



**Australian Government**  
**Australian Customs and**  
**Border Protection Service**

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

**EXPORTED FROM**

**THE PEOPLE'S REPUBLIC OF CHINA**

**EXPORTER VISIT REPORT**

**ZHEJIANG XINAN CHEMICAL INDUSTRIAL GROUP  
CO., LTD**

**AND**

**ZHEJIANG WYNCA IMPORT AND EXPORT 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**

## NON-CONFIDENTIAL VERSION

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**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)<sup>1</sup>, 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 on the investigation and is available at [www.customs.gov.au](http://www.customs.gov.au).

Following initiation of the investigation, a search of Customs and Border Protection's import database indicated that Zhejiang Xinan Chemical Industrial Co., Ltd (Zhejiang Xinan) and Zhejiang Wynca Import and Export Co., Ltd (Wynca I/E) exported formulated glyphosate to Australia from China during the investigation period (1 January 2011 to 31 December 2011).

Customs and Border Protection wrote to Zhejiang Xinan advising the company of the initiation of the investigation, requesting co-operation with the investigation and providing the company with a copy of the exporter questionnaire to complete.

Wynca IE is identified by Zhejiang Xinan as being a wholly owned subsidiary of Zhejiang Xinan that was established in April 2011, and commenced commercial operations in September 2011. We understand that from September 2011 Wynca has been responsible for all import and export activities on behalf of Zhejiang Xinan.

This report will categorise export sales made by Zhejiang in two tiers as follows:

- direct exports: comprising all export sales executed directly between Zhejiang Xinan and Australian importers from January 2011 to August 2011; and
- indirect exports: comprising all export sales made between Zhejiang Xinan and Australian importers via Wynca IE, in capacity as intermediary export agent, from September to December 2011.

Zhejiang Xinan completed the exporter questionnaire on behalf of both Zhejiang Xinan and Wynca. The response provides details regarding both

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<sup>1</sup> Unless otherwise specified, Nufarm and Accensi are herein referred to as "the applicants".

companies and the commercial relationship that exists between them, overseas supplier information, imports and expenses.

## **2.2 Purpose of meeting**

The purpose of the visit was to verify information submitted by Zhejiang Xinan in their exporter questionnaire response. The exporter questionnaire response was supported by confidential appendices and attachments, including confidential spreadsheets containing sales and costs data requested in the exporter questionnaire.

A non-confidential version of the exporter questionnaire response was placed on the public record.

Customs and Border Protection will use the verified information gathered at the visit to make preliminary assessments of:

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

## **2.3 Meeting and preliminary issues**

We advised Zhejiang Xinan of the following:

- The investigation period is 1 January to 31 December 2011.
- Customs and Border Protection will examine the Australian market from 1 January 2008 for injury analysis purposes.
- A preliminary affirmative determination (PAD) may be made no earlier than the 60<sup>th</sup> day following the date of initiation of the investigation (being 10 March 2012). Provisional measures may be imposed at the time of the PAD or at any time after the PAD has been made. We advised that Customs and Border Protection would not make such a determination until it was satisfied that there appears to be sufficient grounds for the publication of a dumping duty notice.
- A Statement of Essential Facts will be placed on the public record by 29 May 2012 or such later date as the Minister allows. The Statement of Essential Facts will set out the material findings of fact on which Customs and Border Protection intends to base its recommendations to the Minister. The Statement of Essential Facts will invite interested parties to respond, within 20 days from its release date, to the issues raised. Submissions received in response to the Statement of Essential Facts will be considered when compiling the report and recommendations to the Minister.
- Customs and Border Protection's report to the Minister is due no later than 10 July 2012, unless an extension to the Statement of Essential Facts is approved by the Minister.

We advised Zhejiang Xinan 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. Zhejiang Xinan 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.

## 2.4 Meeting dates and attendees

Verification meetings were held at the offices of Zhejiang Xinan which are located in Jiande in Zhejiang province.

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

Zhejiang Xinan, Wynca I/E	
Mr. Lin, Jia Shan	President, Zhejiang Xinan
Mr. Liu, Xia	Vice-President, Zhejiang Xinan
Mr. Jiang, Yong Ping	CFO, Zhejiang Xinan
[CONFIDENTIAL TEXT DELETED – names of employed staff]	Deputy Manager of Agrochemical Department
	General Manager, Wynca I&E
	Factory Manager
	Manager – Agrochemical Department
	Deputy Manager, Financial Department
	Deputy Manager, Financial Department
	Manager - Legal Department
	Manager - International Department
	Deputy Manager, International Department
	Vice-Director, R&D Department
Consultants	
Mr. Daniel Moulis	Principal, Moulis Legal
Mr. Charles Zhan	Solicitor, Moulis Legal
Australasian Customs and Border Protection	
Mr. Mick Kenna	Manager, Operations 1
Mr. Edward Macgregor	Supervisor, Operations 1
Ms. Pamela Garabed	Supervisor, Operations 1

**3 COMPANY INFORMATION****3.1 Company backgrounds and relationship between companies****3.1.1 Zhejiang Xinan**

Zhejiang Xinan is a share limited company, established in China in 1965. The company commenced manufacture of glyphosate at its pesticide factory in 1987.

The company has two major shareholders<sup>2</sup>, Transfar Group Co., Ltd ([CONFIDENTIAL TEXT DELETED]%) and KaiHua State Owned Assets Management Co., Ltd ([CONFIDENTIAL TEXT DELETED]%). Zhejiang Xinan was listed on the Shanghai Stock Exchange in 2001.

Zhejiang Xinan is the parent company of a large number of subsidiary companies. A diagram representing the organisational structure of Zhejiang Xinan and its affiliated subsidiaries was provided with the response to the exporter questionnaire. It is attached at **confidential attachment GEN 1**.

We confirmed that four wholly owned subsidiaries of Zhejiang Xinan undertook commercial activities related to the production and sale of the goods under consideration (GUC) during the period of investigation (POI). These are:

- Wynca I/E: was responsible for all export sales after September 2011 (see 3.1.2 below);
- [CONFIDENTIAL TEXT DELETED]: operates a chemical factory at [CONFIDENTIAL TEXT DELETED] and produced glyphosate acid and formulated glyphosate 41% which was supplied to Zhejiang Xinan during the POI<sup>3</sup>;

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<sup>2</sup> For the purposes of this report, 'major' shareholding is taken to be held by any shareholder able to cast, or otherwise control the casting of, 5% or more of the votes that are capable of being cast at a general meeting of the company.

<sup>3</sup> We understand that [CONFIDENTIAL TEXT DELETED] manufactures glyphosate acid and formulates various formulations of glyphosate for sale in the Chinese domestic market under the [CONFIDENTIAL TEXT DELETED] product brand. We understand that all domestic sales of product produced by [CONFIDENTIAL TEXT DELETED] during the POI were arranged and executed by Zhejiang Xinan, under an agency arrangement between the two companies.

We confirmed that [CONFIDENTIAL TEXT DELETED] supplied glyphosate acid and 41% glyphosate to Zhejiang Xinan during the POI which was used in the formulation process, or, in the case of 41%, sold in the domestic market as Wynca branded product by Zhejiang Xinan. Wynca indicated that the company produced around [CONFIDENTIAL TEXT DELETED] of acid during the POI of which a very small quantity was supplied to Zhejiang Xinan and the rest sold domestically.

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- **[CONFIDENTIAL TEXT DELETED]**: was responsible for the production of some packing materials used by Zhejiang Xinan for both domestic and export sales of the GUC during the POI; and
- **[CONFIDENTIAL TEXT DELETED]**: responsible for some inland transportation of the GUC within China related to both domestic and export sales of the GUC during the POI<sup>4</sup>.

We understand that Zhejiang Xinan is the name by which the company is legally registered in accordance with relevant corporations' law in China. Zhejiang Xinan, historically, used its registered trading name in relation to its commercial operations within China, but used the name 'Wynca' as a trading name of the company in relation to commercial activities with entities outside of China.

We understand that, relatively recently, Zhejiang Xinan has adopted the 'Wynca' moniker in relation to both its domestic and export operations. Its subsidiaries are referred to as being part of the 'Wynca Group'.

We confirmed that 'Wynca' is not a legally registered trading name or subsidiary of Zhejiang Xinan. We understand that the practice of using unregistered trading names is consistent with Chinese corporations' law.

### 3.1.2 Wynca IE

Wynca IE is a limited liability company registered in Zhejiang Province in April 2011. It is a wholly owned subsidiary of Zhejiang Xinan and is recognised as operating within the 'Wynca' group of companies.

We are advised that Wynca IE was established to take responsibility for all import and export transactions on behalf of Zhejiang Xinan. We understand that, prior to the establishment of Wynca IE, all import and export activities were executed directly by a specific operational division within Zhejiang Xinan.

We understand that Wynca IE, whilst a registered company with a separate legal entity in China, is comprised of the staff previously employed by Zhejiang Xinan to undertake the same functions, and operates from the same premises as the former import and export division of Zhejiang Xinan.

We have confirmed that, for the purposes of the investigation, Wynca IE commenced operations in relation to the export of the GUC to Australia in September 2011.

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<sup>4</sup> Zhejiang Xinan indicated that around **[CONFIDENTIAL TEXT DELETED]** of logistics services were provided by **[CONFIDENTIAL TEXT DELETED]**. It was submitted that logistics services were provided at market price between **[CONFIDENTIAL TEXT DELETED]** and Zhejiang Xinan.



**NON-CONFIDENTIAL VERSION****3.2 Commercial operations****3.2.1 General**

The manufacture of glyphosate acid, and the formulation of fully formulated glyphosate herbicides involves the interrelated operation of numerous departments within Zhejiang Xinan.

For ease of understanding we have categorised the relevant departments into two categories:

- administrative; and
- production/formulation

**Administrative**

Zhejiang Xinan's head office is located in Jiande in Zhejiang Province in China. Within its offices, four separate departments are responsible for distinct functions in relation to the development, marketing and sale of the GUC. These are as follows;

- Agrochemical division: **[CONFIDENTIAL TEXT DELETED – details of functions undertaken within separate area of the company];**
- Agrochemical marketing department: **[CONFIDENTIAL TEXT DELETED – details of functions undertaken within separate area of the company];**
- Agrochemical administration office: **[CONFIDENTIAL TEXT DELETED – details of functions undertaken within separate area of the company];**
- Agrochemical research institute: **[CONFIDENTIAL TEXT DELETED – details of functions undertaken within separate area of the company]**

**Production/formulation**

We confirmed with Zhejiang Xinan that two facilities are involved in the production of the GUC. These are as follows:

- Jiande No 2 Chemical Plant: responsible for producing glyphosate acid; and

- Jiande Pesticide Plant: responsible for the formulation of formulated glyphosate products.<sup>5</sup>

We conducted a visit to both sites and observed the production processes of each facility in relation to the GUC.

The most salient observations are discussed below.

### 3.2.2 *Energy requirements*

We confirmed that all energy requirements are supplied to the two plants at Jiande by coal-fuelled power plants operated by Zhejiang Xinan at each of the manufacturing sites.

### 3.2.3 *Production process*

Zhejiang Xinan explained that liquid glyphosate formulations are produced by the combination of glyphosate acid with other specific chemical additives in a three-stage process as follows:

- 1) glyphosate acid (in 'wet-cake' form<sup>6</sup>) is combined with a salt<sup>7</sup> (mono-isopropylamine or ammonium salt<sup>8</sup>) and 'soft water' in a controlled, acid-base, chemical reaction<sup>9</sup> – the product of this process is a soluble salt of the glyphosate acid;
- 2) the soluble salt is then blended with surfactants<sup>10</sup>, and other inert ingredients to produce fully formulated glyphosate herbicide; and
- 3) the end product is then filter pressed and packed for sale.

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<sup>5</sup> For completeness, we note that [CONFIDENTIAL TEXT DELETED] a subsidiary of Zhejiang Xinan, was involved in the manufacture of glyphosate acid and the formulation of 41% glyphosate that was supplied to Zhejiang Xinan during the POI. (see 3.1.1 above).

<sup>6</sup> For explanation of wet-cake see discussion of production process of glyphosate acid.

<sup>7</sup> Salts are used to solubilise Glyphosate technical so that it will dissolve in water.

<sup>8</sup> Derived from liquid ammonia.

<sup>9</sup> Glyphosate acid is a weak acid herbicide – it comprises a hydrogen ion held to a phosphorous group by a weak electrostatic charge. It can be used as a herbicide in root acid form but itself doesn't make a stable formulation or mix well with other products. Hence – manufacturers remove the hydrogen ion and replace it with a salt. The salt is held to the glyphosate molecule by an electro static charge.

<sup>10</sup> Surfactants are chemical compounds that lower the surface tension of a liquid, or that between a liquid and a solid. They are commonly introduced to products to act as a detergent, emulsifier or wetting agent. We understand in the case of formulated glyphosate, surfactants are used to aid the uptake of the herbicide by the plant tissue.

**NON-CONFIDENTIAL VERSION**

Zhejiang Xinan submits that the formulation process for 757 glyphosate is substantially different from the formulation process for liquid formulations outlined above. This is discussed below at 3.2.10.

**3.2.4 Summary of production**

For the most part, formulation of glyphosate is a standard process and there are only a number of variables that a formulator of glyphosate has the ability to manipulate which will effect the chemical composition and effectiveness of the finished product.

In summary, from our observations of the production process and discussions with Zhejiang Xinan, we understand that:

- glyphosate acid can be produced by several routes of manufacture comprising different chemical processes and ingredients;<sup>11</sup>
- the salt that is combined with the glyphosate acid will have a bearing on the effectiveness of the product;
- the concentration of glyphosate acid that is present in the formulated product affects the ultimate effectiveness of the product<sup>12</sup>; and
- the quality and correct quantity of surfactants used also significantly affects the efficiency of the uptake of the herbicide on the plants.

**3.2.5 Production of glyphosate acid**

Zhejiang Xinan confirmed that all glyphosate herbicides produced during the POI and sold in both the domestic market and Australian export market were formulated using glyphosate acid produced by Zhejiang Xinan at its Jiande No 2 Chemical Plant or by **[CONFIDENTIAL TEXT DELETED]**.

Glyphosate acid can be produced through a number of different chemical processes, each of which involves the combination of different chemical ingredients and catalysts with a root chemical source to yield glyphosate acid.

Zhejiang Xinan confirmed that all glyphosate acid produced at Jiande No 2 is manufactured through a process using **[CONFIDENTIAL TEXT DELETED]**

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<sup>11</sup> We are satisfied that the manufacturing process that produces the glyphosate acid used in formulating glyphosate does not have a bearing on the issue of whether products are appropriately characterised as 'like' goods. Manufacturing routes, and the differences in the raw materials used in different routes, is more relevant to the consideration of costs that will be discussed in detail later in this report.

<sup>12</sup> A higher concentration of glyphosate technical means farmers have to buy smaller volumes of the products to achieve their desired outcomes

as the key chemical ingredient (referred to in the industry as the [CONFIDENTIAL TEXT DELETED] of manufacture).

Zhejiang Xinan summarised the [CONFIDENTIAL TEXT DELETED] manufacture in the response to the exporter questionnaire. We confirmed the below production process summary:

- 1) [CONFIDENTIAL TEXT DELETED – raw materials used by Zhejiang Xinan]<sup>13</sup>;
- 2) [CONFIDENTIAL TEXT DELETED – steps in production process undertaken by Zhejiang Xinan];
- 3) [CONFIDENTIAL TEXT DELETED – steps in production process undertaken by Zhejiang Xinan]<sup>14</sup>;
- 4) [CONFIDENTIAL TEXT DELETED – steps in production process undertaken by Zhejiang Xinan]<sup>15</sup>.

For completeness, Zhejiang Xinan confirmed that the above process produces glyphosate acid in 'wet-cake' form, which requires drying prior to sale. For the purposes of formulation, wet-cake glyphosate acid is used.

### 3.2.6 Formulation of liquid glyphosate

Zhejiang Xinan confirmed that glyphosate acid, in wet-cake form, is transported from Jiande No 2 facility to Jiande Pesticide Plant using the company's own vehicles.

As summarised above, Zhejiang Xinan submitted that the formulation process of glyphosate products sold domestically and for export is a relatively standard process. A copy of the standards in relation to the liquid product is at **confidential attachment GEN 2**.

Zhejiang Xinan confirmed however that there are key variables that distinguish the formulations of glyphosate it produces, as set out below.

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<sup>13</sup> Zhejiang Xinan confirmed that all [CONFIDENTIAL TEXT DELETED] used in the production of glyphosate acid at the Jiande No 2 facility is produced on-site through a reaction of different chemical pre-cursors.

<sup>14</sup> [CONFIDENTIAL TEXT DELETED – raw materials and steps in production process undertaken by Zhejiang Xinan] recycled into step one of the manufacturing process. [CONFIDENTIAL TEXT DELETED – by-products generated by the production process, and what is done with them] is separately sold by Zhejiang Xinan.

<sup>15</sup> Waste water from the crystallisation process is recycled for use in treatment pools. [CONFIDENTIAL TEXT DELETED – raw materials and steps in production process undertaken by Zhejiang Xinan] recycled into the first stage of production.

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*Salt of glyphosate*

Zhejiang Xinan blend either an IPA salt or, in the case of 30% glyphosate, liquid ammonia with glyphosate acid in an exothermic chemical reaction performed on site at Jiande Pesticide plant.

The salt is an identifier used by Zhejiang Xinan in the marketing of its products both domestically and for export.

Zhejiang Xinan submitted that the salt used in the process is relevant to the end user due to the relative effectiveness of IPA salt compared to ammonium-salt products. We understand that both ammonium and IPA based glyphosate will achieve the same end result in application, however IPA salt is significantly more active and achieves the desired result more rapidly than ammonium-salt based products.

*Acid concentration*

The concentration of acid present in the salt of glyphosate is manipulated and expressed as a percentage of the weight of the glyphosate salt on weight by weight basis.

The percentage of concentration, on a weight by weight basis, is the key identifier used by Zhejiang Xinan in the marketing of different glyphosate products both domestically and for export – for example, 41% and 51%.

*3.2.7 Surfactants and inert ingredients**a) General*

Zhejiang Xinan submitted that different glyphosate products produced during the POI are formulated using different surfactants.

In summary, different types, and relative volumes, of surfactant are required in the formulation of different products due to differing levels of acid concentration - a product with a higher acid concentration will require less volume of surfactants on a per unit basis compared to a formulation with a lower acid concentration.

*b) Domestic and imported surfactant*

We were advised that Zhejiang Xinan sources domestically produced and imported surfactants for the formulation of its products.

We understand that domestically produced surfactants **[CONFIDENTIAL TEXT DELETED – comparison of surfactants]** imported surfactants.<sup>16</sup>

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<sup>16</sup> This difference **[CONFIDENTIAL TEXT DELETED]** reflects a correlative difference in cost. This will be discussed in greater detail in the discussion regarding cost to make.

**NON-CONFIDENTIAL VERSION**

Zhejiang Xinan typically uses [CONFIDENTIAL TEXT DELETED] surfactants for formulations of 'Wynca' consumer branded product [CONFIDENTIAL TEXT DELETED – comparison of surfactants]. As explained below, Wynca consumer branding is affixed to retail pack products sold domestically.

[CONFIDENTIAL TEXT DELETED] Zhejiang Xinan normally use [CONFIDENTIAL TEXT DELETED] surfactant for non-Wynca branded product (that is, industrial and exported product). Zhejiang Xinan advised that in some instances, [CONFIDENTIAL TEXT DELETED] surfactants are specifically requested by importers and domestic industrial product customers and are used in formulation on a per-order basis. [CONFIDENTIAL TEXT DELETED – market intelligence re customer requirements].

We confirmed with Zhejiang Xinan that the following surfactants are used in the formulation process of each product. We also clarified which surfactants were domestically produced and which were imported:

- 30% glyphosate;
  - [CONFIDENTIAL TEXT DELETED]
- 41% glyphosate;
  - [CONFIDENTIAL TEXT DELETED]
  - [CONFIDENTIAL TEXT DELETED]
  - [CONFIDENTIAL TEXT DELETED]
- 51% glyphosate;
  - [CONFIDENTIAL TEXT DELETED]<sup>17</sup>;
  - [CONFIDENTIAL TEXT DELETED]; and
  - [CONFIDENTIAL TEXT DELETED]<sup>18</sup>;
- 757 glyphosate;
  - [CONFIDENTIAL TEXT DELETED]
  - [CONFIDENTIAL TEXT DELETED]

### 3.2.8 *Process differences between granular and liquid glyphosate*

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<sup>17</sup> Zhejiang Xinan advised this surfactant was used in very small quantities at the specific request of [CONFIDENTIAL TEXT DELETED - market intelligence re customer requirements].

Zhejiang Xinan submits that the processes for formulating liquid glyphosate products and granular glyphosate products are different.

Zhejiang Xinan advised that the production process of liquid formulations of glyphosate, 30% 41% and 51% are as summarised in 3.2.2 above.

757 glyphosate, however, is produced from ammonium glyphosate, a chemical compound which is produced by the synthesis of glyphosate acid with liquid ammonia and water which is then crystallized when the solution is processed through a centrifuge and methanol is extracted to produce ammonium glyphosate<sup>19</sup>.

757 glyphosate is formulated by the blending of ammonium glyphosate with water, and either ammonium chloride or ammonium sulphate, along with surfactants and dyes in a mixer, then granulated in a granulator machine before being dried and packed.

The differences in the formulation of 757 glyphosate require different facilities at the Jiande Pesticide Plant to be used. Specifically, as indicated above, production of 757 granular glyphosate involves a crystallizer, mixer, granulator and dryer, which are not used in the production of liquid forms of glyphosate.

Unlike liquid glyphosate, production of 757 glyphosate does not use filter pressing prior to packing. A copy of the standards in relation to the granular product is at **confidential attachment GEN 3**.

### 3.2.9 'Specialty' products

Zhejiang Xinan advised that they produced two unique variants of 757 glyphosate and 41% glyphosate during the POI, which differed in terms of the standardised method of production.

These two products are

a) 757 [CONFIDENTIAL TEXT DELETED]; and

b) 41% [CONFIDENTIAL TEXT DELETED]

757 [CONFIDENTIAL TEXT DELETED] is produced in the same manner as standard 757 glyphosate, except that [CONFIDENTIAL TEXT DELETED – Zhejiang Xinan production methods].

41% [CONFIDENTIAL TEXT DELETED] according to the specifications of a particular domestic customer. This product was produced in the same manner as standard 41% glyphosate, except [CONFIDENTIAL TEXT DELETED – details of raw materials used].

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<sup>19</sup> We note that this is not to be confused with the ammonium salt of glyphosate (as seen in the production of 30% glyphosate) but is a separate chemical under patent.

**NON-CONFIDENTIAL VERSION**

Zhejiang Xinan provided separate costs for each of these products.

**3.2.10 Production capacities and actual rates of production**

We were informed that both Jiande factories operate on a **[CONFIDENTIAL TEXT DELETED – details for factory operation shifts and hours]**.

We observed that a substantial proportion of the production process of glyphosate acid is automated.

Production capacity of the glyphosate acid at Jiande no 2 is considered to be **[CONFIDENTIAL TEXT DELETED]** metric ton per year. Zhejiang Xinan advised that they achieved **[CONFIDENTIAL TEXT DELETED]**% of total capacity in 2011, producing a total volume of **[CONFIDENTIAL TEXT DELETED]** metric tonnes (MT) of glyphosate acid.

The total production capacity of liquid glyphosate from Jiande Pesticide is **[CONFIDENTIAL TEXT DELETED]** kilolitres. During the investigation period it produced **[CONFIDENTIAL TEXT DELETED]** kilolitres (**[CONFIDENTIAL TEXT DELETED]**% of capacity). The total production capacity of 'dry' 757 glyphosate granular at Jiande Pesticide is **[CONFIDENTIAL TEXT DELETED]** MT of which **[CONFIDENTIAL TEXT DELETED]**% was achieved in 2011, with a total output of **[CONFIDENTIAL TEXT DELETED]** MT.

For completeness, Zhejiang Xinan advised that **[CONFIDENTIAL TEXT DELETED]** produced a total of approximately **[CONFIDENTIAL TEXT DELETED]** MT of glyphosate acid during the POI, of which a very small proportion was supplied to Zhejiang Xinan in acid form and as formulated 41% glyphosate. We were advised that the significant majority of acid and formulated glyphosate 41% produced by **[CONFIDENTIAL TEXT DELETED]** during the POI was sold on the domestic market, via Zhejiang Xinan, pursuant to an agency arrangement negotiated between Zhejiang Xinan and **[CONFIDENTIAL TEXT DELETED]**.

Of the total volume of units of the GUC sold by Zhejiang Xinan during the investigation period (excluding agency sales), **[CONFIDENTIAL TEXT DELETED]** MT (**[CONFIDENTIAL TEXT DELETED]**%) were sold domestically, **[CONFIDENTIAL TEXT DELETED]** MT (**[CONFIDENTIAL TEXT DELETED]**%) were sold to Australia and **[CONFIDENTIAL TEXT DELETED]** MT (**[CONFIDENTIAL TEXT DELETED]**%) were sold to third country export markets.

**3.3 Accounting**

Zhejiang Xinan indicated that both Zhejiang Xinan and Wynca IE maintain their accounts and produce financial statements according to the Generally Accepted Accounting Principles (GAAP) of China. Both companies use the calendar year as their financial year.



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Zhejiang Xinan advised that it uses the UFIDA software accounting system. At the visit we confirmed this to be the case and were provided with a demonstration of the system in operation.

Under Chinese law, both companies are required to have their accounts audited. Zhejiang Xinan provided a consolidated audit report for both companies for the 2011 Chinese financial year.

We requested, and were provided with, a translation of the auditor's statement from the audit report provided by Fu Fangfang and Liang Zhiyong. This is included as **confidential attachment GEN 4**.

The auditor's opinion was expressed in the following terms:

*In our opinion, the financial statements give a true and fair view of the financial position of the company as of December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.*

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**4 GOODS UNDER CONSIDERATION AND LIKE GOODS****4.1 The goods****4.1.1 General description**

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

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

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

**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 (grams per litre or kilogram)	Percentage of glyphosate technical
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.*

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The applicants 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.

Therefore, at this stage of the investigation, Customs and Border Protection considers that the goods covered by this application, and thus any subsequent investigation, includes formulated glyphosate in any form (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 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 Like Goods**

### *4.3.1 General*

During the investigation period Zhejiang Xinan sold three concentrations of formulated glyphosate on the domestic market (30% glyphosate, 41% glyphosate and 75%, known commercially as 757 glyphosate).

All three variants of formulated product were sold domestically in retail packs (referring to smaller sized, branded containers) and industrial packs (referring to large, unbranded containers).<sup>20</sup>

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<sup>20</sup> More detailed explanation of pack sizing is included in the discussion of domestic sales.

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Zhejiang Xinan exported [CONFIDENTIAL TEXT DELETED – details of types] glyphosate to the Australian market.

The products sold domestically and for export to Australia by Zhejiang Xinan are set out in the table below:

Exported product	Container sizes	Unit of packaging
[CONFIDENTIAL TEXT DELETED – details of exported glyphosate]		
Domestic products	Container sizes	Unit of packaging
30% glyphosate (retail)	200g bottles	50 bottles per carton
	230g bottles	50 bottles per carton
	250g bottles	50 bottles per carton
	500g bottles	20 bottles per carton
	1kg bottles	12 bottles per carton
	5kg drums	3 drums per carton
41% glyphosate (retail)	200 ml bottles	50 bottles per carton
	200g bottles	50 bottles per carton
	230g bottles	50 bottles per carton
	500g bottles	20 bottles per carton
	1 litre bottles	12 bottles per carton
	1 kg bottles	12 bottles per carton
	2.5kg bottles	4 bottles per carton
	5 kg bottles	3 bottles per carton

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	10kg drums	Individual drums
	20 litre drums	Individual drums
	25kg drums	Individual drums
757 glyphosate (retail)	50g sachets	100 sachets per carton
	500g bottles	20 bottles per carton
41% glyphosate (industrial)	200 litre drums	Individual drums
757 industrial	10kg bags	1 bag per carton/individual cartons
	15kg bags	1 bag per carton/individual cartons
	25kg bags	1 bag per carton/individual cartons

## 4.3.2 'Like goods'

We consider that formulated glyphosate products sold by Zhejiang Xinan on the domestic market of China are like goods to the goods under consideration exported to Australia by Zhejiang Xinan in the investigation period. Although there are some differences in packaging and a difference in acid concentration between the [CONFIDENTIAL TEXT DELETED]% domestic product and the [CONFIDENTIAL TEXT DELETED]% exported product, we consider that the domestic products have characteristics that closely resemble the goods under consideration. The domestically sold and exported goods are made in the same facilities using similar raw materials in similar processes. The goods have the same end use and are functionally and commercially alike.

Notwithstanding, Zhejiang Xinan's submission that granular 757 glyphosate is not like goods to liquid formulated glyphosate products (discussed further below), we have treated them as like goods for the purposes of the dumping determination.

## 4.3.3 Request for exclusion of granular product from scope of investigation

As a caveat to their view on like goods, Zhejiang Xinan submitted that they believe there are significant differences between formulated glyphosate liquid and formulated glyphosate in granular ('dry') form such that granular glyphosate should be excluded from the scope of the investigation. It claimed

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that the Australian industry producers manufacture only liquid formulated glyphosate products that are not like goods to glyphosate in the granular form.

In summary Zhejiang Xinan claim dry and liquid formulated glyphosate are substantially different in terms of:

- production process difference; and
- chemical composition difference

Prior to the visit Zhejiang Xinan made a separate submission on this issue. The differences between products identified by Zhejiang Xinan in their formal submissions, and reiterated at the visit, are summarised in our observations regarding production processes in section 3 above.

For the purposes of this report we have included sales of 757 glyphosate within the scope of analysis. The issue as to whether to include 757 within the scope of the investigation will be considered by the case management team.

#### *4.3.4 Conclusion on like goods*

We are satisfied that formulated glyphosate products sold on the domestic market by Zhejiang Xinan are like goods to the goods under consideration exported to Australia by Zhejiang Xinan over the investigation period.

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**5 EXPORT SALES****5.1 General**

As discussed above at 2.1, we have characterised exports made by Zhejiang Xinan during the POI into two categories, as follows:

- direct exports: comprising all export sales executed directly between Zhejiang Xinan and Australian importers from January 2011 to August 2011; and
- indirect exports: comprising all export sales made between Zhejiang Xinan and Australian importers via Wynca IE, in its capacity as intermediary export agent from September 2011 to December 2011.

Zhejiang Xinan provided details of both direct and indirect exports to Australia in the period of investigation in the Australian Sales spreadsheet as part of its response to the exporter questionnaire.

**5.1.1 Direct exports**

During the period January 2011 to August 2011 Zhejiang Xinan exported **[CONFIDENTIAL TEXT DELETED – details of types]** glyphosate to **[CONFIDENTIAL TEXT DELETED]** separate companies registered in Australia:

- **[CONFIDENTIAL TEXT DELETED – names of Australian customers]**

We confirmed that Zhejiang Xinan exported a total of **[CONFIDENTIAL TEXT DELETED]** MT of **[CONFIDENTIAL TEXT DELETED]** glyphosate and a total volume of **[CONFIDENTIAL TEXT DELETED]** glyphosate directly to Australia from January to August 2011. All exports of **[CONFIDENTIAL TEXT DELETED]** were made to **[CONFIDENTIAL TEXT DELETED – names of Australian customers]** whilst **[CONFIDENTIAL TEXT DELETED]** was exported to **[CONFIDENTIAL TEXT DELETED – names of Australian customers]**.

All but one of the direct exports of **[CONFIDENTIAL TEXT DELETED]** glyphosate liquid was made in industrial bulk form comprising 1000 litre (L) Intermediate Bulk Containers (IBCs). The remaining **[CONFIDENTIAL TEXT DELETED]** glyphosate liquid was exported in **[CONFIDENTIAL TEXT DELETED]** packs.

**5.1.2 Indirect exports**

During the period September to December 2011, Zhejiang Xinan indirectly exported **[CONFIDENTIAL TEXT DELETED – details of types]** glyphosate

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via Wynca IE. All exports were made to [CONFIDENTIAL TEXT DELETED] separate companies registered in Australia:

- [CONFIDENTIAL TEXT DELETED – names of Australian customers]

We confirmed that Zhejiang Xinan indirectly exported [CONFIDENTIAL TEXT DELETED] MT of [CONFIDENTIAL TEXT DELETED] glyphosate in [CONFIDENTIAL TEXT DELETED] transaction to [CONFIDENTIAL TEXT DELETED]. This was exported in 1000L IBCs. In relation to [CONFIDENTIAL TEXT DELETED] glyphosate, we confirmed a total of [CONFIDENTIAL TEXT DELETED] MT of [CONFIDENTIAL TEXT DELETED] glyphosate across three transactions to [CONFIDENTIAL TEXT DELETED] in 1000L IBCs. Zhejiang Xinan also indirectly exported [CONFIDENTIAL TEXT DELETED] MT of [CONFIDENTIAL TEXT DELETED] glyphosate during the POI to [CONFIDENTIAL TEXT DELETED] Australian importers. This was exported in both [CONFIDENTIAL TEXT DELETED] bags.

### *5.1.3 Overview of Australian export market*

Zhejiang Xinan indicated that all of its Australian customers [CONFIDENTIAL TEXT DELETED – customer details] source formulated glyphosate from them in industrial bulk form (the one exception was a sample retail shipment of glyphosate packed in [CONFIDENTIAL TEXT DELETED]).

Once the goods are exported to Australia, the importers [CONFIDENTIAL TEXT DELETED]. Distributors may then either label the goods and distribute directly to retailers or end-users in the industrial market, or can repackage into smaller volume bottles and sell the goods to retailers for purchase by end-users.

Zhejiang Xinan submitted that this description of the Australian export market illustrates the difference in the target market channel of goods sold in bulk industrial form compared to retail pack goods sold domestically in China, which are the equivalent of sales occurring at the re-packing level of the sales chain of products exported to Australia.

Zhejiang Xinan does not operate any agency or distributorship arrangements with any customers or other entities in the Australian domestic market.

## **5.2 Export sales process**

### *5.2.1 Direct and indirect*

Zhejiang Xinan advised that its export sales process for all direct and indirect exports during the POI was as follows:

- all orders were placed with Zhejiang Xinan/Wynca IE by importers in Australia on an on-the-spot basis;



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- price is negotiated on a per order basis between Zhejiang Xinan/Wynca IE and the particular importer, taking into account the volume of the order, the market price of the specific formulations ordered and considerations of profitability;
- once price has been negotiated a sales agreement is executed between Zhejiang Xinan/Wynca IE and the customer crystallising, inter alia, volume, price and terms of sale as negotiated;
- products are manufactured to order, which takes approximately [CONFIDENTIAL TEXT DELETED] for the liquid products, or between [CONFIDENTIAL TEXT DELETED] for the granular product, or sold from existing inventory depending on the formulation ordered and the volumes required;
- Zhejiang Xinan/Wynca IE then arranges transportation of the GUC from the warehouse to the port of export using trucks supplied by either [CONFIDENTIAL TEXT DELETED], a wholly owned subsidiary of Zhejiang Xinan or an unrelated logistics company;
- once delivered to the port of export, the goods are packed in 40 foot FCL containers;
- goods are sold subject to negotiation on FOB, CIF or CFR terms;
- ownership of the product passes from Zhejiang Xinan/Wynca IE to the Australian customer from the date of release of the Bill Of Lading;
- Zhejiang Xinan/Wynca IE invoiced importers specifying payment in the agreed terms.

Zhejiang Xinan indicated it takes approximately [CONFIDENTIAL TEXT DELETED] days from the date of the executed sales agreement to manufacture the goods and make them ready for shipping from the Shanghai port in China.

### 5.3 Pricing

Zhejiang Xinan advised that price is negotiated taking into account a number of variables including the market price of the ordered formulation and profitability.

Zhejiang Xinan advised that market prices for formulated glyphosate are closely related to the market price of glyphosate acid. Both market prices are extremely volatile and subject to regular and unpredictable fluctuations caused by an excess of supply in the Australian market (and globally) and inconsistent trends in demand from the agricultural industry.

#### 5.3.1 Discounts, rebates and allowances

Zhejiang Xinan stated in its response that [CONFIDENTIAL TEXT DELETED – details of terms negotiated with Australian customers] that the price on the invoice is the price paid.

We found no evidence to indicate that this was not the case.

**NON-CONFIDENTIAL VERSION****5.4 Export sales verification - reconciliation to financial statements and source documents****5.4.1 Selected transactions**

Prior to the visit, we selected eight invoices, four of each from direct and indirect exports, from the Australian Sales spreadsheet. We requested supporting commercial documents in relation to the following selected invoices for direct exports of Zhejiang Xinan:

Export Invoice #	Product	Invoice date
1. 00000271-2011	<b>[CONFIDENTIAL TEXT DELETED]</b>	23/03/2011
2. 00000274-2011		30/03/2011
3. 00000446-2011		15/04/2011
4. 00000431-2011		08/08/2011

We also requested supporting commercial documentation in relation to the following selected invoices for indirect exports via Wynca IE:

Export Invoice #	Product	Invoice date
1. 00002213-2011	<b>[CONFIDENTIAL TEXT DELETED]</b>	20/10/2011
2. INV2691-2011		21/12/2011
3. INV201110021		17/11/2011
4. INV2660-2011		12/12/2011

We requested that Zhejiang Xinan provide the following commercial documents related to all selected transactions:

- commercial invoice from Zhejiang Xinan to the importer;
- documentation relating to inland transport (logistics) to wharf;
- handling and other FOB-related charges;
- bill of lading; and
- proof of payment.

These documents were provided and are at **confidential attachment EXP 1**.

**5.4.2 Further invoices requested**

We observed an irregularly high unit price in relation to **[CONFIDENTIAL TEXT DELETED]** exports of **[CONFIDENTIAL TEXT DELETED]** glyphosate

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to [CONFIDENTIAL TEXT DELETED]. During the verification visit, we requested invoices in relation to these transactions:

Export Invoice #	Product	Invoice date
1. 00000433-2011	[CONFIDENTIAL TEXT DELETED]	08/08/2011
2. 00000431-2011		08/08/2011
3. 00000430-2011		08/08/2011
4. 00000432-2011		11/08/2011

These invoices are at **confidential attachment EXP 2**.

These invoices confirmed that these exportations were of [CONFIDENTIAL TEXT DELETED]. Zhejiang Xinan advised that these exportations were sample retail pack requested by [CONFIDENTIAL TEXT DELETED – customer details] to supply a client within Australia wanting to sell a small bottled granular glyphosate to domestic and small end-users. These products were labelled by [CONFIDENTIAL TEXT DELETED] with a design supplied by [CONFIDENTIAL TEXT DELETED] prior to exportation. The product name was [CONFIDENTIAL TEXT DELETED] and it was intended to be sold through [CONFIDENTIAL TEXT DELETED]. Zhejiang Xinan confirmed that it had been advised [CONFIDENTIAL TEXT DELETED – details of sales and marketing of a particular product]. The information in relation to this retail product is at **confidential attachment EXP 3**.

The Australian Sales spreadsheet was updated by the verification visit team to reflect that these exportations were of a retail product rather than an industrial product as originally specified.

#### 5.4.3 Verification (completeness and accuracy)

To check the completeness and relevance of both direct and indirect export sales to Australia, we verified the information contained in the exporter spreadsheets upwards through management reports to audited financial statements for both Zhejiang Xinan and Wynca IE.

The audited accounts in relation to Zhejiang Xinan are at **confidential attachment EXP 4**. The sales from Zhejiang Xinan to Wynca IE are at **confidential attachment EXP 5**.

We examined Zhejiang Xinan's sales ledgers through a link to its accounting system and were satisfied that the company could not provide a line by line download of exports to Australia during the investigation period as its accounting system did not differentiate between countries of destination. Given that some of the Australian importers also had operations in other

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countries, it was also not possible to simply obtain a listing of sales to the Australian customers to reconcile with the Australian sales listing. This was also the same for Wynca IE.

To test the completeness of the Australian sales listing we selected a sample of customers and products and sought to reconcile information from Zhejiang Xinan's sales ledgers to the Australian sales spreadsheet. We first selected sales of **[CONFIDENTIAL TEXT DELETED]** glyphosate to the major Australian customer, **[CONFIDENTIAL TEXT DELETED]**, of 1000L IBCs. Zhejiang Xinan provided the ledgers from its accounts showing sales to **[CONFIDENTIAL TEXT DELETED]** of 1000 L and 20 L product in 2011. This identified, inter alia, product name, packing type, invoice number and invoice date, invoice quantity (in MT) and invoice value. This document indicated that one exportation to **[CONFIDENTIAL TEXT DELETED]** during the POI had been incorrectly categorised as relating to a shipment of 1000L drums, when it was an export of **[CONFIDENTIAL TEXT DELETED]** drums. We subsequently requested details of all **[CONFIDENTIAL TEXT DELETED]** sales, which were verified to be correctly reflected in the Australian Sales sheet. Other than this discrepancy we were able to match the sales information in Zhejiang Xinan accounts to the Australian sales spreadsheet.

Details of Zhejiang Xinan's 1000L IBC and **[CONFIDENTIAL TEXT DELETED]** sales of **[CONFIDENTIAL TEXT DELETED]** glyphosate to **[CONFIDENTIAL TEXT DELETED]** are at **confidential attachment EXP 6**.

Further, we requested a detailed breakdown of sales to **[CONFIDENTIAL TEXT DELETED]**. We verified that the information contained here was accurately reflected in the Australian Sales spreadsheet. **[CONFIDENTIAL TEXT DELETED]** sales information is at **confidential attachment EXP 7**.

We verified total domestic and export sales for the goods under consideration against the turnover spreadsheet and financial statements of Zhejiang Xinan and Wynca IE. We also verified the total quantity and value of sales between the export sales spreadsheets of Zhejiang Xinan and Wynca IE to each company's turnover and financial statement.

Given that both **[CONFIDENTIAL TEXT DELETED]** sales to **[CONFIDENTIAL TEXT DELETED]** and sales to **[CONFIDENTIAL TEXT DELETED]** were consistent with the Australian Sales spreadsheet, we are satisfied that the inconsistency in relation to 1000L sales to **[CONFIDENTIAL TEXT DELETED]** was a mere clerical error. Given this, we are satisfied that the export sales spreadsheet supplied by Zhejiang Xinan is a complete listing of exports of the GUC to Australia during the investigation period and that no irrelevant sales are included in the spreadsheets.

In relation to the selected transactions identified above at 5.1.2, we were able to trace the sales volume and values using the commercial invoices and packing lists provided during the verification visit to the export sales spreadsheets. There were no discrepancies identified in relation to sales

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volume or value in the documents provided with respect to the sampled shipments of direct exports. In relation to indirect exports of Wynca IE, the incorrect conversion rate of [CONFIDENTIAL TEXT DELETED] was used to determine quantity and unit price of [CONFIDENTIAL TEXT DELETED] glyphosate exported to [CONFIDENTIAL TEXT DELETED]. This value was changed to use the correct conversion rate of [CONFIDENTIAL TEXT DELETED] so that the quantity of the shipment was amended to [CONFIDENTIAL TEXT DELETED]. This subsequently impacted the unit selling price.

An amended version of the Australian Sales spreadsheet reflecting this change is at **confidential attachment EXP 8**.

**5.4.4 Payment terms**

Zhejiang Xinan advised that all direct exports sales between Zhejiang Xinan and Australian customers were invoiced in USD using the exchange rate of CNY to USD published on the day on which the invoice was prepared. Payment was made in USD using the exchange rate of AUD to USD applicable on the date of invoice.

The payment terms offered by Zhejiang Xinan varied during the period of direct export sales as follows:

**[CONFIDENTIAL TEXT DELETED – details of payment terms]**

All indirect export sales made by Zhejiang Xinan via Wynca IE were invoiced by Wynca IE to Australian customers in USD. Payment was made in USD by Australian customers using the exchange rate applicable on the date payment was made.

The payment terms applicable to indirect exports varied similarly to direct export sales and were:

**[CONFIDENTIAL TEXT DELETED – details of payment terms]**

During the verification visit Zhejiang Xinan was able to provide sufficient supporting documentation of proof-of-payment in relation to all selected shipments using bank vouchers and transfer confirmations. In relation to two of the selected shipments, we were required to request two further invoices to confirm that the payment related to two separate exports that were jointly paid by the importer. These invoices have been attached to the commercial documentation at **confidential attachment EXP 1**.

We are satisfied that the invoice price shown in the Australian Sales spreadsheet was the price paid by the relevant Australian customer.

#### 5.4.5 Ocean freight

The export sales spreadsheet provided by Zhejiang Xinan reflects that all export sales to Australia during the POI were made on CIF, CNF or FOB terms.

As such, no costs for ocean freight and marine insurance were included in the sales price invoiced to the Australian customer by Zhejiang Xinan/Wynca IE for FOB shipments, but was reflected in the invoice price of sales with CIF or CNF terms. We confirmed for the selected transactions that were in CIF or CNF terms that the ocean freight price reflected in the Australian Sales spreadsheet was an accurate reflection of the cost of ocean freight.

From the evidence of payment we also confirmed that the agreed terms of shipment were reflected in commercial invoices and, in turn, was the price paid.

#### 5.4.6 Inland freight and export charges

We sought to confirm the inland and port and terminal handling charges. Zhejiang Xinan advised that it utilises both a wholly owned subsidiary of Zhejiang Xinan, [CONFIDENTIAL TEXT DELETED] and unrelated logistics companies to transport the goods from the Pesticide Factory in Jiande to the port at Shanghai.

Freight and handling costs were calculated together for each invoice and were reflected in the export sales spreadsheet as 'handling and other'.

We raised that in relation to the four transactions outlined at 5.1.2 above, no 'handling and other' expenses were recorded in the Australian Sales spreadsheet. Zhejiang Xinan confirmed the 'handling and other' costs for these transactions. Invoices confirming these amounts are at **confidential attachment EXP 9**.

Zhejiang Xinan also noted during verification that handling costs in relation to invoice number 00001153-2011 were incorrectly noted in the Australian Sales spreadsheet. An invoice confirming the correct amount was provided and is included at **confidential attachment EXP 9**.

The Australian Sales spreadsheet was updated to reflect the above changes.

#### 5.4.7 Packing

Zhejiang Xinan advised that goods are packed at the Jiande factory using plastic packaging containers and cartons produced by [CONFIDENTIAL TEXT DELETED], a wholly owned subsidiary of Zhejiang Xinan.

Packing costs were totalled for each product over the POI and a weighted average cost per unit (MT) was calculated and then apportioned to each

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invoice by multiplying the average cost per unit by the actual quantity of the goods sold. Packing costs were reflected separately for each invoice.

**5.4.7 Export selling expenses**

We asked Zhejiang Xinan to explain how the amount shown in the export selling expenses in the Australian sales spreadsheets had been calculated. For direct sales by Zhejiang Xinan, it provided a ledger of selling costs (**confidential attachment EXP 10**) showing the breakdown of the total selling cost amount shown in its audited financial statements. The ledger shows the selling expenses broken down by exports and each of the domestic product categories. A ratio of total export selling expenses to total export revenue was calculated and applied to each export transaction by value.

Export selling expenses were calculated for Wynca IE using the same methodology. The ledger showing Wynca IE's selling expenses for 2011 is at **confidential attachment EXP 11**.

**5.5 The exporter**

The Customs Act does not define the "exporter", however Customs and Border Protection tends to look for the circumstances surrounding the exportation of the goods.

**a) Direct exports:**

On the basis of the above, for all direct export sales during the POI, we consider Zhejiang Xinan to be the exporter of GUC because Zhejiang Xinan:

- is the manufacturer of the goods;
- owned the goods at the time prior to export;
- is listed as the supplier on the bill of lading;
- invoices Australian customers for the goods directly;
- arranges and pays inland transport costs from the place of manufacture and packaging to port of export;
- arranges and pays for other associated freight and insurance costs depending on the specific sales terms;
- is the principal in the transaction located in the country of export from where the goods were shipped that gave up responsibility by knowingly placing the goods in the hands of a freight forwarder for delivery to Australia;
- sent the goods for export to Australia and was aware of the identity of the purchaser of the goods; and
- received payment for the goods from the importer.

**b) Indirect exports**

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We also consider Zhejiang Xinan to be the exporter for all indirect export sales to Australia via Wynca IE because Zhejiang Xinan:

- is the manufacturer of the goods;
- is the principal in the transaction located in the country of export from where the goods were shipped;
- knowingly executes an inter-company transaction with respect of the goods for which payment is made to Zhejiang Xinan by Wynca IE, its wholly owned subsidiary which operates from offices of Zhejiang Xinan; and
- Notwithstanding the above, Zhejiang Xinan knowingly remits responsibility to Wynca IE for all administration of the export of the goods to Australia pursuant to the terms of sale negotiated with the relevant importer.

**5.6 The importer**

We noted that Zhejiang Xinan's Australian customers:

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

We consider that Zhejiang Xinan's invoiced Australian customers are the beneficial owners of the goods at the time of importation and are therefore the importer of the formulated glyphosate exported by Zhejiang Xinan during the POI.

**5.7 Arms length**

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

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

- there is any consideration payable for in respect of the goods other than price;



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- 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;
- in the opinion of the Minister, the buyer, or an associate of the buyer, will, directly or indirectly, be reimbursed, be compensated or otherwise receive a benefit for, or in respect of, the whole or any part of the price.

We found no evidence to suggest that the prices negotiated between Zhejiang Xinan and its Australian customers were influenced by any relationship or arrangement, commercial or otherwise during the POI. We also did not find any evidence to indicate that any consideration, compensation or other benefit passes between Zhejiang Xinan and its Australian customers in relation to the goods other than the price negotiated, reflected in executed sales agreements and listed for payment in commercial invoices.

**5.8 Export price preliminary assessment**

In the case of direct export sales to Australia by Zhejiang Xinan, 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.

Therefore, we consider that export price for direct export sales from Zhejiang Xinan can be established under section 269TAB(1)(a) using the invoiced price less amounts for ocean freight and/or marine insurance as appropriate.

In respect to indirect export sales to Australia by Zhejiang Xinan through Wynca IE, we consider that:

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

However, as the goods were not purchased by the importer from the exporter we consider that export price for indirect export sales from Zhejiang Xinan can be established under section 269TAB(1)(c) using Wynca IE's invoiced price less amounts for ocean freight and/or marine insurance as appropriate.

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

**6 DOMESTIC SALES****6.1 Market**

We asked Zhejiang Xinan to clarify the key differences between formulated glyphosate manufactured for sale in the domestic market and product variants exported to Australia.

Zhejiang Xinan advised that the Chinese domestic market is largely similar to the Australian market in that formulated glyphosate is in demand as a non-selective herbicide for weed control purposes.

Zhejiang Xinan advised that, also like Australia, glyphosate is renowned in the Chinese domestic market as being the most effective non-selective herbicide available.

Despite these broad similarities in end-use demand, Zhejiang Xinan advised that there were key differences between the Chinese domestic market and the Australian export market which had a direct and tangible impact on the product formulations in demand and the pack sizing applied to the sale of such formulations.

**6.1.1 Domestic product sizing**

Zhejiang Xinan advised that the Chinese domestic glyphosate market comprises smaller sized personal/community farms and community market gardens that do not require the large volumes that end-users in Australia typically do.

Unlike the Australian export market, Zhejiang Xinan sells formulated glyphosate in China in industrial sizes (large volume packing) and retail pack sizes.

Pack sizing in China, both in terms of the inclusion of retail pack sizing and the smaller industrial sizes, is typically smaller than the pack-volumes exported to Australia.

We confirmed the following summary of retail and industrial distinction in product packaging and selling;

**a) Retail product**

Products designated as 'retail' sales in the Chinese domestic market comprise small volume containers.

The pack sizes available for each 'retail' level product are as follows:

- 30% - 230g, 250g, 500g, 1kg, 5kg, 10kg;

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- 41% - 200g, 200ml, 230g, 500g, 1litre, 1kg, 2.5kg, 5kg, 10kg, 20l, 25kg,
- 757 – 50g, 500g.

We confirmed (and sighted during our tour of the formulation factory) that all products packed in smaller volume packs specified above, and designated for sale in the Chinese domestic market are branded with brightly coloured 'Wynca' product consumer branding on the bottles/sachets/bags and boxed in similarly branded boxes.

We confirmed that retail-level sales are targeted for sale to domestic end users (either directly or via traders or distributors) without re-packing and/or re-labelling.

As discussed at 3.2.4, Zhejiang Xinan use **[CONFIDENTIAL TEXT DELETED]** surfactants in the formulation of Wynca branded retail-level product.

In summation, we consider the key determinants of 'retail' level products to be;

- small volume containers;
- visually distinguishable product branding and display; and
- intended for sale to Chinese end users without the need for re-packing or re-branding

*b) Industrial product*

Industrial pack sizing used by Zhejiang Xinan in the domestic market is typically smaller than the industrial pack sizing used for goods exported to Australia during the POI (see discussion of export sales above).

The pack sizes identified as 'industrial', by product, are as follows:

- 41% - 200 L;
- 757 – 10kg, 15kg, 25kg.

We confirmed that industrial pack products are targeted for sale to end users, either directly or through traders, distributors or formulators, in unbranded large volume packs intended to be re-packaged at some stage of the downstream sales channel in the domestic market.

As discussed, unbranded, 'industrial', product typically is formulated with **[CONFIDENTIAL TEXT DELETED]** surfactant.

In summation we are satisfied that the key determinants of industrial-level products to be:

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- large volume containers;
- no product branding or distinguishable product display; and
- intended for re-packaging by unrelated third parties (either the party to the sale, or a party who obtains ownership of the product in the domestic market at some later stage of the downstream sales process);
- **[CONFIDENTIAL TEXT DELETED – raw material differences]**.

**6.1.2 View on retail and industrial pack for the purposes of the investigation**

We are satisfied that the distinction between retail product and industrial product is largely related to their consumer branding and appearance, physical characteristics of pack sizing, and intended sales channel on the domestic market.

We note that there are also differences in composition between retail and industrial product related to **[CONFIDENTIAL TEXT DELETED – raw material differences]**.

In short, we are satisfied retail pack and industrial pack sizing of the same formulation of glyphosate – for example 41% - relevantly *contain* a similar product, however there are clear *model differences* because of different characteristics of the product sold in appearance and sales-oriented features outlined in 6.1.1 (a) and (b) respectively, and different **[CONFIDENTIAL TEXT DELETED – raw material differences]** used as discussed at 3.2.4 above.

There are also significant differences between domestic retail and industrial level products, related to the fundamental differences in sales channels intended for each. These include, but are not limited to:

- differences in **[CONFIDENTIAL TEXT DELETED]**;
- differences in promotion, advertising and selling expenses;
- differences in product volume sold, by transaction;
- differences in sales negotiation, including consideration of price related market variables

We are satisfied, on the basis of our understanding of the above and analysis of the domestic sales data, that the differences between industrial and retail pack product have a tangible impact on product price for all formulations, irrespective of level of trade.

Specifically, we have confirmed that, for each formulation, the price of retail product is significantly higher than the price of industrial level product.

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### 6.1.3 Domestic demand characterised by price concerns rather than quality

Zhejiang Xinan submits that, in addition to differences in individual volume demands in the Chinese glyphosate market Chinese farmers are, generally, operating with significantly less capital than those in Australia. As such whilst Chinese end users, like those in the Australian export market, have demand for an effective non-selective glyphosate based herbicide they are more concerned with product pricing than Australian end users who, typically, are concerned with buying the most effective product for their purposes.

Zhejiang Xinan suggest that the significance of price in the Chinese domestic market, even at the expense of the quality of the product, is reflected in the prevalence of use of the now-banned 10% 'mother liquid' which has now been replaced by the 30% glyphosate.

The domestic sales data provided by Zhejiang Xinan reflect that 30% (retail and industrial) comprised [CONFIDENTIAL TEXT DELETED]% of total volume of glyphosate sold domestically during the POI.

Zhejiang Xinan state that the 30% product is of significantly lesser quality in comparison to 41% and 757 available domestically.<sup>21</sup>

### 6.1.4 Terms of sale

Zhejiang Xinan advised that all domestic sales (both industrial and retail) are made on a delivered basis with generally [CONFIDENTIAL TEXT DELETED] days of credit provided to domestic customers, save for a small proportion of customers for which [CONFIDENTIAL TEXT DELETED].<sup>22</sup>

## 6.2 Levels of trade

### 6.2.1 General

The sales data provided by Zhejiang Xinan indicates that it sold a total of [CONFIDENTIAL TEXT DELETED] metric tonnes of formulated glyphosate in the domestic market during the investigation period in retail and industrial packs to a mix of customers recognised either as distributors, end-users, formulators/repackagers or traders.

### 6.2.2 Retail and industrial pack sales channels

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<sup>21</sup> We were advised that [CONFIDENTIAL TEXT DELETED]. Additionally the 30% product is blended with less surfactants with a significantly lower per unit surfactant cost as a result.

<sup>22</sup> We confirmed from the sales data that [CONFIDENTIAL TEXT DELETED] was required in relation to [CONFIDENTIAL TEXT DELETED] customers during the POI, in relation to [CONFIDENTIAL TEXT DELETED] separate transactions.

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Zhejiang Xinan advised that sales of formulations 30%, 41% and 757 in retail pack sizes are made to end users and distributors, but not to traders or formulators/repackagers (as retail pack products are already packed for sale to end-users).

As noted previously, Zhejiang Xinan submit that prices of the same formulation of glyphosate will vary considerably depending on whether it is sold in retail or industrial form given the different sales channels for each variant of the product.

On this basis Zhejiang Xinan suggests it would be unreasonable to compare retail and industrial goods.

**6.2.3 Industrial pack levels of trade**

Zhejiang Xinan's domestic sales data reflects that sales of 30%, 41% and 757 glyphosate in industrial pack sizes were made to customers listed as traders, formulators, distributors and end-users during the POI. Zhejiang Xinan sold a total of [CONFIDENTIAL TEXT DELETED] MT of industrial product.

We have verified that, of the total volume of goods sold in industrial pack sizes during the period, approximately:

- [CONFIDENTIAL TEXT DELETED – breakdown of sales volumes to different types of customers].

We note that:

- [CONFIDENTIAL TEXT DELETED – breakdown of sales of different glyphosate types to different types of customers]

**6.2.4 Level of trade price variances**

We looked at the domestic sales data for total sales of [CONFIDENTIAL TEXT DELETED] glyphosate industrial during the POI and at all [CONFIDENTIAL TEXT DELETED] different levels of trade, those identified by Zhejiang as being [CONFIDENTIAL TEXT DELETED].

Looking at the comparison of the levels of trade, we found that the significant majority of total volume ([CONFIDENTIAL TEXT DELETED]%) was sold to [CONFIDENTIAL TEXT DELETED], a relatively equal proportion of volume was sold to [CONFIDENTIAL TEXT DELETED] (around [CONFIDENTIAL TEXT DELETED]% respectively) and [CONFIDENTIAL TEXT DELETED] volume was sold to [CONFIDENTIAL TEXT DELETED] (around [CONFIDENTIAL TEXT DELETED]%).

In terms of pricing, there was a significant difference in weighted average price relative to different levels of trade. We noted that:

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- the weighted average unit price to [CONFIDENTIAL TEXT DELETED] was around [CONFIDENTIAL TEXT DELETED] RMB higher than the average unit price to [CONFIDENTIAL TEXT DELETED];
- the weighted average prices to [CONFIDENTIAL TEXT DELETED] were, in turn, roughly [CONFIDENTIAL TEXT DELETED] RMB higher than weighted average unit price to [CONFIDENTIAL TEXT DELETED]; and
- the weighted average price to [CONFIDENTIAL TEXT DELETED] was roughly [CONFIDENTIAL TEXT DELETED] RMB higher than the average unit price with respect to sales to [CONFIDENTIAL TEXT DELETED].

Zhejiang Xinan confirmed that the above patterns in price variance between different levels of trade reasonably reflect the general price variance between levels of trade in relation to industrial pack formulations.

Generally, sales to trader-level customers will involve a cheaper negotiated price on the basis of consistently higher volumes of goods procured.

Zhejiang Xinan submitted that a similar degree of price variance would be expected in relation to [CONFIDENTIAL TEXT DELETED] glyphosate industrial and [CONFIDENTIAL TEXT DELETED] glyphosate industrial [CONFIDENTIAL TEXT DELETED] during the POI.

#### **6.2.5 Discounts, rebates or allowances**

Zhejiang Xinan confirmed that it [CONFIDENTIAL TEXT DELETED – details of pricing] glyphosate to [CONFIDENTIAL TEXT DELETED] its domestic customers.

Zhejiang Xinan [CONFIDENTIAL TEXT DELETED] in relation to sales of [CONFIDENTIAL TEXT DELETED] glyphosate retail. [CONFIDENTIAL TEXT DELETED – details of pricing].

We confirmed that the same [CONFIDENTIAL TEXT DELETED] in relation to export sales of [CONFIDENTIAL TEXT DELETED] glyphosate.

### **6.3 Ordering**

Zhejiang Xinan described its domestic sales process as follows.

- all orders are placed with Zhejiang Xinan directly by customers in China, specifying the formulation, pack sizing and quantities required;
- price is negotiated on a per order basis between Zhejiang Xinan and the customer, taking into account the formulation/s ordered volume of the order and considerations of profitability and cost recovery;

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- once the order is confirmed, the product is formulated to order, or supplied from existing inventory;
- domestic sales are made on a delivered basis to the customer, freight from the warehouse to the customer is provided by [CONFIDENTIAL TEXT DELETED] (or unrelated third party providers); and
- the majority of domestic sales Zhejiang Xinan specified payment from the customer with [CONFIDENTIAL TEXT DELETED] days of credit from the date of invoice.

**6.4 Pricing and terms**

Zhejiang Xinan does not have price lists or standard pricing agreements in place with any of its domestic customers.

Price is negotiated on a per order basis, taking into account the formulation ordered and considerations of profitability and market price. Zhejiang Xinan advised that, like export sales pricing, market prices are determined on the basis of market intelligence derived from dialogue between domestic formulators.

We confirmed that the quantity of goods subject to the order has a key impact on price. For example, as mentioned at 6.2.4 above, traders, who typically purchase greater volumes of product, are generally able to negotiate significantly lower sales prices.

**6.5 Domestic sales verification**

In its response Zhejiang Xinan supplied a domestic sales spreadsheet. The spreadsheet includes line by line information relating to sales made between Zhejiang Xinan and its customers in China. The sheet includes information relating, inter alia, to:

- customer;
- level of trade;
- product name;
- (packing) type;
- invoice number, date of invoice and date of sale;
- order number;
- payment terms and delivery terms;
- sales quantity (in units – designated as metric tonnes);
- gross and net invoice values (expressed in RMB); and
- total ex-factory value of goods.

Prior to the visit, we requested that Zhejiang Xinan provide supporting documents relating to eight selected invoices reflecting sales of the GUC to its customers in China. The eight invoices selected were as follows:

Domestic Invoice #	Product	Invoice date
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1. 02174727	[CONFIDENTIAL TEXT DELETED]	29/03/2011
2. 02826602		13/04/2011
3. 02853251		11/07/2011
4. 09844080		31/03/2011
5. 09844062		22/03/2011
6. 03641622		29/04/2011
7. 00223314		24/08/2011
8. 07557263		20/12/2011

Zhejiang Xinan was asked to provide the following documents for each of the selected invoices. These documents were provided and included the following;

- Sales agreement/product order (if available) between Zhejiang Xinan and the relevant customer;
- Commercial invoice from Zhejiang Xinan to the domestic customer;
- Proof of payment made by domestic customer to Zhejiang Xinan.

These documents are at **confidential attachment DOM 1**.

#### 6.5.1 Domestic sales reconciliation to financial statements

We asked Zhejiang Xinan to demonstrate, by reference to management reports and the audited financial statements, that the domestic sales listing of like goods was complete. Zhejiang Xinan provided a report of sales by revenue account (**confidential attachment DOM 2**). The total revenue shown on the report agrees with the total in the audited financial statements ([CONFIDENTIAL TEXT DELETED] RMB).

Two amounts in the revenue report are relevant to formulated glyphosate products, account [CONFIDENTIAL TEXT DELETED] (domestic sales by the Agrochemical Division) and account [CONFIDENTIAL TEXT DELETED] (domestic sales of trader agrochemical product). Zhejiang Xinan provided reports for each of the relevant revenue accounts showing sales by product (confidential attachments 16 and 17 respectively). Zhejiang Xinan highlighted in these reports the products included in the like goods domestic sales spreadsheet. We observed that all relevant domestic products had been highlighted.

These amounts include sales to Wynca IE which were categorised as domestic sales. Zhejiang Xinan provided a printout of sales to Wynca IE (at **confidential attachment EXP 5**). We deducted the Wynca IE sales revenue from the totals of the relevant domestic sales amounts shown in **confidential**

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**attachments DOM 3 and DOM 4.** The balance agreed with the revenue total shown in the domestic sales spreadsheet. On this basis we are satisfied that the domestic sales listing is complete.

### 6.5.2 *Sales volume and value*

From the selected sales we traced the details from the domestic sales spreadsheet to the commercial documents provided.

We were able to confirm that the sales volume and value entered into the spreadsheet for all selected sales reflected the volume and value in the source documents.

### 6.5.3 *Exclusion of non-GUC and irrelevant sales*

As a caveat to the above, we found that several invoices contained sales of non-GUC agrochemicals. In each instance we were able to reconcile the total quantity and value of glyphosate sales reflected in the commercial invoice to the volume and value for the relevant entry in the spreadsheet. We are satisfied that no non-GUC sales have been included in the spreadsheet.

We also found that a number of invoices sampled for verification included sales of formulated glyphosate and glyphosate made by Zhejiang Xinan, acting in capacity of sales agent for [CONFIDENTIAL TEXT DELETED]. We confirmed that a formal agency agreement is in place between the two entities pursuant to which Zhejiang Xinan is responsible for the administration of the sale for the entirety of [CONFIDENTIAL TEXT DELETED]'s product output in return for a negotiated commission rate.

We confirmed that [CONFIDENTIAL TEXT DELETED – details of type of product sold].<sup>23</sup> We are satisfied that this is supported by the source sales documents.

Following from our confirmation of sales volume and value, see 6.5.2, we are satisfied that all agency sales have been excluded from the spreadsheet.

### 6.5.4 *Proof of payment*

We confirmed that Zhejiang Xinan typically operates a 'rolling account' in relation to domestic customers.

As part of the domestic sales documents Zhejiang Xinan was able to provide sufficient supporting documentation and proof-of-payment in relation to selected sales using bank vouchers and payment confirmations.

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<sup>23</sup> Specifically, Zhejiang Xinan advised that the [CONFIDENTIAL TEXT DELETED - details of type of product sold].

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In some instances source documentation reflected payment for the specific invoice. We were able to confirm that the value of the commercial invoice was reflected in proof of payment source documentation provided.

Some source documentation reflected payment of a number of invoices including the selected sample invoice number. We identified that invoice 02174727 was paid as part of a composite payment by a domestic customer reflecting payment of 02174727 and another invoice noted as 'invoice # 20'.

To verify payment we requested, and were provided with, a copy of 'invoice # 20'. We were able to reconcile the total composite value of both invoices to the value reflected in the payment confirmation document. This invoice has been added to the domestic sales documents referred to above.

We are satisfied that the invoice price shown in the domestic sales spreadsheet was the price paid by domestic customers and that payments were made pursuant to the terms of sale.

**6.6 Arms length**

In respect of Zhejiang Xinan's domestic sales we found no evidence that:

- there is any consideration payable for or in respect of the goods other than their price; or
- the price is influenced by a commercial or other relationship between the buyer, or an associate of the buyer, and the seller, or an associate of the seller; or
- the buyer, or an associate of the buyer, will, 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.

We consider Zhejiang Xinan's domestic sales of formulated glyphosate to be made in arms length transactions.

**6.7 Ordinary course of trade**

From the domestic sales data provided, we compared the unit invoice price paid for each domestic sale of the models agreed to be 'like goods' with respect to exported formulations with the fully absorbed domestic cost to make and sell of those models for the corresponding month.

We found that:

- All domestic sales of 'retail' pack product during the POI were profitable.
- A substantial quantity ([CONFIDENTIAL TEXT DELETED]%) of [CONFIDENTIAL TEXT DELETED] industrial product sold in the POI

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was sold at a loss. We applied the recovery test to the loss making sales but none of these was recoverable within a reasonable period of time.

- All sales of **[CONFIDENTIAL TEXT DELETED]** glyphosate at the industrial level during the POI were sold at a loss and were not recoverable and therefore not in the ordinary course of trade.

Our ordinary course of trade calculations are at **confidential appendix 2**.

*6.7.1 Volume and suitability of sales*

Domestic sales cannot be used to establish normal values if the volume of domestic ordinary course of trade sales of like goods is less than 5% of the volume of comparable like goods exported to Australia.

Following on from the section Like Goods, we noted Zhejiang Xinan had identified that **[CONFIDENTIAL TEXT DELETED]** formulations exported to Australia during the POI were either identical or like goods to domestic product with marginal differences with respect to packing and chemical concentration.

We identified that **[CONFIDENTIAL TEXT DELETED]** domestically passed the volume of sales test.

As noted above, we found that all sales of **[CONFIDENTIAL TEXT DELETED]** industrial were not in the ordinary course of trade. As such, we are satisfied that domestic sales of **[CONFIDENTIAL TEXT DELETED]** glyphosate are not suitable for consideration in establishing normal values.

Our sufficiency test calculations are at **confidential appendix 3**.

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**7 COST TO MAKE & SELL****7.1 Introduction***7.1.1 General*

Zhejiang Xinan uses actual production costs in its accounting system as opposed to standard costings.

We were advised that Zhejiang Xinan operates its cost accounting system on the basis of specified profit and cost centres. Specifically, sales departments (see section 3) are recognised as profit centres, whilst the plants involved in the production of acid and formulated glyphosate are deemed to be cost centres.

Cost accounting is managed by each cost centre. Costs are recorded in the system as actual costs.

Finished products are transferred to the sales department on the basis of the recorded actual cost of the product. We understand that the sales department considers both the production costs recorded by the relevant centre and the hypothetical market price of the relevant product in its sales negotiations (see domestic and export sales discussions)

*7.1.2 Stages of production*

As discussed above in section 3, there are several key stages in the formulation of liquid and granular glyphosate. We have summarised these as follows:

*a) Liquid glyphosate (30%, 41% and 51% glyphosate):*

- 1) glyphosate acid is produced through **[CONFIDENTIAL TEXT DELETED – details of production process]** manufacture;
- 2) acid is combined with a soluble salt (IPA or ammonium) in a reactor;
- 3) the glyphosate salt is combined with surfactants and dyes creating a commercially complete product; and
- 4) the glyphosate is filter pressed and packed.

*b) 'Dry' glyphosate (757 granular):*

- 1) glyphosate acid is produced through **[CONFIDENTIAL TEXT DELETED – details of production process]** manufacture;
- 2) glyphosate acid is reacted with liquid ammonium in a reactor;

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- 3) [CONFIDENTIAL TEXT DELETED]the solution is crystallised in a crystallizer, yielding [CONFIDENTIAL TEXT DELETED] (the intermediary raw material);
- 4) [CONFIDENTIAL TEXT DELETED] combined with [CONFIDENTIAL TEXT DELETED] in a mixer;
- 5) the finished product is then granulated in a granulating machine; and
- 6) the granulated product is then dried in a dryer before being packed.

**7.2 Cost to make and sell****7.2.1 CTMS spreadsheets**

Zhejiang Xinan provided cost to make and sell (CTMS) spreadsheets for all formulations of glyphosate sold in the domestic and Australian export markets during the investigation period. For each formulation, separate CTMS data was provided for each pack sizing that the formulation was sold in during the POI.

The CTMS spreadsheet provided line by line data relating to the major costs to make incurred by each pack size of each formulation, by month of production. The CTMS sheet, for each model, listed the following data for each month of the investigation period:

- material cost;
- direct Labour;
- manufacturing overheads;
- other costs;
- packing; and
- total production volume.

The total sum of the above costs was calculated and presented for each month of production of the specific pack sizing of each formulation sold domestically and to Australia. The total costs relevant to each of the above fields was then divided by the total monthly production in MT to calculate the cost of manufacture per unit.

Zhejiang Xinan allocated the following cost items by sales revenue:

- direct selling expenses;
- agrochemical selling costs
- administration costs;
- financial costs;

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- delivery expenses; and
- Other costs

Like the costs to make, the sales associated cost items were listed in terms of total amounts by pack size, by formulation, by month of the POI and then divided by the total quantity of sales for the relevant month to determine a total cost to sell per unit.

These amounts were added to the cost to make to determine unit cost to make a sell for each pack sizing of each formulation.

### 7.3 Verification of cost to make

#### 7.3.1 Cost to make – glyphosate acid

As discussed in detail above under section 3, glyphosate acid is the key raw material consumed in the formulation of all liquid formulations of glyphosate produced by Zhejiang Xinan.

Further, glyphosate acid is the active ingredient in the patented process of manufacturing ammonium glyphosate, the intermediate raw material consumed in the formulation of 757 'dry' glyphosate.

Summary of production processes for glyphosate acid and ammonium glyphosate are included under section 3 above. Diagrams for both production processes were also provided by Zhejiang Xinan and are attached as **confidential attachment CTMS 1**.

We selected the month of March 2011 and asked Zhejiang Xinan to demonstrate how the cost of glyphosate acid used in the formulated products was calculated. Zhejiang Xinan provided its glyphosate acid cost calculation sheet for the month (**confidential attachment CTMS 2**). The schedule shows the quantity of glyphosate acid produced, each raw material consumed, its unit price and the consumption and cost of the materials per MT of glyphosate acid produced. We noted that the main raw materials in terms of cost are **[CONFIDENTIAL TEXT DELETED – raw materials used by Zhejiang Xinan]**.

**[CONFIDENTIAL TEXT DELETED – details of by-product]** is extracted in the glyphosate acid production process and recycled. Zhejiang Xinan manufactures its own **[CONFIDENTIAL TEXT DELETED – raw materials used by Zhejiang Xinan]**. **[CONFIDENTIAL TEXT DELETED – raw materials used by Zhejiang Xinan]** are purchased from unrelated suppliers in China.

Zhejiang Xinan provided the March 2011 cost ledgers for its two glyphosate acid workshops (**confidential attachment CTMS 3**). We were able to verify that the addition of the two cost ledger totals equalled the total cost in the

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glyphosate acid cost calculation schedule (excluding manufacturing overhead and other cost and the by-product credits for the products transferred to the organosilicon manufacturing operations).

We selected the major raw materials, **[CONFIDENTIAL TEXT DELETED – raw materials used by Zhejiang Xinan]** and asked Zhejiang Xinan to provide its ledger accounts for these for March 2011 (**confidential attachment CTMS 4 and 5**). The ledgers show a summary of the purchases of the materials for each week of the month. We asked Zhejiang Xinan to provide invoices and evidence of payment for purchases of these materials (**confidential attachment CTMS 6**). We noted that the unit prices on the sample invoices provided were consistent with the average unit values shown in the raw materials ledgers. The average unit cost of raw materials consumed in the month matched the unit cost shown in the glyphosate acid cost calculation sheet.

We asked Zhejiang Xinan to provide its cost of production schedule for **[CONFIDENTIAL TEXT DELETED – raw material used by Zhejiang Xinan]** for March 2011 (**confidential attachment CTMS 7**). The schedule shows the production volume for the month, the quantity and value of each raw material used, the utility, labour and overhead expenses and the unit cost of production for **[CONFIDENTIAL TEXT DELETED – raw material used by Zhejiang Xinan]**. We were able to trace the unit cost for **[CONFIDENTIAL TEXT DELETED – raw material used by Zhejiang Xinan]** through to the glyphosate acid production cost schedule.

The cost calculation schedule for glyphosate acid also shows other costs involved in the production of the glyphosate acid including power, water, steam, labour and manufacturing overheads. The schedule also shows the value of by-products either sold or transferred to Zhejiang Xinan's **[CONFIDENTIAL TEXT DELETED]** production operations.

In terms of the by-products, we selected **[CONFIDENTIAL TEXT DELETED – details of by-products]** and asked Zhejiang Xinan to support the amounts credited against the cost of glyphosate acid production (**[CONFIDENTIAL TEXT DELETED – details of usage of by-products]**). Zhejiang Xinan explained that some of its **[CONFIDENTIAL TEXT DELETED – raw materials used by Zhejiang Xinan]** requirements for **[CONFIDENTIAL TEXT DELETED]** are sourced from the glyphosate acid production process and some is manufactured from purchased raw materials.

Zhejiang Xinan values the **[CONFIDENTIAL TEXT DELETED]** by-product at the monthly production cost for the **[CONFIDENTIAL TEXT DELETED]** manufactured. Zhejiang Xinan provided a report showing the amount of glyphosate acid produced in each month of 2011, the amount of **[CONFIDENTIAL TEXT DELETED]** produced, the unit value of the by-product and the total amount credited to the cost of glyphosate acid production (**confidential attachment CTMS 8**). Zhejiang Xinan supported this document with its **[CONFIDENTIAL TEXT DELETED]** cost calculation



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sheet for March 2011 (**confidential attachment CTMS 9**). The sheet shows the quantity, unit cost and total cost of each raw material used to produce **[CONFIDENTIAL TEXT DELETED]** in the month and the total quantity produced. It also shows the cost of utilities, labour and factory overheads incurred in the production. The unit cost of **[CONFIDENTIAL TEXT DELETED]** production shown in the schedule matches the unit cost shown in the **[CONFIDENTIAL TEXT DELETED]** by-product report which shows the total credit applied to glyphosate acid production costs.

Another by-product is **[CONFIDENTIAL TEXT DELETED]** which Zhejiang Xinan sells to unrelated third parties. Zhejiang Xinan provided its **[CONFIDENTIAL TEXT DELETED]** sales ledger for March 2011 showing the volume and value of the by-product sold (**confidential attachment CTMS 10**). We selected a transaction from the sales listing and asked that Zhejiang Xinan provide the invoice for the sale (**confidential attachment CTMS 11**). We are satisfied that the credit for the sale of **[CONFIDENTIAL TEXT DELETED]** has been correctly reflected in the net raw material costs for the production of glyphosate acid.

### *7.3.2 Formulated glyphosate*

Zhejiang Xinan provided monthly production cost calculation schedules for the 41%, 51% and 757 formulated products (**confidential attachment CTMS 12**). The 41% schedules include separate schedules for a domestic customer that requires a different formulation to the one typically manufactured. Also, the 757 schedules include separate schedules for glyphosate manufactured using the **[CONFIDENTIAL TEXT DELETED]** and that produced using the **[CONFIDENTIAL TEXT DELETED]**. Zhejiang Xinan explained that **[CONFIDENTIAL TEXT DELETED – production processes for different customers]**. The same plant and equipment is used **[CONFIDENTIAL TEXT DELETED]**.

As with the glyphosate schedule, the formulation cost schedules show the amount of product manufactured in the month, the quantity and value of material used, the utilities, labour and manufacturing overheads incurred and the unit value of formulated glyphosate produced. The liquid products are expressed in kilolitres and need to be converted to MT using the appropriate conversion rates to reconcile with the amounts recorded in the CTMS spreadsheets provided by Zhejiang Xinan.

We confirmed that the unit value of glyphosate acid recorded in the formulated glyphosate cost calculation sheets agreed with the glyphosate acid unit production costs for the corresponding month. Also, we were satisfied that the total formulated glyphosate production costs for each month had been accurately recorded in the CTMS spreadsheets provided.

### Surfactants

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Zhejiang Xinan explained that it tended to use **[CONFIDENTIAL TEXT DELETED]** surfactants in its Wynca consumer branded retail products and **[CONFIDENTIAL TEXT DELETED]** surfactants it manufactured itself from domestic materials for industrial and its export markets. **[CONFIDENTIAL TEXT DELETED – details of types of raw materials and where sourced]**.

Zhejiang Xinan advised that sometimes export customers place orders requesting **[CONFIDENTIAL TEXT DELETED]**. Zhejiang Xinan provided an example of a production plan notice for an order from the Australian customer **[CONFIDENTIAL TEXT DELETED]** requesting **[CONFIDENTIAL TEXT DELETED]** (confidential attachment CTMS 13). Zhejiang Xinan advised that **[CONFIDENTIAL TEXT DELETED]**% of Australian sales were based on orders requesting **[CONFIDENTIAL TEXT DELETED]**. It provided a production plan notice for what it claimed was a standard order from **[CONFIDENTIAL TEXT DELETED]** where the **[CONFIDENTIAL TEXT DELETED]** (confidential attachment CTMS 14).

We asked Zhejiang Xinan to provide an invoice for the purchase of **[CONFIDENTIAL TEXT DELETED]** (confidential attachment CTMS 15). The product was purchased through the Chinese branch of a **[CONFIDENTIAL TEXT DELETED]** chemical company. The invoice shows a unit price that corresponds to the unit value shown in the monthly cost calculation sheets.

We also asked Zhejiang Xinan to provide its cost calculation sheet for one of the **[CONFIDENTIAL TEXT DELETED]**. We chose the **[CONFIDENTIAL TEXT DELETED]** product. The cost calculation sheet (confidential attachment CTMS 16) shows a unit production cost which is carried forward into the formulated glyphosate product cost calculation sheets.

Zhejiang Xinan advised that industrial sales of formulated glyphosate in China sold in 200 L drums used a variety of surfactants. Zhejiang Xinan provided two production notes for orders of 200 litre drums, one using **[CONFIDENTIAL TEXT DELETED]** and one using **[CONFIDENTIAL TEXT DELETED]** (confidential attachment CTMS 17).

### Packing

We asked Zhejiang Xinan to provide evidence of the packing costs provided in its CTMS spreadsheets. Zhejiang Xinan explained that retail packing mediums are purchased from its wholly owned subsidiary, **[CONFIDENTIAL TEXT DELETED]**. Industrial packing materials, such as 200 litre drums, are purchased.

We selected the **[CONFIDENTIAL TEXT DELETED]** product packed in 1kg bottles and asked Zhejiang Xinan to demonstrate how the packing cost was calculated. Zhejiang Xinan provided its packing cost worksheet for January 2011 (confidential attachment CTMS 18). The worksheet shows total packing costs of **[CONFIDENTIAL TEXT DELETED]** RMB for the

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[CONFIDENTIAL TEXT DELETED] MT of product manufactured in the month, giving a unit packing cost per MT of [CONFIDENTIAL TEXT DELETED]. Zhejiang Xinan supported this with the ledger account for 1kg packing materials showing the cost of each packing item including bottles, stickers, cartons, strap, tape and plastic wrapping (confidential attachment 41).

Zhejiang Xinan also provided its cost calculation worksheet for the packing of 200 L drums (**confidential attachment CTMS 19**). The worksheet cost per MT corresponds with the amount included in the relevant CTMS schedules. Zhejiang Xinan also provided an invoice showing the purchase price of 200 L drums which it buys externally (included at **confidential attachment CTMS 19**).

#### 7.4 Selling, general and administration (SG&A) expenses

##### 7.4.1 Selling, general and administrative expenses

Zhejiang Xinan calculated the ratio of administration and financial expenses to total sales revenue as per its audited financial statements and allocated these expenses to each domestic and export sale according to this ratio.

Zhejiang Xinan provided a calculation chart (**confidential attachment CTMS 20**) showing the allocation of domestic selling expenses to the cost to make and sell formulated glyphosate. The chart shows the breakdown of the total selling expense amount shown in Zhejiang Xinan's financial statements for 2011 between Agrochemical Division and other sales divisions. **Confidential attachment CTMS 21** shows the selling expense categories incurred for domestic sales within the Agrochemical Division.

Zhejiang Xinan provided a worksheet (**confidential attachment CTMS 22**) showing the allocation of agrochemical marketing expenses according to their ratio to the Agrochemical Division's domestic sales revenue. **Confidential attachment CTMS 23** shows how the company's selling expenses that are not allocated to any particular Division were allocated according to their ratio to the total company's revenue. **Confidential attachment CTMS 24** shows the expenses incurred at the company level for conferences as an example of non-product specific company selling expenses.

Zhejiang Xinan initially attempted to allocate promotional expenses, advertising and salesmen's salaries according to amounts it claimed were incurred in relation to the specific formulated glyphosate products. During the visit, Zhejiang Xinan advised that determining specific expenses for these items and supporting the amounts was too difficult and that it would allocate the expenses according to revenue across the entire Agrochemical Division.

Zhejiang Xinan advised that certain domestic selling expenses ([CONFIDENTIAL TEXT DELETED]) were relevant to retail (Wynca

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consumer branded) sales only and not domestic industrial sales that do not bear that branding. Zhejiang Xinan therefore allocated these expenses only to retail sales transactions. Zhejiang Xinan provided a list of advertising expenses incurred in relation to the [CONFIDENTIAL TEXT DELETED] product and an example of the posters produced as part of the campaign to support the allocation of these costs to retail sales only (**confidential attachment CTMS 25**).

#### 7.4.2 Domestic inland freight

Zhejiang Xinan provided the ledger for its total freight expenses showing the breakdown between silicon departments, exports and Agrochemical Division domestic sales (**confidential attachment CTMS 26**). The cost calculation chart shows how the ratio of this expense to the Agrochemical Division's total domestic sales revenue was used to allocate domestic inland freight expenses to each domestic sale transaction. We are satisfied that the allocation is accurate and reasonable.

We noted that its subsidiary, [CONFIDENTIAL TEXT DELETED], provides Zhejiang Xinan with inland transportation services. Zhejiang Xinan claimed that this was on an arms length basis and that each of the entities within the group was required to be profitable. We asked Zhejiang Xinan to demonstrate the arms length nature of the transportation services provided by [CONFIDENTIAL TEXT DELETED].

Zhejiang Xinan stated that unrelated third parties also provide transportation services. It provided an invoice for transport provided by one such company, showing a price per MT per kilometre of [CONFIDENTIAL TEXT DELETED] RMB (**confidential attachment CTMS 27**). Zhejiang Xinan also provided an invoice from [CONFIDENTIAL TEXT DELETED] showing the prices for transporting formulated glyphosate to domestic customers (**confidential attachment CTMS 28**). The invoice is supported by worksheets showing the distance of the delivery, weight of the product delivered and the price per MT. The worksheets show a price per MT per kilometre of [CONFIDENTIAL TEXT DELETED] RMB, which is slightly above the rate of the unrelated transport company. Accordingly we are satisfied that the domestic transport expenses recorded by Zhejiang Xinan are reasonable and reflect market prices.

Zhejiang Xinan calculated SG&A expenses from selling administration and financial costs recorded in the company's income statements. SG&A expenses are calculated in the company's income statement reflecting domestic sales separately and the GUC together (all export and domestic sales).

We verified the selling administrative and financial expenses as presented in its response to the exporter questionnaire and to the audited financial statements and management accounts.

**NON-CONFIDENTIAL VERSION****7.5 Cost to make and sell – summary**

We are satisfied that sufficient information was available and verified to substantiate the CTMS the GUC by Zhejiang Xinan. We consider these CTMS are suitable for:

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

The final CTMS worksheets are at confidential appendix 4.

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**8      THIRD COUNTRY SALES**

We identified that export sales by Zhejiang Xinan to third country markets accounted for approximately **[CONFIDENTIAL TEXT DELETED]**% of the total volume of turnover of the GUC during the investigation period.

We have further identified that this total volume of third country sales comprises sales to a total of **[CONFIDENTIAL TEXT DELETED]** third country markets.

We are satisfied that there are sufficient domestic sales for the purposes of calculating normal value in this instance without consideration of third country sales.

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**9 ADJUSTMENTS**

Zhejiang Xinan claimed certain specific adjustments with respect to the calculation of normal value of comparable domestic formulations of glyphosate.

**9.1 Specification adjustments**

As discussed in the following chapter, it is necessary to make price comparisons between formulated glyphosate products that are not identical. In its exporter questionnaire response, Zhejiang Xinan provided a table showing the average raw material cost differences between the 41% domestic product and the **[CONFIDENTIAL TEXT DELETED – details of exported product type]** exported product over the investigation period. **[CONFIDENTIAL TEXT DELETED – details of exported product type]** (confidential attachment ADJ1).

The 41% cost shown in the schedule is the average over the investigation period for both industrial and retail products. **[CONFIDENTIAL TEXT DELETED – need to ensure that surfactant costs be calculated as accurately as possible]**.

We calculated the average cost of surfactants used to produce the **[CONFIDENTIAL TEXT DELETED]** product and applied this cost to the quantities of surfactant used to produce the **[CONFIDENTIAL TEXT DELETED]** product. This lowered the raw material cost of the **[CONFIDENTIAL TEXT DELETED]** product and increased the cost difference between the **[CONFIDENTIAL TEXT DELETED]** products. We added the differences in labour, manufacturing and other costs incurred in producing each of the products to the raw material cost difference. We then calculated the percentage that overheads and profit represented of the cost to make the product. This was done on a transaction by transaction basis. We increased the cost to make differences between the two products by this percentage to reflect the additional overhead and profit that would be allocated to the sale due to the higher production costs. This specification adjustment was **[CONFIDENTIAL TEXT DELETED]** the domestic selling prices of the **[CONFIDENTIAL TEXT DELETED]** industrial product.

Similar specification adjustments based on cost differences were made to compare the **[CONFIDENTIAL TEXT DELETED]** industrial product sold domestically with **[CONFIDENTIAL TEXT DELETED]** products exported to Australia. In the case of the **[CONFIDENTIAL TEXT DELETED]** product, the specification adjustment **[CONFIDENTIAL TEXT DELETED]** the domestic selling prices **[CONFIDENTIAL TEXT DELETED]**.

Details of our specification adjustments are at **confidential appendix 5**.

**NON-CONFIDENTIAL VERSION****9.2 Packaging**

As discussed previously, there are differences in pack sizing between domestic packs and exported packs. We verified the packing cost amounts included in both the domestic sales and Australian sales spreadsheets. To ensure a fair comparison, we have deducted the domestic packing costs and added the export packing costs as appropriate.

**9.3 Level of Trade**

In its exporter questionnaire response, Zhejiang Xinan claimed an adjustment for different levels of trade for sales to traders as compared to sales to distributors, formulators and end-users. At the meeting, Zhejiang Xinan advised that it did not wish to pursue the making of a level of trade adjustment, provided exports of industrial products to Australia were properly matched with industrial products sold on the domestic market (with the exception of the small quantity of retail exports).

**9.4 Credit terms**

The export sales to Australia in the investigation period were a mix of [CONFIDENTIAL TEXT DELETED] days credit terms. Domestic sales were at [CONFIDENTIAL TEXT DELETED] day terms. Zhejiang Xinan in its exporter questionnaire response provided the average monthly cost of credit over the investigation period. To ensure a fair comparison, we have deducted domestic credit costs and added export credit costs to each domestic selling price, as appropriate.

**9.5 Value added tax**

Zhejiang Xinan incurs a value added tax (VAT) of 13% on both domestic and export sales. It receives a VAT rebate of 5% on export sales of formulated glyphosate. As domestic selling prices used to establish normal values are exclusive of VAT, we have increased domestic selling prices by 8% to allow a fair comparison with export prices.

**9.6 Domestic inland transport**

We verified Zhejiang Xinan calculation of average inland transport costs incurred on domestic sales. We have deducted these costs from the domestic selling prices.

**9.7 Export inland transport and handling charges**

We consider that these verified expenses should be added to domestic selling prices to ensure a fair comparison with export prices.



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**10      NORMAL VALUE**

At the visit Zhejiang Xinan provided a detailed table reflecting its view with respect to the most closely comparable goods by product and by pack size. This document is attached at **confidential attachment GEN 5**.

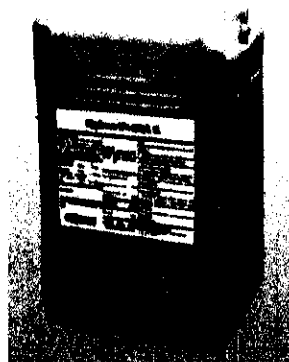
The document suggests the following comparisons:

Export product	Comparable domestic product
[CONFIDENTIAL TEXT DELETED]	41% (200 litres)
	41% (200 litres)
	41% (200 litres)
	757 (10kg and 15kg)
	757 (10kg and 15kg)

Zhejiang Xinan categorised the above domestic sales as 'industrial' sales, distinguishing these from retail sales. At the meeting we established that there had been one small shipment to Australia of what Zhejiang Xinan would describe as retail product - [CONFIDENTIAL TEXT DELETED]. Zhejiang Xinan agreed that this product should be compared with retail domestic selling prices, adjusted for [CONFIDENTIAL TEXT DELETED] expenses that are not incurred by Zhejiang Xinan in relation to sales to Australia.

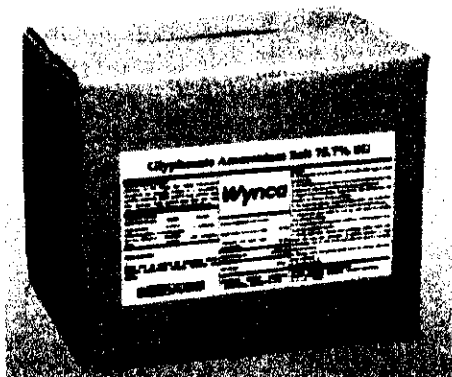
Zhejiang Xinan claimed that formulations in retail packs are specifically designated for sale in the retail sector in China and are small containers specifically branded with 'Wynca' product branding. Conversely formulations sold on the export market in industrial packs refer to large volume containers intended for repackaging after importation or for industrial use.

Examples of industrial export packaging are as follows:



51% 1000 litre IBCs

51% 20 litre



757 granular 15kg

Examples of industrial domestic packaging are:



41% 200 litre drum

Examples of domestic retail packaging are:



41% 200g



41% 230g



41% 500g

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We understand that the respective products and sales route for industrial versus retail is distinguished by a number of differences including differences in:

- appearance of the product as sold;
- **[CONFIDENTIAL TEXT DELETED – differences in raw materials];**
- promotion, advertising and selling expenses;
- product volume sold, by transaction;
- sales negotiation, including consideration of price related market variables.<sup>24</sup>

Zhejiang Xinan was unable to advise the nature of packaging for all of the **[CONFIDENTIAL TEXT DELETED]** products exported to Australia. At least some of this product, that which is exported to **[CONFIDENTIAL TEXT DELETED]**, is in boxes labelled with the **[CONFIDENTIAL TEXT DELETED]** branding, ready for sale to the end-user. Nevertheless, we accept that Zhejiang Xinan classifies these products as industrial due to the quantity of product in each pack (10 or 15kg compared to 50g or 500g on the domestic market) and the fact that the product does not bear the Wynca consumer branding.

We consider that it is appropriate to compare industrial products exported to Australia with industrial products sold on the domestic market, according to the descriptions applied by Zhejiang Xinan. The small volume of retail products exported to Australia should be compared with domestic selling prices of retail products, with appropriate adjustments for costs not incurred on the export market.

### **10.1 Conclusion on normal value**

We consider that information gathered and detailed in this report and its attachments can be relied upon to establish normal values and be compared to the three formulations of glyphosate exported to Australia during the POI under s. 269TAC(1).

We have prepared calculations of normal values under s269TAC(1).

Normal value calculations are at **confidential appendix 6**.

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<sup>24</sup> More detailed discussion of key differences associated with retail and industrial pack product is included in relation to domestic sales at section 5.

**11 DUMPING MARGINS**

We calculated a weight average product dumping margin of negative 1.59%. Calculation of dumping margins is at confidential appendix 7.

The normal values and preliminary dumping margin that we have determined may be revised following Customs and Border Protection's assessment.

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## 12 LIST OF APPENDICES AND ATTACHMENTS

Confidential appendix 1	Export price calculations
Confidential appendix 2	Ordinary course of trade calculations
Confidential appendix 3	Sufficiency test
Confidential appendix 4	CTMS worksheet
Confidential appendix 5	Specific adjustment worksheet
Confidential appendix 6	Normal value calculations
Confidential appendix 7	Dumping margins calculations
Confidential attachment GEN 1	Zhejiang Xinan organisational structure
Confidential attachment GEN 2	Standard for liquid glyphosate product
Confidential attachment GEN 3	Standard for granular glyphosate product
Confidential attachment GEN 4	Translated 2011 Annual Audit Report
Confidential attachment GEN 5	Information note for verification day 1
Confidential attachment EXP 1	Commercial documents for selected export sales transactions
Confidential attachment EXP 2	Commercial documents for irregular transactions
Confidential attachment EXP 3	Information note for verification day 3
Confidential attachment EXP 4	Audited accounts of Zhejiang Xinan
Confidential attachment EXP 5	Sales from Zhejiang Xinan to Wynca IE
Confidential attachment EXP 6	Australian sales completeness: <b>[CONFIDENTIAL TEXT DELETED]</b> sales of <b>[CONFIDENTIAL TEXT DELETED]</b> glyphosate
Confidential attachment EXP 7	Australian sales completeness: <b>[CONFIDENTIAL TEXT DELETED]</b> sales
Confidential attachment EXP 8	Amended Australian Sales spreadsheet
Confidential attachment EXP 9	Invoices confirming "Handling and other" information
Confidential attachment EXP 10	Export selling costs
Confidential attachment EXP 11	Wynca IE selling expenses
Confidential attachment DOM 1	Commercial documents for selected domestic sales transactions
Confidential attachment DOM 2	Report of sales by revenue account
Confidential attachment DOM 3	Agrochemical domestic sales by product (excluding trader sales)
Confidential attachment DOM 4	Agrochemical domestic sales to traders
Confidential attachment CTMS 1	Diagrams of production processes
Confidential attachment CTMS 2	Glyphosate acid cost calculation March 2011
Confidential attachment CTMS 3	Glyphosate acid cost ledger (workshop A and B) March 2011
Confidential attachment CTMS 4	<b>[CONFIDENTIAL TEXT DELETED]</b> purchase ledger March 2011

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Confidential attachment CTMS 5	[CONFIDENTIAL TEXT DELETED] purchase ledger March 2011
Confidential attachment CTMS 6	[CONFIDENTIAL TEXT DELETED] invoices
Confidential attachment CTMS 7	[CONFIDENTIAL TEXT DELETED] cost calculation sheet March 2011
Confidential attachment CTMS 8	[CONFIDENTIAL TEXT DELETED] production
Confidential attachment CTMS 9	Cost calculation for [CONFIDENTIAL TEXT DELETED]
Confidential attachment CTMS 10	[CONFIDENTIAL TEXT DELETED] sales
Confidential attachment CTMS 11	Sales of by-product - [CONFIDENTIAL TEXT DELETED]
Confidential attachment CTMS 12	Cost calculation sheets – all products
Confidential attachment CTMS 13	Production plan notice for Australian sale showing order for [CONFIDENTIAL TEXT DELETED]
Confidential attachment CTMS 14	Production plan notice for Australian sale showing [CONFIDENTIAL TEXT DELETED]
Confidential attachment CTMS 15	Invoice for purchase of [CONFIDENTIAL TEXT DELETED]
Confidential attachment CTMS 16	Cost sheet for [CONFIDENTIAL TEXT DELETED]
Confidential attachment CTMS 17	Production notes for 200L drum using [CONFIDENTIAL TEXT DELETED]
Confidential attachment CTMS 18	Packing materials [CONFIDENTIAL TEXT DELETED]
Confidential attachment CTMS 19	Packing costs for 200L and invoice for purchase of 200L drums
Confidential attachment CTMS 20	Selling costs allocation method
Confidential attachment CTMS 21	Allocation of selling expenses
Confidential attachment CTMS 22	Agrochemical marketing department selling expenses
Confidential attachment CTMS 23	Indirect selling expenses
Confidential attachment CTMS 24	Selling costs - conference
Confidential attachment CTMS 25	[CONFIDENTIAL TEXT DELETED] advertising expenses
Confidential attachment CTMS 26	Selling costs – freight ledger
Confidential attachment CTMS 27	Transport costs (ZXC and 3 <sup>rd</sup> party)
Confidential attachment CTMS 28	Transport invoice from [CONFIDENTIAL TEXT DELETED]
Confidential attachment ADJ1	Raw material cost comparisons