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Ms Joanne Reid
Director, Operations 2
International Trade Remedies Branch
Australian Customs and Border Protection Service
Customs House
2 Constitution Avenue
CANBERRA ACT 2601

Public File

Dear Ms Reid

Re: Formulated Glyphosate exported from P R China – Jiangsu Good Harvest-Weien Agrochemical Co., Ltd Exporter Visit Report

I refer to the Exporter Visit Report ("the Report") for Jiangsu Good Harvest-Weien Agrochemical Co., Ltd ("Good Harvest") recently placed on the Public File.

The applicant companies Accensi Pty Ltd ("Accensi") and Nufarm Limited ("Nufarm") takes this opportunity to refute the preliminary dumping margins determined by Customs and Border Protection (Customs) for Good Harvest.

This submission aims to address a range of concerns and inconsistencies arising from the Report. These are addressed below (with relevant section of the Report identified).

1. Related Parties (Section 3.2)

Reference is made to a "company brochure" at Attachment GEN 1. It is assumed that this document was provided with Good Harvest's Exporter Questionnaire Response. It is noted that Good Harvest manufactures approximately 40,000 metric tonnes of glyphosate, and approximately 4,000 tonnes of other herbicides (refer website). The production volumes are relevant for cost allocation purposes (see further below).

It is further noted that Good Harvest purchases certain raw materials from its subsidiary company that includes a "*positive margin over the invoice price charged by an unrelated raw materials supplier*". What does this "positive margin" reflect? What is its relevance? Why did Customs not simply state that the related party purchases are consistent with non-related purchases?

2. Commercial operations and production (Section 3.3)

Good Harvest claims that its IDA manufacturing process is the "*most efficient as it maximises yield*". Is this correct? What did Customs do to confirm that this statement is accurate? Does this admission have any implications for cost of production purposes?

The Report indicates that product with a concentration of ammonium salts below 33 per cent is not permitted to be sold in China. How does this influence Good Harvest's cost of production?

All sales of glyphosate technical are internal transfers. Is the internal transfer price reflective of full cost recovery or consistent with a prevailing Chinese market price (which, apparently, appears to be a sale at a loss)?

3. Accounting (Section 3.4)

Good Harvest has an Enterprise Resource Planning ("ERP") accounting system. All material purchases are recorded on a metric tonne basis. Is the conversion methodology referenced by Good Harvest correct? Could this influence Good Harvest's costs to be lower than they should be?

An ERP system would have standard cost reports for each product manufactured by Good Harvest. Has C&BP requested standard cost reports for comparison and contrast with alleged actual cost data?

4. Domestic sales (Section 4.4)

Good Harvest claims that the only directly comparable domestic sales with the exported goods are glyphosate IPA salts. Good Harvest did not have any matching pack sizes for comparison with 1,000 litre export pack sizes. Sales of IPA and Formulated glyphosate are not comparable without a specification adjustment. How did Customs' determine the adjustment to be reasonable?

5. Export sales to Australia

All sales to Australia are to distributors. Commissions are paid on all export sales – except those to Australia. Why has C&BP not tested this claim? This anomaly should have been further investigated. Export sales to Australia would be no different to other export destinations.

Reference is made to handling expenses. In the adjustments area of the report (Section 10) it is stated that a downward adjustment to normal value is made for inland freight and handling expenses. Given the large 1000 and 1250 litre containers are for export, there should be an upward adjustment for handling expenses associated with the large containers? Refer P.26 where the largest domestic sale size pack is 30kg.

6. Domestic sales (Section 7)

It is claimed that all domestic sales are to distributors and end users. A reference is made to some advertising and promotion expenses as being "not significant". Did Customs verify the advertising and promotion expense account in the general ledger?

The report indicates that all of Good Harvest's domestic sales of glyphosate IPA salt were at a loss. The "General Comments" made by Good Harvest do not answer why the 2011 selling prices for glyphosate were at a loss. The comments do not sufficiently explain why Good Harvest's sales are at a loss – the reasons evident in the publication "Herbicides China News" are not mentioned (refer February 2012 newsletter). There is no reference to the industry operating at reduced production rates – Customs has made no mention of Good Harvest's operating rate.

More importantly, the finding that all domestic sales are at a loss is completely at odds with Good Harvest's response at Section D-3 of the exporter questionnaire. In the exporter questionnaire Good Harvest states that domestic prices are influenced by the cost of raw materials and negotiated for each sale. It is simply not credible that a company that is focused on production costs when negotiating sales would sell all products at the substantial losses identified in the visit report.