolerance	-5% +10%	±5%
Formaldehyde	≤0 g/kg	2.6-5.2 g/kg
Low temperature storage stability	volume of solid or liquid which separates shall ≤0.3 ml	volume of solid or liquid which separates shall ≤0.3 ml
High temberature storage stability	average determined glyphosate content ≥95%	average determined glyphosate content ≥95%

Good Harvest said that the word 'fully formulated' is generally understood to mean that surfactant has been added. It said that the 62% glyphosate IPA salt does not have surfactant and it could reasonably be argued that it has more of the characteristics of a 'semi-finished' product that is more related to technical than to 'fully formulated' products. The 62% salt also has a separate standard – a copy was supplied. 'Fully formulated' was described as a product with surfactant and capable of being directly sold as a herbicide.

Good Harvest submitted that the only directly comparable goods sold domestically are the glyphosate IPA salts. The IPA salt sold domestically and the sales to Australia were shown to have the same formulation of isopropylamine salt (IPA) of glyphosate; they were produced on the same production line; used the same surfactant; and complied to similar standards as shown in the table above.

For the IPA salt sold to Australia there was, for some models, directly matching pack types and formulation type sold on the domestic market.

For some other models of IPA salt sold to Australia there were the same formulation types and near matching pack types of IPA salt sold on the domestic market. And for some other models of IPA salt sold to Australia - namely the 1000L size - there were no matching pack sizes of IPA salts nor was there a same formulation type.

Good Harvest explained that glyphosate ammonium salts have a different formulation to glyphosate IPA salt – the latter having isopropylamine salt. Also, Good Harvest said they had a different molecular mass (228 versus 186) and have a different reaction and production process using different equipment.

As explained above the ammonium salt is produced using the ammonia gas which is results from the process of making glyphosate technical. This is made on a different production line after the 1% concentration liquid resulting from GT manufacture is processed and the allowable higher concentration of ammonium salt is produced. The allowable concentration is now no less than 33%, as discussed above.

Most of these ammonium salts sold domestically are in a liquid form. The only solid ammonium salt is the higher concentrated Glyphosate Ammonium Salt 77.7%.

We understand that sales of ammonium salt in liquid form may not be permitted in the Australian market.

We observed the different production process for the ammonium salts – different plant equipment is used as compared to the equipment used to make IPA salts sold to Australia and in China. We also examined the cost data and observed that there is a significant difference in the cost to make ammonium salts compared to IPA salts.

The average cost to make all ammonium salts is about [redacted]% of the cost to make the IPA salts; and for the 33% ammonium salt (which is the minimum concentration in liquid that may be sold in China after 2012) the cost to make is still significantly lower (on average [redacted]% lower than the average CTM for glyphosate IPA salt)[2].

The profitability of the domestic sales of glyphosate IPA salt and of the ammonium salts is examined in some detail later in this report.

[2] Calculated leaving out product code 01.07.01.01 which is a [redacted]% ammonium glyphosate sold in [redacted]g containers. Even when this product is included the cost differentials still remain significant ([redacted]% compared to [redacted]% above and [redacted]% lower compared to [redacted]% lower).

Conclusion on like goods sold by Good Harvest

The most closely resembling goods sold domestically by Good Harvest are the glyphosate IPA salt. These are identified in the table above under 'Domestic Sales' (observation numbers 8,9,10).

Glyphosate ammonium salts types sold on the domestic market are not the most closely resembling goods. In any model matching the glyphosate IPA salt sales would be used for normal values in preference to any other types. These issues are explained in the Customs and Border Protection manual under like goods. Glyphosate ammonium salts would be part of a same general category of goods for the purposes of working out any profit under Regulation 181A – this is examined later in this report.

Other herbicides produced by Good Harvest

Good Harvest produces Ethofumesate Tech (specification 97); Phendmedipham Tech (specification 97); Desmedipham Tech (specification 97); Ethofumesate (112G/L), Phenmedipham (91G/L), Desmedipham (71G/L). These are a specialised herbicide which are not interchangeable with glyphosate. They are designed to kill certain grasses under certain crops such as strawberries and sugar beet and therefore are considered to be selective herbicides compared to the non-selective nature of glyphosate herbicide in its IPA salt and ammonium salt forms, see domestic sales conclusion below. We see these products as not closely matching the goods sold to Australia.

PUBLIC RECORD

5 Verification of sales data to income statement (Completeness)

This section concerns the completeness of the domestic and export sales listings provided by Good Harvest.

Good Harvest provided in the turnover statement quantity and value details for domestic sales, export sales, ocean freight and marine insurance, and main operation and other operation income. See **confidential attachment EXP 1**[3].

This was provided for 2011 – and split between the goods under consideration (GUC) and all products.

In the agenda we had noted that the amount shown for operation income did not reconcile to the year ended financial statement provided.

In its minor corrections submitted at the start of the verification Good Harvest provided a revised income statement spreadsheet (**confidential attachment GEN 0**). We confirmed that the revised table agreed with the 2011 income statement – adding the main operation income and other operation income.

Good Harvest provided a spreadsheet titled 'Total sales spreadsheet' (**confidential attachment EXP 2**). We checked the preparation of that spreadsheet by examining on line the data request – we observed that all product codes had been entered into the data request and also that the date field covered the whole of the POI. The output was the same data that had been submitted earlier.

There are 3 worksheets within the "Total sales spreadsheet':

- main operating income – exports
- main operating income - domestic
- 2011 ocean freight and insurance and commissions

We verified that the total sales quantity and total sales value for export sales and for domestic sales *for all products* matched to the turnover statement. Ocean freight and insurance and commission was separately identified because the values shown in the 'main operating income – exports' download included ocean freight and insurance. Main operating income in the income statement does not include ocean freight and insurance. Therefore the ocean freight and insurance expenses must be accounted for when reconciling the total export sales value to the income statement.

We checked that the total sales reported for exports (after deduction of the amount shown for ocean freight and insurance) and for domestic sales matched the total recorded in the income statement for 'main operating income'. With addition of other operating income it of course also matched the total operation income.

[3] The data contains not only export data but all other sales that comprise total turnover.

Good Harvest had included 2 columns in the *main operating income – exports* worksheet. One showed whether sales were to Australia, and the whether the sales were GUC. Sales to Australia had been identified by customer name. GUC had been identified by product description. We were satisfied with these allocations.

We verified that the total sales quantity and total sales value for export sales and for domestic sales *for GUC* matched to the turnover statement (confidential attachment EXP 1).

We verified the total sales when filtered on 'yes' in both columns to identify sales to Australia of the GUC matched the GUC portion of the turnover statement. When allowance is made for sales invoiced before January 2011 but recorded in accounting during investigation period, and sales invoiced during investigation period but recorded in accounting after December 2011, we were satisfied that the amounts shown in the Australian sales spreadsheet were complete (a quantity of [redacted] MT and a sales value of [redacted] RMB).

For domestic sales, a column had been inserted in the *main operating income - domestic* identified by product description. We were satisfied with the allocations to like goods. When filtered on like goods we checked that the total quantity and value matched the domestic sales spreadsheet in the Good Harvest submission (a quantity of [redacted] MT[4] and a value of [redacted] RMB).

The *main operating income - domestic* spreadsheet identified all products codes. There were 56 separate product codes in all. When any one of these product codes was selected we noted that it matched exactly the data shown in the exporter's submission for domestic sales of that product.

We were satisfied that from this verification process that Good Harvest had provided a complete listing of domestic sales of like goods (including glyphosate ammonium salt for the purpose of our completeness verification) and related products and of the export sales to Australia.

[4] See the commentary under domestic sales which provides more information about the 'true' domestic sales volume.

PUBLIC RECORD

6 EXPORT SALES

6.1 General

Good Harvest provided full details of all sales to Australia. Total invoiced sales in the POI were [redacted] MT with a value of [redacted] RMB. All exports to Australia are glyphosate IPA salt (IPA salt).

The finished goods sold to Australia are branded using the importing customers own brand. This is also true of the large sized 1000L and 1250KG drums which also carry the importers brand. Good Harvest explained that the importer resells these products without any repacking. Good Harvest likened such sales to an OEM sale – there are no sales of Good Harvest brand to Australia.

Sales volume to Australia - by product type

Product	Qty (MT)	%
Glyphosate IPA SL.360G/L	[redacted]	[redacted]
Glyphosate IPA SL.450G/L	[redacted]	[redacted]
Glyphosate IPA SL.470G/L	[redacted]	[redacted]
Glyphosate IPA SL.510G/L	[redacted]	[redacted]
Glyphosate IPA SL.62%	[redacted]	[redacted]
Grand Total	[redacted]	**100.0%**

Australian sales volume, value and unit prices - by product type

Values

Row Labels	Sum of Qty.(MT)	Sum of Net invoice value (RMB)	Unit Price
Glyphosate IPA SL.360G/L	[redacted]	[redacted]	[redacted]
1L/BOTTLE,12BOTTLE/CARTON	[redacted]	[redacted]	[redacted]
20L/DRUM	[redacted]	[redacted]	[redacted]
5L/DRUM,4DRUM/CARTON	[redacted]	[redacted]	[redacted]
Glyphosate IPA SL.450G/L	[redacted]	[redacted]	[redacted]
1KL/IBC DRUM	[redacted]	[redacted]	[redacted]
20L/DRUM	[redacted]	[redacted]	[redacted]
Glyphosate IPA SL.470G/L	[redacted]	[redacted]	[redacted]
1KL/IBC DRUM	[redacted]	[redacted]	[redacted]
Glyphosate IPA SL.510G/L	[redacted]	[redacted]	

PUBLIC RECORD

1KL/IBC DRUM	[redacted]	[redacted]	[redacted]
20L/DRUM	[redacted]	[redacted]	[redacted]
Glyphosate IPA SL.62%	[redacted]	[redacted]	[redacted]
1000KG/DRUM	[redacted]	[redacted]	[redacted]
1250KG/DRUM	[redacted]	[redacted]	[redacted]
Grand Total	[redacted]	[redacted]	[redacted]

Glyphosate IPA SL.360G/L is made in smaller sizes and is [redacted] of the total export sales.

Glyphosate IPA SL.450G/L represents [redacted] of the total sales to Australia and most of these sales are in the [redacted].

Glyphosate IPA SL.470G/L and GLyphosate IPA SL.510G/L account for [redacted] and [redacted] respectively of total sales to Australia. Again these are almost entirely packed in 1000L or 1000kg or 1250kg drums.

The maximum capacity of a 1000L drum is about 1200kg. Some customers request 1000L which is about 1200kg. In some orders the customer may request 1000kg, or 1250kg. This is why some product codes refer to L and some codes refer to kg – in all cases however they are sales of liquid glyphosate IPA salts.

6.2 Price, sales process and verification of selected sales

The export sales spreadsheets provided by Good Harvest included line by line information relating to:

- Customer;
- Level of trade;
- Product name;
- Model type;
- Product code;
- Invoice number and date;
- Date of sale;
- Order number;
- Shipping and payment terms;
- Sales quantity;
- Unit shown on invoice;
- Unit price;
- Gross invoice value USD
- Quantity MT;
- Currency used;
- Accounting Month
- Exchange rate;
- Net Invoice value RMB;

PUBLIC RECORD

- Warehouse out ticket number;
- Ocean freight USD and RMB;
- Marine Inland USD and RMB;
- Marine insurance USD and RMB; FOB export price RMB;
- Inland transport;
- Handling charges; and
- Unrefundable VAT expenses.

Good Harvest said all customers in Australia are distributors. They have no knowledge of the distributor's customers in Australia.

There is no price list and all sales are by negotiation on each transaction. The sales person in Good Harvest has internal guidelines about an agreeable price range. Any prices outside of that range have to be agreed to by the general manager.

There are no commission agents in Australia. The commission we noted in the *Ocean freight and insurance and commission* data as part of the total sales verification related to export sales to third countries, not Australian sales.

When the price is agreed a purchase order is received, production arranged and before production is finalised Good Harvest books the vessel. There is no standard discount for quantity. Some of the larger orders may take up to [redacted] to produce.

The terms of the sale vary according to customer needs. Sales are on FOB, CIF and CFR terms – the majority are [redacted]. We examined the payment evidence and were satisfied as to the price paid.

Good Harvest provided sales documentation for 2 sales transactions in its questionnaire response. We selected the following further sales transactions for verification at the visit:

OBS	Customer Name	Invoice number	Invoice date
28	[redacted]	G-H110302/1	1/03/2011
41	[redacted]	G-H110402/1	25/03/2011
63	[redacted]	G-H110602/2	1/06/2011
82	[redacted]	G-H110707/3	20/07/2011
101	[redacted]	G-H110913	1/09/2011
124	[redacted]	G-H110906/4	20/09/2011
149	[redacted]	G-H111007/4	1/10/2011

Good Harvest provided all details requested in support including the Order; Commercial Invoice; Packing List; Bill of Lading; Payment Slip; Ocean Freight Invoice; Marine Insurance Invoice; Marine Insurance Invoice and breakdown for

shipments concerned; Inland Freight Invoice and breakdown of Inland Freight Invoice; and Handling Expenses Invoice (**confidential attachment EXP 3**).

Based on the documents provided we were satisfied that the sales data checked to source documents including the freight (ocean and inland) and handling charges.

6.3 Taxation

The exports carry VAT. For the tariff classification 3808 the VAT rate is 13% and the refund rate is 5%. More detail is provided in the attachments listed in the Adjustments section below.

6.4 The importer and exporter

Good Harvest negotiate directly with its Australian customers. [redacted]. ***[confidential sales terms]***

Good Harvest customers are the beneficial owners at time of importation and are the importers of the goods – they on sell to their own customers in Australia. The sales are branded with the customers brand requirements.

Good Harvest is clearly the producer and exporter.

6.5 Arms length

The sales to Australia are to unrelated customers who deal at arms length with Good Harvest. There are no advertising, warranty or financial assistance. We consider the export transactions to be arms length in terms of Section 269TAA of the Act.

6.6 Commissions

We have described how in the sales completeness verification we examined all commissions paid within the spreadsheet which had also identified ocean freight and insurance. The product codes relating to GUC were also all identified.

Total commissions paid for the GUC in 2011 amounted to [redacted] RMB. Good Harvest advised that these commissions were all incurred in relation to sales to third countries, not to Australia. We obtained the accounting vouchers and the warehouse out entries in relation to all such sales. The warehouse out ticket identified, amongst other things, the product; the quantity; the amount; and the customer name and location. The commission paid are summarised below:

PUBLIC RECORD

COMMISSIONS PAID ON GUC TYPE PROCUCT	COUNTRY	COMMISSION (RMB)
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
TOTAL		[redacted]

Because the total commission paid had been part of our sales completeness verification we are satisfied that total commissions paid were [redacted] RMB; that the total commissions paid on the GUC were [redacted] RMB; and that the commissions on the GUC were all in relation to export sales to third countries.

6.7 Export sales contract

Good Harvest has a contract with one of the Australian customers. That customer is also identified in the table above listing the export invoices that had been examined.

This contract is with [redacted] Pty Ltd. A copy of the contract has been supplied by Good Harvest. The main terms are:

[redacted]

[redacted]

[outline and discussion of key contract terms]

[redacted]; thus there are no requirements for any commission payments by Good Harvest [redacted] and this has been confirmed also by our examination of all commission paid as explained in section 6.6.

There are no contracts with any other Australian customers.

6.8 Export price preliminary assessment

In the case of export sales to Australia by Good Harvest, we consider:

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

We found no evidence of any reimbursements from Good Harvest to any customers in Australia. We found no evidence of any commissions being paid by Good Harvest to customers in Australia. We did find evidence of commissions being paid to parties in other third countries. We are satisfied that these were the total amount of commissions that were paid.

We consider that export price for export sales from Good Harvest may be established under section 269TAB(1)(a).

Export price calculations are included at **confidential appendix 1**.

PUBLIC RECORD

7 DOMESTIC SALES

7.1 General

Good Harvest reported the following domestic sales in its domestic sales spreadsheet (**confidential attachment DOM 1**).

Total reported 'domestic sales' volume - by product

Product	Sum of Qty MT	Sum of Net invoice value (RMB)	No of pack sizes	Most common pack size
Glyphosate Ammonium Salt 77.7%	[redacted]	[redacted]	1	50g
Glyphosate Ammonium Salt 10% (CM)	[redacted]	[redacted]	9	30kg
Glyphosate Ammonium Salt 10% (HE)	[redacted]	[redacted]	3	4kg
Glyphosate Ammonium Salt 30%	[redacted]	[redacted]	6	30kg
Glyphosate Ammonium Salt 31.5%	[redacted]	[redacted]	5	50g
Glyphosate Ammonium Salt 33%	[redacted]	[redacted]	15	1kg
Glyphosate Ammonium Salt 55%	[redacted]	[redacted]	1	70g
Glyphosate IPA SL.41% (GD)	[redacted]	[redacted]	13	200g
Glyphosate IPA SL.41% (GH)	[redacted]	[redacted]	1	200ml
Glyphosate IPA SL.62%	[redacted]	[redacted]	2	*250kg*
Grand Total	[redacted]	[redacted]		

All of the sales of Glyphosate IPA SL.62% in 250kg containers were to a trading company - we verified that these sales were destined for export sale and for not domestic consumption. One of the selected sales transactions relating to this trader and we noted in the contract that Goods Harvest was required to print export shipping marks on the packaging.

The 'true domestic sales' are shown in the following table:

Total 'true domestic sales' volume - by product

Product	Sum of Qty MT	Sum of Net invoice value (RMB)	No of pack sizes	Most common pack size
Glyphosate Ammonium Salt 77.7%	[redacted]	[redacted]	1	50g
Glyphosate Ammonium Salt 10% (CM)	[redacted]	[redacted]	9	30kg
Glyphosate Ammonium Salt 10% (HE)	[redacted]	[redacted]	3	4kg
Glyphosate Ammonium Salt 30%	[redacted]	[redacted]	6	30kg
Glyphosate Ammonium Salt 31.5%	[redacted]	[redacted]	5	50g
Glyphosate Ammonium Salt 33%	[redacted]	[redacted]	15	1kg
Glyphosate Ammonium Salt 55%	[redacted]	[redacted]	1	70g
Glyphosate IPA SL.41% (GD)	[redacted]	[redacted]	13	200g
Glyphosate IPA SL.41% (GH)	[redacted]	[redacted]	1	200ml
Glyphosate IPA SL.62%	[redacted]	[redacted]	1	1kg
Grand Total	[redacted]	[redacted]		

When sales to [redacted], the export trading company, are excluded from domestic sales the only 62% glyphosate IPA sold domestically is in [redacted] and

only [redacted] MT were sold in the POI – this model is sold with [redacted]

The columns to the right of the table above show the number of pack sizes; and the pack size that comprises the largest volume of sales for the product group concerned. Most are in small pack sizes and the largest domestic pack size is 30kg.

Good Harvest advised that it does not import any of the GUC. There may be some imports on the domestic market by Monsanto for example.

Its direct competitors in terms of size are Zhejian Xin'an; Nantong Jiangshan; and Anhui Huaxin. Good Harvest is the third largest producer in China. There are other smaller producers.

7.2 Price, sales process and verification of selected sales

Good Harvest has no ownership relationships with its domestic customers. Domestic sales are to what they describe as distributors or end users. There is no price list and terms of sale are ex works ie delivery is not included in the price. If the customer asks for delivery they are billed separately.

Credit terms are generally about [redacted]. The largest customers generally have the longest credit terms.

There are no rebates or discounts and the price on the invoice is the final net price.

The sales process is like that for export sales whereby a customer makes an enquiry, prices are negotiated and a contract signed. All domestic sales have a contract. If stock is available delivery is straight from inventory. Most of the inventory is [redacted]. On delivery a VAT invoice is issued.

Payment is not against the invoice but is made on a running balance. Each sale is recorded in the ERP. Packaging is part of the price and, as noted, there are no inland freight costs in the price, and no handling and insurance.

There are some advertising and promotion expenses but these are not significant.

All domestic sales are Good Harvest brand.

The domestic sales listing provided line by line information relating to:

- Customer name;
- Level of trade;
- Product name;
- Model type;
- Product code;
- Order Number;
- Delivery terms;
- Payment terms;

- Unit;
- Sales quantity;
- Unit price;
- Invoice value USD

Good Harvest had provided details for 2 transactions in its questionnaire response, and we selected the following further transactions for verification at the visit:

OBS	Customer Name	Invoice number	Invoice date
2	[redacted]	01216883	18/01/2011
21	[redacted]	01216890	18/01/2011
256	[redacted]	02892404	18/03/2011
269	[redacted]	01222716	23/03/2011
352	[redacted]	01222763	15/04/2011
403	[redacted]	01222798- 01222799	29/04/2011
656	[redacted]	00137710	21/06/2011
914	[redacted]	00138881	29/07/2011
975	[redacted]	00138906	12/08/2011
1405	[redacted]	14181026- 14181029 14181033- 14181034	29/08/2011
1273	[redacted]	00141068	6/12/2011
1323	[redacted]	00141081	13/12/2011

Good Harvest provided all of the information requested including VAT Invoice; warehouse-out tickets; proof of payment; and account receivable. These documents are at **confidential attachment DOM 2**.

7.3 Arms length and ordinary course of trade

The domestic sales are all to unrelated customers and are at arms length.

There is no evidence that there is any consideration payable for or in respect of the goods other than their price; or the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or the buyer, or an associate of the buyer, will, subsequent to the purchase or sale, 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.

PUBLIC RECORD

We compared the domestic sales prices to the verified cost to make and sell as part of the ordinary course of trade (OCOT) test. Good Harvest record a cost to make and sell for each product for each month of the POI. In some months there had been no production and therefore no cost to make data had been recorded. In this situation we used the weighted average cost to make and sell for the investigation period for that same product code. We noted that costs had remained relatively stable over the investigation period.

All exports to Australia are glyphosate IPA salt. After examining OCOT on domestic sales of the most directly matching like goods sold on the domestic market the outcome was that the OCOT sales are only [redacted]% of the total Australian sales volume and therefore there were insufficient volumes of domestic sales in OCOT for the purpose of basing normal value on s269TAC(1). The profitability on domestic sales is very low as examined in the next section.

7.4 Profitability on the domestic market

For domestic sales of glyphosate IPA salts profitability was:

Row Labels	Sum of Qty	Sum of Total CTMS 2	Sum of Total revenue	Sum of Profit	
01.02.03.01	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.04.02.01.02	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.04.02.01.03	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.04.02.01.07	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.04.02.01.08	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.04.02.01.09	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.04.02.01.11	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.04.02.01.14	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.04.02.01.15	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.04.02.01.20	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.04.02.01.21	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.04.02.01.23	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.04.02.01.24	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.04.02.01.25	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.04.02.02.01	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Grand Total	[redacted]	[redacted]	[redacted]	[redacted]	-9.15%

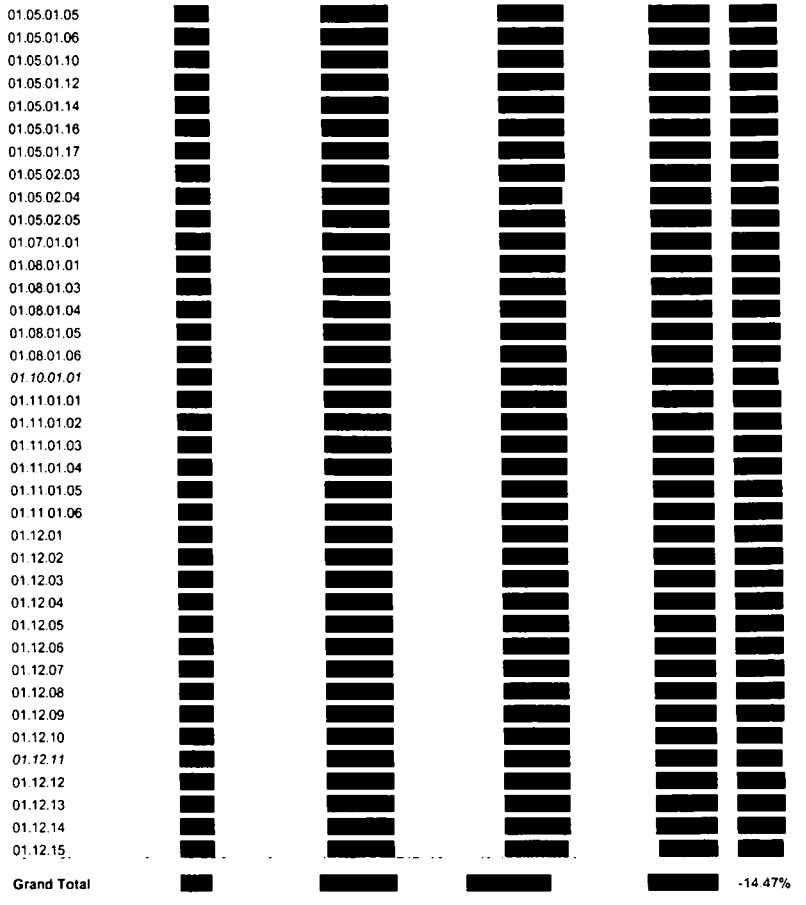
Overall all glyphosate IPA salt was sold at a loss. Only 2 models with a sales volume of [redacted]MT show a very small profit. Average profitability on the two models is [redacted]%.

We also undertook an analysis of profitability of glyhposate IPA salts sold in OCOT and found that those sales were also unprofitable overall, noting that only small quantities of domestically sold glyphosate IPA salt were found to be in the OCOT as outlined in section 7.3 above.

For domestic sales of glyphosate ammonium salts the profitability is shown in the next table:

Row Labels	Sum of Qty	Sum of Total CTMS 2	Sum of Total revenue	Sum of Profit	
01.05.01.03	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
01.05.01.04	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

PUBLIC RECORD



Again, all domestic sales of ammonium salts were unprofitable. Only 2 models with a sales volume of [redacted]MT show a modest profitability of [redacted]%.

For the whole range of domestically sold goods, the four profitable models show a weighted average profit of [redacted]% and their volume represents [redacted]% of the total domestic volume.

Product	Profitability	Profitable models sales volume MT	Total domestic sales volume MT	% of total domestic sales that are profitable
Ammonium salts	[redacted]	[redacted]		
Glyphosate IPA				

7.5 General Comments

Given our observations about the unprofitability of domestic sales in the POI we asked Good Harvest to explain the reasons.

Good Harvest explained that in 2008 and 2009 the market was very profitable and glyphosate technical had a high sales value. There was a large increase in capacity especially by Monsanto which increased its capacity to 400,000 MT a year. Also new entrants entered the market. Because of the high prices of glyphosate technical many traders had purchased glyphosate technical and added it to their inventory – there was a high inventory in both China and elsewhere.

The high production and high inventories continued into late 2009. Demand then decreased substantially and the prices for glyphosate technical fell to about one fifth or one quarter of its earlier peak. Due to the price decline many producers left the market. 2012 is said to be showing signs of recovery.

Good Harvest said that Nufarm would possibly have made losses from its inventory of glyphosate technical. It said Nufram had previously purchased 30,000MT of glyphosate technical which was the equivalent of one year's production for Good Harvest. Monsanto had some production problems in its plants in the USA due to hurricanes; there was some expectation that there would have been a shortage of glyphosate technical due to cut backs in China because of the Olympic games; and demand forecasts had forecast a high glyphosate technical demand due to biofuel forecast demand. However, there was the subsequent substantial price decline in glyphosate technical which would have seen many inventory values significantly affected.

7.6 Domestic Sales – Summary

We are satisfied that the domestic sales are complete and the price paid has been verified. There is not a sufficient volume of close matching sales sold in the ordinary course of trade.

We recommend that the normal value be determined under s269TAC(2) using the verified costs to make and sell. We have not included an amount for profit in our normal value construction due to the unprofitability of domestic sales of like goods (glyphosate IPA salt) and the same general category of goods (glyphosate ammonium salt, see below).

We have shown in this chapter details of those few models showing some profit on domestic sales.

We verified that there are no sales of glyphosate technical. Nor are there any domestic sales of products 4, 5 and 6 which are the specialist herbicides illustrated in the Good Harvest catalogue (attachment GEN 1) – all of the production of these

goods was exported – the spreadsheet titled 'Other domestic herbicide sales ' refers. Good Harvest said these products are 'high tech' selective herbicides that kill only certain kinds of grasses under certain crops, as above.

The only domestic sales of the selective herbicides was some sales of product 7 of that catalogue. We examined these sales details and noted that there were sales only in April and May of the POI. Good Harvest explained these sales were to one customer in north east China and they were being tested for use under sugar beet crops. They were described as a 'test sale', and there had been no repeat orders. We consider that the circumstances of these particular sales did not warrant any examination of their costs.

As the only domestic sales in commercial quantities are the sales of the glyphosate IPA salt and of the ammonium salts it follows that any '*same general category*' of goods, being all herbicides, can only be comprised of these two products.

8 COST TO MAKE & SELL

8.1 Introduction

General

Good Harvest produces glyphosate technical and formulated glyphosate (glyphosate IPA salt and glyphosate ammonium salt) at its facility in Qidong, China. As above, Good Harvest provided a copy of its production flowchart (**confidential attachment CTMS 1**) as part of its questionnaire response showing the steps involved in producing glyphosate IPA salt (IPA salt) and glyphosate ammonium salt (ammonium salt), from the production of the glyphosate technical to the packaged formulated glyphosate products. In this way, Good Harvest may be considered to have an integrated production process as it produces glyphosate technical for its own formulation purposes.

As above, Good Harvest confirmed that its uses an IDA manufacturing route to produce glyphosate technical. The main raw material used in its manufacturing route is IDAN and Good Harvest only uses the oxygen method to produce the glyphosate technical (and the 1% solution) used in the production of its formulated products, as outlined above.

We verified the cost to make from the raw material inputs that go into the production of glyphosate technical to the packaging of the formulated glyphosate products.

Accounting

Good Harvest records actual costs in its accounting system and it does not use profit or cost centres. Good Harvest uses an actual costing method to value goods used in the production.

Good Harvest capture the cost to produce on production stage basis as its standard accounting approach.

Good Harvest provided a full list of product codes used in its accounting system (**confidential attachment GEN 10**).

Production volumes verification

Good Harvest provided a downloaded production output summary of all its products, which identified relevant semi-finished and finished glyphosate products (**confidential attachment GEN 11**). The value for final finished goods reconciled to the actual production volume listed in the production table provided as part of Good Harvest's questionnaire response (**confidential attachment GEN 12**).

8.2 Cost To Make – Approach

Good Harvest provided detailed cost to make and sell data for 56 domestic product codes and 16 exports product codes as parts of its questionnaire response. The export product codes covered all products exported to Australia, which included:

PUBLIC RECORD

GLyphosate IPA SL.360G/L
GLyphosate IPA SL.450G/L
GLyphosate IPA SL.470G/L
GLyphosate IPA SL.510G/L
Glyphosate IPA SL.62%

The domestic product codes covered all IPA salt and ammonium salt products sold by Good Harvest domestically during the investigation period, which included:

Glyphosate Ammonium Salt 77.7%
Glyphosate Ammonium Salt 10% (CM)
Glyphosate Ammonium Salt 10% (HE)
Glyphosate Ammonium Salt 30%
Glyphosate Ammonium Salt 31.5%
Glyphosate Ammonium Salt 33%
Glyphosate Ammonium Salt 55%
Glyphosate IPA SL.41% (GD)
Glyphosate IPA SL.41% (GH)
Glyphosate IPA SL.62%

Good Harvest advised that individual product codes are allocated to all products based on the formulation, particular packaging and specific gravity (where there are slight variances).

The Domestic CTMS spreadsheets were provided as Exhibit G-4 to the questionnaire response and the Australian CTMS spreadsheet was provided as Exhibit G-5. These two spreadsheets are at **confidential attachments CTMS 2 and 3** respectively. The CTMS spreadsheets provided line by line data relating to the major costs to make incurred for each formulation, pack size and month of production. The CTMS sheet, for each product code (model) listed the following data for each month of the investigation period where production of that product code took place:

- Production quantity (MT);
- Material costs;
- Packing materials
- Direct Labour;
- Manufacturing overheads;
- Total cost to make;
- Unit cost to make;
- SG&A; and
- Unit cost to make and sell.

Prior to the visit, we advised Good Harvest that we would seek to verify the cost to make for the following products produced in the month of March in our agenda (confidential attachment GEN 9):

01.04.02.04.03	Glyphosate IPA salt 450/470 g/l	Australian model	**March**
01.04.02.03.08	Glyphosate IPA salt 360g/l	Australian model	**March**
01.04.02.01.09	Glyphosate IPA salt 41%	Domestic model	**March**
01.05.01.17	10%	Domestic model	**March**

The Domestic and Australia CTMS spreadsheets provided reported the cost to make and sell for the final finished goods since Good Harvest capture costs on a production stage basis as its standard accounting approach. Therefore, for the purpose of verification, Good Harvest provided two accounting flowcharts that identified the production stages and relevant ledgers for each stage of production necessary to verify the raw material purchases for glyphosate technical production through to the final product CTM data provided (confidential attachments CTMS 2 and 3) and ultimately the revised Income Statement. The accounting flowchart for glyphosate IPA salt is at **confidential attachment CTMS 4.** The accounting flowchart stages follow the production steps reflected in the production flowchart (confidential attachment CTMS 1) as outlined below.

8.2.1 Production steps – glyphosate IPA salt

The production flowchart provided (confidential attachment CTMS 1) shows the production steps involved in producing glyphosate technical and ultimately formulated glyphosate IPA salt (IPA salt). The top 3 selected products for verification in the table above (Glyphosate IPA salt 450/470 g/l, Glyphosate IPA salt 360g and Glyphosate IPA salt 41%), consisting of two Australian models and one domestic model, were all produced through the IPA production route. The productions steps for IPA salt products reflected in the accounting flowchart for IPA salt (confidential attachment CTM 4) were broken down to the following steps for the purpose of our cost to make verification of each production step:

1. Raw Materials are purchased. The main raw material for glyphosate technical is IDAN.
2. Production of DSIDA from raw materials (including IDAN).
3. Production of PMIDA from DSIDA.
4. Production of glyphosate technical (97%) from PMIDA.
5. Production of 62% IPA salt solution from glyphosate technical.
6. Production of semi-finished IPA salt (non-packaged) of various concentrations from 62% IPA salt solution and the addition of surfactants.

7. Packaging of semi-finished IPA salt of various concentrations to form the finished IPA salt product.

Good Harvest capture the cost to make at each production stage and therefore the costs referred to below are the actual costs to make the particular product produced at that production stage, which includes the direct material costs from the material cost summaries and other actual costs (including labour, electricity, depreciation, maintenance, repair, inspection, loading and other costs)[5].

8.2.2 Production Steps – glyphosate ammonium salt (divergent production steps)

The production of glyphosate ammonium salt (ammonium salt) diverges from the production of glyphosate IPA salt route following production of PMIDA. The divergent steps involved in production of ammonium salt are:

1. Production of PMIDA from DSIDA (Step 3 above).
2. Capture 1% solution from PMIDA waste material.
3. Production (neutralisation) of 1% solution from captured PMIDA waste material
4. Production of semi-finished ammonium salt (non-packaged) of various concentrations from 1% solution and addition of glyphosate technical (where required) and surfactants.
5. Packaging of semi-finished ammonium salt to form the finished ammonium salt product.

8.3 Verification of Cost to Make – glyphosate technical and glyphosate IPA salt

Raw Material Costs (step 1)

Raw Materials are purchased. The main raw material for glyphosate technical is IDAN.

Good Harvest provided its IDAN materials sub-ledger identifying all purchases of IDAN (Iminodiacetonitrile) (**confidential attachment CTMS 5 - 1**) for the month of March. IDAN was identified by its particular product code in the system. The ledger identified the amount in and the amount of IDAN that went out and into production of glyphosate technical. To support the accuracy of the total IDAN purchased, Good Harvest provided an accounting voucher and 6 purchase invoices (confidential

[5] In the case of power for example there are metres at stages of production recording actual power consumption in that part of the process. And for wages, that actual hours worked are recorded for that stage and labour costs worked out.

attachment CTMS 5 - 1), the total of which reconciled to the total in for the month of March. The purchase invoices identified the name of the supplier, [redacted]. We confirmed the product code identified in the ledger by cross reference to the full list of product codes used by Good Harvest in its accounting system (confidential attachment GEN 10).

Good Harvest then provided a copy of it accounts payable sub-ledger for [redacted], which showed the total debit and credits for March 2011 (**confidential attachment CTMS 5 - 2**). We observed the total IDAN purchases (identified by its name) in the credit (purchase column), which was the price inclusive of VAT. We then observed payment in the debit column following the identified total purchased amount of IDAN. In this regard, Good Harvest advised that payment was generally made on a running basis in China and we observed that the total payment made was greater than the debit (purchases) for the month of March for all products purchased from that supplier. To support the payment amount, the company provided an accounting voucher and bank payment slips showing payment of the identified transaction in the accounts payable ledger (**confidential attachment CTMS 5 - 2a**).

DSIDA production costs (step 2)

Production of DSIDA from raw materials (including IDAN)

Good Harvest provided a material cost summary (**confidential attachment CTMS 5 - 3**), generated from its accounting system, which listed the items and their actual costs and quantities used in the production of DSIDA for March. We observed the cost and quantities of catalyst (Ionic membrane caustic soda), oxydol, IDAN, active carbon, Hel and ammonia water used in the production of DSIDA. We noted the total quantity and value of the IDAN consumed in the production, plus an identified residual amount already in store as work in progress, reconciled with the total IDAN amount that went out of the IDAN material sub-ledger observed in step 1 above.

Since Good Harvest capture the total cost to make a product at each production stage, it also provided a total cost summary for the production of DSIDA for March (**confidential attachment CTMS 5 - 3a**). The total cost summary recorded the output and costs for direct materials, labour, electricity, steam, water, waste water, depreciation, maintenance, repair, inspection and loading involved in the production of DSIDA. We observed that the direct material costs reconciled with the total material costs from the material cost summary (confidential attachment CTMS 5 - 3).

Good Harvest then provided its DSIDA sub-ledger for March, which identified the total DSIDA output and costs in (**confidential attachment CTMS 5 - 4**). The values reconciled with the total values from the total cost summary (confidential attachment CTMS 5 - 3a).

PMIDA production costs (step 3)

Production of PMIDA from DSIDA

Good Harvest provided its March DSIDA material withdraw summary showing the quantity and value of DSIDA taken out for use in the production of PMIDA (**confidential attachment CTMS 5 - 5**). The withdrawal summary identified that DSIDA was taken out for use by two workshops. The total quantity and value of DSIDA identified in the material withdrawal summary reconciled with the values that went out of the DSIDA sub-ledger (confidential attachment CTMS 5 - 4).

Good Harvest provided material cost summaries for both workshops (**confidential attachments CTMS 5 - 5A and 5B**), which listed the items and their actual costs and quantities used in the production of PMIDA for March. We observed the cost and quantities of formaldehyde, ammonia water, Hcl, phospoherous acid and DSIDA used in the production of PMIDA for both workshops identified in the separate material cost summaries. We noted the total quantity and value of the DSIDA consumed in the production of PMIDA for both workshops, plus an identified residual amount already in store as work in progress, reconciled with the material withdrawal summary (confidential attachment CTMS 5 - 5).

Since Good Harvest capture the total cost to make a product produced at each production stage, it also provided a total cost summary for the production of PMIDA for both workshops for March (**confidential attachment CTMS 5 - 5Aa and 5Bb**). The total cost summaries recorded the output and costs for direct materials, labour, electricity, steam, water, waste water, depreciation, maintenance, repair, inspection and loading involved in the production of PMIDA. We observed that the direct material costs reconciled with the total material costs from the material cost summaries (confidential attachment CTMS 5 - 5A and 5B).

Good Harvest then provided its PMIDA sub-ledger for March, which identified the total DSIDA output and costs in (**confidential attachment CTMS 5 - 6**). The total values reconciled with the combined total values from the total cost summaries for both workshops (confidential attachment CTMS 5 - 5Aa and 5Bb).

Glyphosate technical (97%) production costs

Production of glyphosate technical (97%) from PMIDA

Good Harvest provided its March PMIDA material withdraw summary showing the quantity and value of PMIDA taken out for use in the production of glyphosate technical (**confidential attachment CTMS 5 - 7**). The withdrawal summary identified that PMIDA was taken out for use by two workshops. The total quantity and value of PMIDA identified in the material withdrawal summary reconciled with the values that went out of the PMIDA sub-ledger (confidential attachment CTMS 5 - 6).

Good Harvest provided material cost summaries for both workshops (**confidential attachment CTMS 5 - 7A and 7B**), which listed the items and their actual costs and quantities used in the production of glyphosate technical for March. However, Good

Harvest advised that the PMIDA was only going to be used to produce glyphosate technical in workshop A, which was reflected in production listing for workshop A (confidential attachment CTMS 5 - 7A) but not workshop B. Workshop B's cost summary (confidential attachment CTMS 5 - 7B) identified it produced 28% glyphosate IPA and glyphosate ammonium and 1% solution. Relevantly, we observed the cost and quantities of activated carbon and PMIDA used in the production of glyphosate technical for workshop A as identified in the material cost summary for workshop A (confidential attachment CTMS - 7A). We noted the total quantity and value of the PMIDA consumed in the production of glyphosate technical and other products for both workshops, plus an identified residual amount already in store as work in progress, reconciled with the material withdrawal summary (confidential attachment CTMS 5 - 7).

Since Good Harvest capture the total cost to make a product produced at each production stage, it provided the total cost summary for the production of glyphosate technical in workshop A for March (**confidential attachment CTMS 5 - 7Aa**). The total cost summary recorded the output and costs for direct materials, labour, electricity, steam, waste water, depreciation, maintenance, repair, inspection and loading involved in the production of glyphosate technical. We observed that the direct material costs (glyphosate technical) reconciled with the total material costs for glyphosate technical from the material cost summary for workshop A (confidential attachment CTMS 5 - 7A).

Good Harvest then provided its glyphosate technical sub-ledger for March, which identified the total glyphosate technical output and costs in (**confidential attachment CTMS 5 - 8**). The total values reconciled with the total values from the glyphosate technical total cost summary for workshop A (confidential attachment CTMS 5 - 7Aa).

62% IPA salt solution production costs

Production of 62% IPA salt solution from glyphosate technical

Good Harvest provided its March glyphosate technical material withdraw summary showing the quantity and value of glyphosate technical taken out for use in the production of 62% IPA salt solution and other products (**confidential attachment CTMS 5 - 9**). The total quantity and value of glyphosate technical identified in the material withdrawal summary for production of all products identified in the withdraw summary reconciled with the values that went out of the glyphosate technical sub-ledger (confidential attachment CTMS 5 - 8).

Good Harvest provided its material cost summary for production of the 62% IPA salt solution (**confidential attachments CTMS 5 - 9A**), which listed the items and their actual costs and quantities used in the production of 62% IPA salt for March. We observed the cost and quantities of purchased glyphosate technical (95%), previously produced glyphosate technical (97%) and 28% glyphosate technical used in the production of 62% IPA Salt in the material cost summary. We noted the total quantity and value of the previously produced glyphosate technical (97%) consumed in the production of 62% IPA Salt, plus an identified residual amount already in store

as work in progress, reconciled with the material withdrawal summary (confidential attachment CTMS 5 - 9).

Since Good Harvest capture the total cost to make a product produced at each production stage, it also provided a total cost summary for the production of 62% IPA salt solution for March (**confidential attachment CTMS 5 - 9Aa**). The total cost summary recorded the output and costs for direct materials, labour, electricity, steam, water, depreciation, maintenance, repair, inspection and loading and other costs involved in the production of 62% IPA salt. We observed that the direct material costs, plus an identified residual amount already in store as work in progress, reconciled with the total material costs of the produced glyphosate technical (97%) identified in the material cost summary (confidential attachment CTMS 5 - 9A).

Good Harvest then provided its 62% IPA salt sub-ledger for March, which identified the total 62% IPA salt output and costs in (**confidential attachment CTMS 5 - 10**). The total values in reconciled with the total costs to produce 62% IPA salt from the total cost summary (confidential attachment CTMS 5 - 9Aa).

Semi-finished IPA costs (non packaged) and Surfactants - glyphosate IPA salt 41%

Production of semi-finished IPA salt (non-packaged) of various concentrations from 62% IPA salt solution and the addition of surfactants

Good Harvest provided its March 62% IPA salt material withdraw summary showing the quantity and value of 62% IPA salt taken out for use in the production of semi finished 41% IPA salt (**confidential attachment CTMS 5 - 11**). At this stage of the production process the product has not been packaged. The total quantity and value of 62% IPA salt identified in the material withdrawal summary for production of 41% IPA Salt and other formulated glyphosate IPA salt products reconciled with the values that went out of the 62% IPA salt sub-ledger (confidential attachment CTMS 5 - 10).

Good Harvest provided its material cost summary for production of various IPA salt products (**confidential attachments CTMS 5 - 11A**), which listed the items and the actual costs and quantities used in the production of the various products for March. We observed the cost and quantities of 62% IPA salt and surfactants used in the production of 41% IPA salt. We observed the identified quantity and value of the 62% IPA salt for specific use in producing the 41% IPA salt reconciled with the value identified in the material withdrawal summary (confidential attachment CTMS 5 - 11).

Since Good Harvest capture the total cost to make a product produced at each production stage, it also provided a total cost summary for the production of 41% IPA salt for March (**confidential attachment CTMS 5 - 11Aa**). The total cost summary recorded the output and costs for direct materials, labour, electricity, depreciation, maintenance, repair, inspection and loading and other costs involved in the production of the 41% IPA salt. We observed that the direct material costs (62% IPA

Salt and surfactants), reconciled with the total material costs identified in the material cost summary (confidential attachment CTMS 5 - 11A).

Good Harvest then provided its 41% IPA salt product sub-ledger for March, which identified the total 41% IPA salt output and costs in (**confidential attachment CTMS 5 - 12**). The total values in reconciled with the total costs to produce the 41% IPA salt in the total cost summary (confidential attachment CTMS 5 - 11Aa).

Surfactants used in producing 41% IPA salt – domestic

Good Harvest advised that it uses the same surfactants for production of both domestic and export IPA salt products. In support, it provided a list of surfactants used in the production of the Australian and domestic IPA models (**confidential attachment CTMS 6 - GEN 3**). The surfactants were all identified as foreign brand surfactants, either directly imported or domestically sourced.

Good Harvest further advised that [redacted] ***[domestic surfactant use strategy]*** In support, Good Harvest provided a table showing surfactant consumption comparison for the 3 selected IPA salt product codes verified at the visit and the semi finished goods material costs summary to support the quantities summarised in the table (**confidential attachment CTMS 6 - GEN 6**). The surfactants were identified in the semi-finished goods material cost summary, which was a copy of confidential attachment CTMS 5 - 11A.

We also requested Good Harvest to provide documentation to support the accuracy of the surfactants used in producing the 41% IPA salt identified in the IPA Salt material cost summary provided (confidential attachment CTMS 5 - 11A) as part of our verification.

In response, Good Harvest provided the material sub-ledgers for the two surfactants identified in confidential attachment 11A, the accounting voucher, purchase invoice and accounts payable ledger, which all supported the accuracy of the purchase and use of the two surfactants (**confidential attachment CTM 6 - surfactants**).

Packaging Costs for product code 01.04.02.01.09 (41% IPA salt)

Packaging of semi-finished IPA salt of various concentrations to form the finished IPA salt product

Good Harvest provided its March 41% IPA salt material withdraw summary showing the quantity and value of 41% IPA salt taken out for use in the production of the finished and packed 41% IPA salt product (**confidential attachment CTMS 5 - 13**). The total quantity and value of 41% IPA salt identified in the material withdrawal summary for production of finished 41% IPA salt product and other 41% IPA salt packaged products reconciled with the values that went out of the 41% IPA salt sub-ledger (confidential attachment CTMS 5 - 12).

Good Harvest provided its material cost summary for packaging and labelling of various IPA salt products for March (**confidential attachments CTMS 5 - 13A**). We

observed the cost and quantities of packaging and labelling to make selected product code 01.04.02.01.09. We observed the identified quantity and value of packaging and labelling for 01.04.02.01.09 reconciled with the value identified for that product code in the material withdrawal summary (confidential attachment CTMS 5 - 13).

Since Good Harvest capture the total cost to make a product produced at each production stage, it also provided a total cost summary for the production of the 01.04.02.01.09 (**confidential attachment CTMS 5 - 13Aa**). The total cost summary recorded the output and costs for direct materials (packaging and labelling) labour, electricity, depreciation, maintenance, repair, inspection and loading and other costs involved in the production of the final packaged product, 01.04.02.01.09, for March. We observed that the direct material costs reconciled with the total material costs identified in the material cost summary (confidential attachment CTMS 5 - 13A).

Good Harvest then provided its finished goods sub-ledger for 01.04.02.01.09 for March, which identified the total 01.04.02.01.09 output and costs in (**confidential attachment CTMS 5 - 14**). The total values in reconciled with the total costs to produce product code 01.04.02.01.09 in the total cost summary (confidential attachment CTMS 5 - 13Aa).

The cost values in the total cost summary for product code 01.04.02.01.09 (confidential attachment CTMS 5 - 13Aa) reconciled with the values in the Domestic CTMS spreadsheet (confidential attachment CTMS 2) for that product code for March.

Semi-finished IPA costs and packaging costs for product code 01.04.02.03.08 (IPA salt 360g/l – export)

Good Harvest advised that it produces IPA salts of the same variety by the same process for domestic and export sales. Therefore, product code 01.04.02.03.08, which is the same concentration as the 41% IPA salt domestic product was produced using the same 62% IPA salt to produce the domestic product (01.04.02.01.09) and we have verified the costs for that product to the finished goods as above.

In this way, we observed the cost and quantities of 62% IPA salt and surfactants used in the production of the various 41% IPA salts in confidential attachment CTMS 5 - 11A similarly to above. Good Harvest advised that the 41% IPA salt to ultimately be used to produce product code 01.04.02.03.08 (IPA salt 360g/l) was produced in 3 workshops and this was identified in the material cost summary for 41% IPA salts (confidential attachment CTMS 5 - 11A). As above, we observed the identified quantity and value of the 62% IPA salt and surfactants specifically used in producing the 41% IPA salt, reconciled with the value identified in the material withdrawal summary for March (confidential attachment CTMS 5 - 11).

Since Good Harvest capture the total cost to make a product produced at each production stage, it also provided a total cost summary for the production of 41% IPA salt for the 3 workshops identified in the 41% IPA material cost summary for March (**confidential attachments CTMS 7 - 18a, 19a and 20a**). The total cost summaries

recorded the output and costs for direct materials (62% IPA salt and surfactants) labour, electricity, steam, water, depreciation, maintenance, repair, inspection and loading and other costs involved in the production of the 41% IPA Salt product that would become product code 01.04.02.03.08. We observed that the direct material costs (62% IPA salt and surfactants), reconciled with the total material costs identified in the material cost summary for the three workshops (confidential attachment CTMS 5 - 11A).

Good Harvest then provided the sub-ledgers for the semi-finished 41% IPA salt, which identified the total 41% IPA salt output and costs in for each workshop for March (**confidential attachments CTMS 7 - 18b, 19b and 20b**). The total values in for each sub-ledger reconciled with the total costs to produce the 41% IPA salt in the total cost summary for each workshop (confidential attachment CTMS 7 - 18a, 19a and 20a).

As above, Good Harvest provided its material cost summary for packaging and labelling of various IPA glyphosate products for March (confidential attachments CTMS 5 - 13A). Similarly to product 01.04.02.01.09, we observed the material costs to ultimately make product code 01.04.02.03.08 for all three workshops in the material cost summary.

Good Harvest provided the total cost summary for the production (packaging) to produce product code 01.04.02.03.08 (**confidential attachment CTMS 7 - 21**). The total cost summary recorded the output and costs for direct materials (packaging) labour, electricity, depreciation, maintenance, repair, inspection and loading and other costs involved in the production of the finished product code 01.04.02.03.08. We observed that the direct material costs reconciled with the total material costs identified in the material cost summary (confidential attachment CTMS 5 - 13A).

Good Harvest then provided its finished goods sub-ledger for product code 01.04.02.03.08 for March, which identified the total 01.04.02.03.08 output and costs in (**confidential attachment CTMS 7 - 22**). The total values in reconciled with the total costs to produce product 01.04.02.03.08 in the total cost summary (confidential attachment CTMS 7 - 21).

The cost values in the total cost summary for product 01.04.02.03.08 (confidential attachment CTMS 7 - 21) reconciled with the values in the Australian CTMS Spreadsheet (confidential attachment CTMS 3) for that product code for March.

Semi-finished IPA costs and packaging costs for product code 01.04.02.04.03 (IPA SL 450/470 g/l – export)

As above, Good Harvest advised that it produces IPA salts of the same variety by the same process for domestic and export sales. Therefore, product code 01.04.02.04.03 (IPA SL 450/470 g/l) was produced using the same 62% IPA salt to produce the domestic product and we have verified the costs for that product to the finished goods as above.

In this way, we observed the cost and quantities of 62% IPA salt and surfactants used in the production of the various IPA salts in confidential attachment CTMS 5 - 11A similarly to above. Good Harvest advised that the IPA salt to ultimately be used to produce product code 01.04.02.04.03 was produced in 2 workshops and this was identified in the material cost summary for IPA salts for March (confidential attachment CTMS 5 - 11A). As above, we observed the identified quantity and value of the 62% IPA salt and surfactants ultimately used in producing product code 01.04.02.04.03, reconciled with the value identified in the material withdrawal summary (confidential attachment CTMS 5 - 11).

Good Harvest provided a total cost summary for the production of IPA SL 450/470 for the 2 workshops identified in the IPA salts material cost summary (**confidential attachments CTMS 8 - 23a 24a**). The total cost summaries recorded the output and costs for direct materials (62% IPA salt and surfactants) labour, electricity, steam, water, depreciation, maintenance, repair, inspection and loading and other costs involved in the production of the IPA SL 450/470 product that would become product code 01.04.02.04.03. We observed that the direct material costs (62% IPA salt and surfactants), reconciled with the total material costs identified in the material cost summary for the 2 workshops (confidential attachment CTMS 5 - 11A).

Good Harvest then provided the sub-ledgers for the semi-finished IPA SL 450/470 for March, which identified the total IPA SL 450/470 output and costs in for each workshop (**confidential attachments CTMS 8 - 23b and 24b**). The total values in for each sub-ledger reconciled with the total costs to produce the IPA SL 450/470 in the total cost summary for each workshop (confidential attachments CTMS 8 - 23a 24a).

As above, Good Harvest provided its material cost summary for packaging and labelling of various IPA glyphosate products (confidential attachments CTMS 5 - 13A). Similarly to product 01.04.02.01.09, we observed the materials cost (packaging) to ultimately make product code 01.04.02.04.03 for both workshops in the material cost summary.

Good Harvest provided the total cost summary to produce the finished product code 01.04.02.04.03 (**confidential attachment CTMS 8 - 25**). The total cost summary identified the output and costs for direct materials (packaging) labour and other costs involved in the production of the finished 01.04.02.04.03. We observed that the direct material costs reconciled with the total material costs identified in the material cost summary (confidential attachment CTMS 5 - 13A).

Good Harvest then provided its finished goods sub-ledger for product code 01.04.02.04.03 for March, which identified the total 01.04.02.04.03 output and costs in (**confidential attachment CTMS 8 - 26**). The total values in reconciled with the total costs to produce product 01.04.02.04.03 in the total cost summary (confidential attachment CTMS 8 - 25).

The cost values in the total cost summary for product 01.04.02.04.03 (confidential attachment CTMS 8 - 25) reconciled with the values in the Australian CTMS Spreadsheet (confidential attachment CTMS 3) for that product code for March.

8.3.1 Accounting treatment of by-products (ammonia gas and nacl (sodium))

We raised the question of by-products in our agenda to Good Harvest. At the visit, Good Harvest advised that only two by-products are generated from its particular production process of glyphosate. These are ammonia gas and nacl (sodium).

Good Harvest explained its accounting treatment of the two identified by-products. Good Harvest advised that in China there are 3 generally accepted accounting principles in the treatment of by-products. The first is to not allocate any costs for the by product - which is the method adopted by Good Harvest for the nacl by-product due to the small volumes.

The second is to use the standard cost of the by-product and adjust the profit of the final finished goods. In this regard, Good Harvest advised that it used this method for the ammonia gas since it sometimes re-used the ammonia gas in its production process and only sells some small quantities. Good Harvest explained that it may be open to them seek an adjustment for this amount but chose not to do so due to the small values involved.

The final approach is to use the selling price of the by-product to offset the cost to make and sell. However, this approach is more involved and is used where sales of the by product are significant. Because of the small value and quantities of the two by-products, Good Harvest did not use this method.

In support of these explanations and of the small quantities of by-products, Good Harvest provided the sales ledgers for Nacl and ammonia gas and the invoice to support the accuracy of the sale of the nacl (sodium) (**confidential attachment CTMS 9 - GEN 7**) . The effect of any allowance for by-product would be to decrease the unit cost to make and sell. Such downward adjustment has not been sought by Good Harvest for the reasons explained.

8.4 Cost to Make – glyphosate ammonium salt (divergent production steps)

The production of ammonium salt followed the same verified route of production for glyphosate technical up to the production of PMIDA from DSIDA (Step 3 above). For the purpose of verifying the costs involved with the divergent production steps involved in producing ammonium salt, Good Harvest provided a further accounting flowchart. The accounting flowchart to trace the production costs for ammonium salt is at **confidential attachment CTMS 10**.

1% Solution production costs

Capture 1% solution from PMIDA waste material.

The next production step involved in the production of ammonium salt is the capture of the 1% solution from PMIDA waste material.

Good Harvest already provided material cost summaries for two workshops that captured the 1% solution (confidential attachments CTMS 5 - 7A and 7B) during the production of glyphosate technical. The material cost summaries identified the productions cost of 1% solution from PMIDA for March. Relevantly, we observed the cost and quantities of activated carbon and PMIDA used in the production of the 1% solution. Similarly to above in respect to production of glyphosate technical, we noted the total quantity and value of the PMIDA consumed in the production of glyphosate technical, the 1% solution and other products for both workshops, plus an identified residual amount already in store as work in progress, reconciled with the material withdrawal summary for March (confidential attachment CTMS 5 - 7).

Good Harvest provided the total cost summaries for the production of the 1% solution for both workshops (**confidential attachment CTMS 11 - AS 7Aa and AS 7Bb**). The total cost summary recorded the output and costs for direct materials, labour, electricity, steam, depreciation, maintenance, repair, inspection and loading and other costs involved in the production of the 1% solution. We observed that the direct material costs (1% solution) reconciled with the total material costs for the 1% solution from the material cost summaries for both workshops (confidential attachment CTMS 5 - 7A and 7B).

Good Harvest then provided its 1% solution sub-ledger for March, which identified the total 1% solution output and costs in (**confidential attachment CTMS 11 - AS 8**). The total values reconciled with the total values from the 1% solution total cost summary for both workshops for March (confidential attachment CTMS 11 - AS 7Aa and AS 7Bb).

Neutralised 1% solution production costs

Production (neutralisation) of 1% solution from captured PMIDA waste material

Good Harvest provided its material cost summary for the neutralisation of the 1% solution for March (**confidential attachments CTMS 11 – AS 9a**). We noted the total quantity and value of the 1% solution consumed in the neutralisation of the 1% solution reconciled with the 1% solution sub-ledger (confidential attachment 8).

Good Harvest also provided a total cost summary for the neutralisation of the 1% solution (**confidential attachment CTMS 11 - AS 9b**). We observed that the direct material costs (1% solution and other costs), reconciled with the total material costs of the 1% solution identified in the material cost summary (confidential attachment CTMS 11 – AS 9a).

Good Harvest then provided its neutralised 1% sub-ledger for March, which identified the total neutralised 1% solution output and costs in (**confidential attachment CTMS 11 - AS 10**). The total values reconciled with the total costs to produce neutralised 1% solution in the total cost summary (confidential attachment CTMS 11 - AS 9b).

PUBLIC RECORD

Semi finished 10% ammonium salt production costs (non packaged)

Production of semi-finished ammonium salt (non-packaged) of various concentrations from 1% solution and addition of glyphosate technical (where required) and surfactants

Good Harvest provided its material cost summary for the 10% ammonium solution for March (**confidential attachment CTMS 11 - AS 11**). We noted the total quantity and value of the neutralised 1% solution consumed in the production of the 10% ammonium solution, plus an identified residual amount already in store as work in progress, reconciled with the neutralised 1% solution sub-ledger (confidential attachment CTMS 11 - AS 10).

Good Harvest also provided a total cost summary for the production of the 10% ammonium solution for March (**confidential attachment CTMS 11 - AS 11A**). We observed that the direct material costs, reconciled with the total material costs of the neutralised 1% solution identified in the material cost summary (confidential attachment CTMS 11 - AS 11).

Good Harvest then provided its 10% ammonium salt sub-ledger for March, which identified the total 10% ammonium salt output and costs in (**confidential attachment CTMS 11 - AS 12**). The total values reconciled with the total costs to produce the 10% ammonium solution in the total cost summary (confidential attachment CTMS 11 - AS 11A).

Packaging costs for production code 01.05.01.17 (10% ammonium salt)

Packaging of semi-finished ammonium salt to form the finished ammonium salt product – product code 01.05.01.17

Good Harvest provided the March material withdrawal summary for the 10% ammonium solution (**confidential attachment CTMS 11 - AS 13**). We observed that the total 10% ammonium solution identified as coming out of the 10% ammonium salt solution sub-ledger reconciled with the total value identified in the material withdrawal summary (confidential attachment CTMS 11 - AS 13).

Good Harvest provided its material cost summary for the packaging and labelling of the 10% ammonium solution (**confidential attachment CTMS 11 - AS 13A**). We noted the value used in the production of the finished 01.05.01.17 product code reconciled with the specific value in the 10% ammonium salt withdrawal summary (confidential attachment CTMS 11 - AS 13).

Good Harvest then provided the finished goods sub-ledger for product code 01.05.01.17 for March, which identified the total 10% ammonium salt output and costs in (**confidential attachment CTMS 11 - AS 14**). The total values reconciled with the total costs to produce the final 10% ammonium solution (product code 01.05.01.17) in the total cost summary (**confidential attachment CTMS 11 - AS 13Aa**).

The cost values in the total cost summary for product 01.05.01.17 (confidential attachment CTMS 11 - 13Aa) reconciled with the values in the Domestic CTMS Spreadsheet (confidential attachment CTMS 2) for that product code for March.

8.5 Completeness and Relevance – upwards verification to Income Statement

In order to reconcile the cost of the total finished goods to the revised Income Statement spreadsheet (confidential attachment GEN 0) for completeness, Good Harvest provided the following supporting documentation at the visit and as part of its questionnaire response:

- Cost of Goods Sold Summary (**confidential attachment CTMS 12 - 15**);
- Unrefundable VAT listing (**confidential attachment CTMS 12 - 16**);
- Income Statement for March 2011 (**confidential attachment CTMS 12 - 17**);
- Revised Income Statement spreadsheet for the Investigation period and most recent financial period (**confidential attachment CTMS 12 - GEN 0**); and
- Quarterly Financial Reports for 2011 (**confidential attachment CTMS 12 - Exhibit A-6 to the questionnaire response**).

We observed the entries in to the Cost of Goods Sold Summary (confidential attachment CTMS 12 - 15) for the selected product codes and we noted that the values reconciled with the out column of the finished goods sub-ledgers provided for each selected product code (confidential attachments CTMS 5 - 14, CTMS 7 - 22, CTMS 8 - 26 and CTMS 11 - AS 14).

We then observed that the total from the Cost of Goods Sold Summary plus the total from the unrefundable VAT listing (minus 3 identified corrections) (confidential attachment CTMS 12 - 16), reconciled to the cost of goods sold in the Income Statement for March 2011 (confidential attachment CTMS 12 - 17). Finally, we observed that the accumulated operation income to the end of December 2011 in the December 2011 Income Statement (which included the accumulated totals for the whole of 2011, including March 2011) (confidential attachment CTMS 12 - Exhibit A-6 to the questionnaire response), plus the accumulated other operation income in the same Income Statement, reconciled to the Gross Sales value in the revised Income Statement spreadsheet for the investigation period (confidential attachment CTMS 12 - GEN 0).

We also questioned Good Harvest what made up the extraordinary gains and losses and abnormal gains and losses identified in the revised Income Statement spreadsheet. In response, Good Harvest provided its non-operating expenses, sales tax additional and non-operational income ledgers (**confidential attachment CTMS 12 - GEN 0a**), which reconciled to the values in the revised Income Statement spreadsheet.

8.6 Comparison of CTMS to Australian Industry cost to make intelligence

We compared the verified CTMS data provided by Good Harvest for two products to the cost to make intelligence provided by the Australian Industry (**confidential attachment GEN 13**) on a per litre basis according to formulation, packaging type and month of production. We observed that there was a minor difference in the cost to make data provided by the applicant compared to the CTMS data provided by Good Harvest, with the Good Harvest cost to make being approximately [redacted] per litre less for both models. The specific gravity for the particular product was used in the conversion from MT to litres.

8.7 Selling, general and administration (SG&A) expenses

Good Harvest allocated company wide SG&A expenses to the goods under consideration (domestic and export) sold during the period of investigation and derived a unit SG&A figure for both domestic and export sales. The table outlining the allocation was as follows:

Item	All Products	GUC
Sales revenue	[redacted]	
other operation income	[redacted]	
Total	[redacted]	[redacted]
Selling costs (1)	[redacted]	
Inland freight & Handling expenses (2)	[redacted]	
Selling costs excluding inland freight & handling expenses (3)=(1)-(2)	[redacted]	
Administration cost (4)	[redacted]	
Financial cost (5)	[redacted]	
Total cost to sell (6)=(3)+(4)+(5)	[redacted]	[redacted]
Sales quantity (7)	[redacted]	[redacted]
Unit cost to sell (8)=(6)/(7)		[redacted]

The gross sales revenue was reflected in the Turnover spreadsheet provided by Good Harvest as part of its questionnaire response (verified as above) (confidential attachment EXP 1) and the other operation income was taken from the year end Income Statement provided by Good Harvest at the visit (**confidential attachment CTMS 13 - SG&A 1**).

Good Harvest also provided a detailed breakdown of the SG&A expenses (confidential attachment CTMS 13 - SG&A 1), which detailed all expenses and accounts that made up the selling expenses, administrative expenses and financial expenses listed in the table. We then observed the total selling expenses, administration costs and financial costs recorded in the year end income statement reconciled with the table above and the detailed SG&A expense breakdown. We also observed the inland freight and port charges in the detailed breakdown (confidential attachment CTMS 13 - SG&A 1). The inland freight and port charges were subtracted from the selling costs to avoid duplication since they had already been listed in the Australian sales spreadsheet and verified to that end, see export sales section above.

We queried whether certain expenses, such as travel and exchange loss, may have solely been incurred for export sales and therefore whether there may need to be a recalculation (upward) of the SG&A for export sales, and downward for the domestic sales. Good Harvest advised that travel expenses were incurred for both domestic and export sales and the exchange loss item covered exchange loss from import of surfactants, foreign currency loans, and exports sales. We accepted that the travel expenses were incurred for both domestic and export sales. For the exchange loss while some of it related to export sales – possibly justifying a downward adjustment to the SG&A incurred in a domestic sale (and hence a lower normal value when constructed using costs) this was not quantified by Good Harvest.

The unit SG&A cost was recorded for each product code in the CTMS spreadsheets (confidential attachments CTMS 2 and 3).

8.8 Cost to make and sell – summary

We are satisfied that sufficient information was available and verified to substantiate the cost to make and sell (CTMS) the goods under consideration. We consider the CTMS (confidential attachments CTMS 2 and 3) is suitable for:

- determining a constructed normal value; and
- assessing whether domestic sales were sold in the ordinary course of trade.

The CTMS the various product codes is at **confidential appendix 1** (and confidential attachments CTMS 2 and 3).

PUBLIC RECORD

9 THIRD COUNTRY SALES

In its exporter questionnaire response, Good Harvest provided a summary of its export sales of like goods to third countries (**Confidential Attachment THI 1**).

The spreadsheet shows that Good Harvest exported formulated glyphosate products to the following countries:

[redacted]

We identified that export sales by Good Harvest to third country markets accounted for approximately [redacted]% of the total volume of the goods during the investigation period.

However, since we were in possession of enough verified information from our visit and Good Harvest's questionnaire response to ascertain or calculate normal values (as necessary) using a constructed method, we did not pursue further verification of third country export data at the visit.

10 ADJUSTMENTS

Good Harvest provided information relevant to adjustments in working out a dumping margin: physical characteristics (largely in relation to surfactant); packing; port handling and inland freight; inventory; and credit terms (**confidential attachment ADJ 1**).

In working out the normal value based on the costs to make the exported goods plus the SG&A expenses associated with a domestic sale we made the following adjustments:

- Inland freight and handling expenses (downward adjustment to the FOB export price to take the price back to an ex works basis for the purpose of a direct comparison with the CTMS data provided).
- The amount of unrefundable VAT in the export price (calculated at 8% of the FOB value). This equates to an upward adjustment to normal value.
- Credit terms (this equates to an upward adjustment to normal value.
- Inventory expenses (this equates to a minor downward adjustment to normal value).

No adjustment for physical differences is required because a domestic sale price has not been used – the method uses the actual cost to make for the exported goods, which include the packaging costs for each product code as identified above.

11 NORMAL VALUE

As found in section 7.3 there was an insufficient volume of domestic sales of comparable goods in OCOT to ascertain normal values under section 269TAC(1). Therefore, we ascertained normal value under section 269TAC(2)(c) by constructing the normal value using verified CTMS data. We did not include an amount for profit due to the unprofitability of domestic sales of like goods and the same general category of goods as discussed in section 7.4 above.

Normal values have been worked out for each product code for each month of the POI. Where a cost was unavailable for a particular month, we used the weighted average cost to make and sell for the investigation period. (see also the discussion under 7.3 above concerning ordinary course of trade).

Normal value calculations are at **confidential appendix 1.**

12 DUMPING MARGINS

Using constructed normal values, we calculated a preliminary dumping margin of negative (-) 3.10%. Calculation of dumping margins is at **confidential appendix 1**.

The assessment may change subject to decisions to be made by the case management team

PUBLIC RECORD

13 LIST OF APPENDICES AND ATTACHMENTS

Confidential appendix 1	Good Harvest Working Spreadsheet
Attachment GEN 1	Exhibit A-3 Company Brochure (PUBLIC)
Confidential attachment GEN 0	Minor Corrections and revised Income Statement spreadsheet and Australian sales spreadsheet
Confidential attachment GEN 1	Exhibit A-2 Internal Organization Chart
Confidential attachment GEN 2	Exhibit A-1 Corporate Structure Diagram
Confidential attachment GEN 3	Exhibit G-6 List of Raw Materials Suppliers
Confidential attachment GEN 4	Affiliated parties documentation
Confidential attachment GEN 5	GT used and purchase documentation
Confidential attachment GEN 6	Exhibit A-4 Chart of Accounts; Exhibit A-5 2010 Audited Report; Exhibit A-6 Quarterly Financial Reports during the Investigation Period
Confidential attachment GEN 7	Gravity Inspection Report
Confidential attachment GEN 8	Exhibit C-1 Like Products
Confidential attachment GEN 9	Visit agenda
Confidential attachment GEN 10	List of product codes
Confidential attachment GEN 11	Production Output Summary
Confidential attachment GEN 12	Exhibit G-2 Production Spreadsheet
Confidential attachment GEN 13	Australian Industry cost to make intelligence (confidential attachment B-4,1 of the application document)
Confidential attachment EXP 1	Exhibit A-8 Turnover Spreadsheet, Exhibit A-7 Income Statement Spreadsheet (original)and Exhibit B-2 Australian Sales Spreadsheet
Confidential attachment EXP 2	Total sales spreadsheet and related worksheet
Confidential attachment EXP 3	Export sales documentation package
Confidential attachment DOM 1	Exhibit D-1 Domestic Sales Spreadsheet (CONFIDENTIAL)
Confidential attachment DOM 2	Domestic Sales Documentation Package Exhibit D-1
Confidential attachment CTMS 1	Exhibit G-1 Production Flowchart (CONFIDENTIAL)
Confidential attachment CTMS 2	Exhibit G-4 Domestic CTMS Spreadsheet
Confidential attachment CTMS 3	Exhibit G-5 Australian CTMS Spreadsheet
Confidential attachment CTMS 4	Accounting Flowchart – IPA Salt
Confidential attachment CTMS 5	IPA salt cost to make documentation general and product code 01.04.02.01.09 (documents 1 – 14)
Confidential attachment CTMS 6	Surfactant documentation (documents GEN 3, 6 and surfactants)
Confidential attachment CTMS 7	IPA salt cost to make documentation for product code 01.04.02.03.08 (documents 18a – 22)
Confidential attachment CTMS 8	IPA salt cost to make documentation for product code 01.04.02.03.08 (documents 23a – 26)
Confidential attachment CTMS 9	By-product documentation

PUBLIC RECORD

Confidential attachment CTMS 10	Accounting Flowchart – ammonium salt
Confidential attachment CTMS 11	Ammonium salt cost to make documentation general and product code 01.05.01.17 (documents AS 7Aa – AS14)
Confidential attachment CTMS 12	Completeness documentation (documents 15 – 17)
Confidential attachment CTMS 13	SG&A documentation (documents SG&A 1)
Confidential attachment THI 1	Exhibit F-1 Third Country Spreadsheet
Confidential attachment ADJ 1	Claimed adjustments package