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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 Copy

Dear Ms Reid

Re: Formulated Glyphosate exported from P R China – Shandong Weifang Rainbow Chemical Co., Ltd ("Rainbow") Exporter Visit Report

Reference is made to the Shandong Weifang Rainbow Chemical Co., Ltd ("Rainbow") Exporter Visit Report concerning formulated glyphosate exported from P R China ("China").

The applicant companies – Accensi Pty Ltd ("Accensi") and Nufarm Limited ("Nufarm") have reviewed the visit report. This submission addresses concerns with the determination of normal value and dumping margin assessed by Customs and Border Protection.

1. Rainbow's Accounting System

It is stated that Rainbow accounts for costs according to production process and that there are three cost processes involved in formulated glyphosate manufacture. However, at Section 6 of the Rainbow Visit Report, the verification of Rainbow's financial data does not reflect a verification of the three production process flows. Rainbow detailed at Section 3.3.1 the production process for formulated glyphosate, describing it as "a fairly straight forward process". It was further stated that the initial stage of production is the manufacture of glyphosate technical. However, at Section 6 of the Rainbow Visit Report, the initial commencement of the review of Rainbow's costs did not commence with glyphosate technical verification.

2. Verification of costs

Rainbow provided Customs with "cost calculation sheets and supporting documents". The documents allegedly support the expenses identified as raw material costs and various transfers for semi-finished goods. Reference is made to certain allocations. The basis of the allocation is not clear – for example, for auxiliary materials and production overheads, a statement that the costs "were appropriately allocated" was made. What is the basis for the allocation? How can it be proven that the allocation is reasonable and relates only to the goods under consideration?

It would be expected that production process costs as per Rainbow's accounting records should have been verified by Customs. This does not appear to have been the case. What is apparent is that Customs verified production costs for formulated glyphosate initially, and then verified the cost of glyphosate technical. This methodology does not follow the three accounting process flows referred to by Rainbow at Section 3.3.1 of the Report and does not provide any confidence that Rainbow's full

absorbed cost-to-make-and-sell formulated glyphosate via each production stage have been adequately verified by Customs.

3. Costs of formulated glyphosate exported to Australia

Customs has determined normal values for Rainbow on the basis of a constructed cost methodology. Rainbow does not sell domestically the same goods exported to Australia. Customs appears to have accepted Rainbow's cost spreadsheets prepared for each model (domestic and export sales) without testing the costs provided for each model/grade of formulated glyphosate.

For example, for 450 g/L formulated glyphosate exported to Australia, different surfactants, strength of surfactants, etc are used in the production of the goods. It is not apparent from Section 6 of the Report how Customs verified whether the costs verified were different (i.e. proportionally dissimilar) for 450 g/L formulated glyphosate to 360 g/L product. It appears that the costs provided by Rainbow have been accepted at face value without any forensic analysis as to the validation of the costs incurred.

The Geronol surfactant referred to in paragraph 6.4.1 appears to be a lower grade non tallow amine surfactant. A copy of a publication entitled "Glyphosate Adjuvants" obtained from the suppliers website has been attached (Non-Confidential Attachment 1). The publication sets out the various forms of Geronol and explains how they are used in Glyphosate formulation. The applicants understand that the formulation of products above the 360 grams per litre is not possible with all forms of Geronol (see publication). This publication provides information that might assist Customs understanding of the CTMS. The applicants nevertheless question whether Geronol is in fact used in the manufacture of products exported to Australia. The applicants believe that Australian customers would expect the exported goods to contain a tallow amine surfactant like Terwet.

4. Selling & General Administration expenses

Section 6.4.4 of the Report discusses the verification of selling, financial and non-operating expenses, and S,G&A expenses in the CTM&S.

Customs has indicated that the financial and non-operating expenses required further consideration. The applicants question how normal values and dumping margins for Rainbow can be determined when questions arise as to the validity of the identified expenses.

The S,G&A expenses have been allocated on a percentage basis. It is usual practice for S,G&A expenses to be allocated on the basis of sales revenue. Why did Customs not require Rainbow to allocate on this basis? There can be no confidence that a percentage basis is reasonable.

5. Domestic sales

It is noted that Rainbow is an export oriented company. Rainbow does sell some volumes of 360 g/L formulated glyphosate domestically to a distributor. Rainbow also made some domestic sales of 62% glyphosate during the POI. AS Rainbow exported 450 g/L formulated glyphosate to Australia during the POI it argued that its domestic sales were not the same as export sales to Australia.

Customs tested the volume of domestic sales compared with export sales and assessed that there was an insufficient volume of domestic sales for normal value purposes.

Customs therefore proposed to determine Rainbow's normal values under s.269TAC(2)(c).

The applicant's make the following observations regarding Customs' approach to domestic sales:

- a) The applicant's remarks (pre-exporter visit meeting) regarding the liquid ammonia salt formulations were not directed at the issue of like goods. The remarks were provided to alert