



17 September 2018

Ms Jasna Hallilovic
Director
Investigations 2
Anti-Dumping Commission
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55 Collins Street
Melbourne Victoria 3000

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Public File

Dear Ms Hallilovic

Investigation No. 473 – Ammonium nitrate exported from P R China, Sweden and Thailand – Material Injury sustained by CSBP Limited from dumped imports

I. Executive Summary

CSBP Limited (“CSBP”) is a co-applicant Australian ammonium nitrate (“AN”) manufacturer seeking the imposition of anti-dumping measures on exports from the People’s Republic of China (“China”), Sweden and Thailand.

The Anti-Dumping Commission (“the Commission”) recently conducted a verification visit with CSBP. At the meeting, CSBP undertook to provide the Commission with further information concerning instances of injury experienced that can be attributed to dumped imports.

CSBP has identified and quantified the impact of recent negotiations with significant key customers for the supply of AN reflecting alternative supply opportunities that are influenced by import parity prices (influenced by exports from China, Sweden and Thailand). The lost profit experienced by CSBP when examined on a per annum basis is material to CSBP’s profit achieved in the nominated investigation period.

II. Market intelligence

CSBP’s AN commercial team meets regularly

[commercially-sensitive commentary relating to the supply and demand dynamics of AN in the local market].

The information sources include customer negotiations, understanding of customer current and projected volumes, import statistics, and identification of competitive supply (both from within Australia and from imports). The discussions enable CSBP to be positioned to provide competitive quotes for supply.

Of note, the current import pricing (ex China, Sweden and Thailand), whether through import statistics or through feedback from customer negotiations or discussions, forms a key consideration in the setting of pricing as this is typically raised by the customer as its next best alternative.

III. Customer A

CSBP is a supplier of AN to [Customer A]. CSBP has a current contract price (applicable during the 2017/18 investigation period) with [Customer A] for the supply of AN on a \$xxx per tonne ex-works basis.

[Basis for contract price and timing for supply. Details re termination of contract and information re additional volumes to be supplied].

CSBP's position as the only local supplier in South Western W.A. means that the only realistic most likely alternative to CSBP sourced AN for [Customer A] is from imports. The competitive alternative to sourcing from CSBP is via imports – with the recent sources of supply being China, Sweden and Thailand. CSBP was aware of pricing trends from imports and provided an offer to [Customer A] in [period] for supply at approximately A\$xxx per tonne. This offer was formulated with consideration of the alternate options available to [Customer A]– including import supply from the identified countries, particularly [Customer specific considerations] and Thailand (as these imports have mainly come into WA). [Customer response].

The offer made to [Customer A] was based upon CSBP's analysis of recent import volumes as follows:

[Table 1 - Customer specific considerations]

Table 2 – Imports into W.A. (> 200 tonnes) in 12 months ending December 2017

Month	Product	Country	Destination	Tonnes	CFR\$/t
Feb 17	Ammonium nitrate	Thailand	Fremantle	4120	\$441
May 17	Ammonium nitrate	Russia	Fremantle	1775	\$572
Jul 17	Ammonium nitrate	China	Fremantle	4461	\$454
Aug 17	Ammonium nitrate	Thailand	Fremantle	200	\$472
Sep 17	Ammonium nitrate	Thailand	Fremantle	800	\$468
Oct 17	Ammonium nitrate	Thailand	Fremantle	640	\$474
Nov 17	Ammonium nitrate	Thailand	Fremantle	960	\$501
Dec 17	Ammonium nitrate	Thailand	Fremantle	4900	\$476

Source: ABS Import data.

CSBP developed its pricing offer for [Customer A] (following internal discussions and analysis of Customer A's alternatives for supply) and considered the following:

[Commercially sensitive customer negotiation information involving Customer A]

- Average CFR pricing into W.A. (excluding name of importer and source) for the 12 months ending December 2017 was \$473 per tonne;
- Ninety per cent of product imported into W.A. was from China and Thailand;
- The additional costs of importing are estimated at \$xx per tonne (made up of approximately \$xx per tonne unloading costs and \$xx per tonne for storage).

CSBP used this market intelligence to estimate that Customer A's import parity price ("IPP") for AN would be approximately \$xxx per tonne ex-storage (based upon recent imports), consisting of \$xxx per tonne CFR plus \$xx per tonne unloading and storage.

As a result, CSBP considered IPP in offering Customer A contract price of \$xxx per tonne based upon IPP to retain the business.

[Commercially sensitive commentary concerning current supply and future supply].

The price reduction of \$xxx per tonne will impact CSBP by \$xxx million per annum (on the assumption that all volumes at Customer A are maintained).

Even with this offer, *Customer A* was unwilling to [commercially sensitive details details re contract negotiations and outcomes].

Notes from sales meetings and telephone calls are included at Confidential Attachment 1.

IV. Customer B

Customer B details

During the investigation period, CSBP supplied approximately [volume] of AN prill to *Customer B* at location under a defined import parity supply arrangement. As detailed in the joint industry application of 29 March 2018, CSBP ended up having to price these volumes to *Customer B* under an import parity mechanism.

[Commercially-sensitive details of contract negotiations with *Customer B*]. The information relied upon for the new contract was ABS import data for the 12-18 month period to December 2017. During this period, imports into Australia averaged CFR\$480 per tonne, excluding [importer name and source]. CSBP understands that *Customer B* maintains relationships with [country] suppliers and imports the bulk of its requirements from there, although other import volumes into W.A., primarily from Thailand, were also considered.

During the negotiations, *Customer B* made it clear that it was comfortable importing AN

[Comments re purpose for importation and basis for IPP].

Customer B then offered CSBP with an option to match *Customer B*'s [alternative source of supply]. [Commercially sensitive details of pricing negotiations and prices offered].

The impact to CSBP was a lost sales revenue of \$xxx million per annum that flows directly to lost return.

Customer B

Further, as part of the same negotiations, CSBP and *Customer B* re-negotiated its existing supply terms, including that for explosives grade AN [commercially sensitive information concerning location, pricing and volumes].

This was determined by considering the IPP of approximately \$XXX per tonne. [Commercially sensitive information concerning pricing differentials based upon location].

Current offtake by *Customer B* for [location and volumes]. Post [date], the price reduction of \$xxx per tonne (for volumes above xxxxx tonnes) will reduce CSBP's profit by between \$xxx million and \$xxx million per annum (on the assumption that volumes for *Customer B* remain at current rates) compared to the investigation period.

V. Customer C

Negotiations with *Customer C* for the supply of AN commenced in October 2017. [Confidential details describing *Customer C* which, if disclosed, would identify the relevant party].

Customer C's commercial requirement; as such, it requested that CSBP price according to low priced import competition. CSBP provided an offer averaging approximately \$xxx per tonne (after considering CSBP's estimated IPP of \$xxx per tonne) against *Customer C*'s contract price of \$xxx per tonne, expiring [date].

Customer C elected to purchase approximately [volume] during the investigation period under its existing contract and assuming those volumes are maintained in the future and the new offer is accepted the reduced

price would equate to a loss of \$xxx per tonne for CSBP in future years, or approximately \$xxx million per annum.

VI. Materiality of injury

CSBP's exposure to import parity pricing [*description of impact from IPP until most recent negotiations*]. There have been some contracts – as indicated above for Customer A, Customer B, and Customer C - [*relative size of customers*] for CSBP, where contracts [*timing of contracts and negotiations*] during the investigation period.

The subsequent outcome of the negotiations that occurred during the investigation period were premised on import parity pricing evident during the investigation period.

In summary, the profit impact of matching imports on the above examples [*basis for alternative supply price*] is estimated at approximately \$xxx million per annum for CSBP. With pricing that has been agreed in contract form [*commercially sensitive customer negotiation information*]. Further reductions in profit is envisaged as additional contract negotiations prior to expiry arise.

CSBP has included below the forecast EBIT for the CSBP AN business relied upon for the re-investment decision on [*project*] capital expenditure, contrasted with updated price forecasts. Whilst it is recognised that not all EBIT reductions can be attributed to the influences of IPP, this remains a key factor on market pricing for CSBP's AN business. The declines in EBIT are driven by reduced prices in the market, which are materially influenced by reduced import parity pricing as demonstrated here.

It should also be noted that the supply to *Customer B* and to *Customer A* has minimal impact from [*influence of new market supply option in W.A. and impact on pricing*].

Figure 1 – EBIT forecasts

[*Commercially sensitive EBIT Forecast v actuals FY 13 to FY 22*]

The impact of the dumped pricing from China, Sweden and Thailand during the investigation period was the key influencing factor on CSBP reducing its pricing in contract renegotiations with Customer A, Customer B and Customer C during the 2017/18 investigation period. The subsequent injury experienced by CSBP is material to CSBP's profit during the investigation period and is anticipated to extend to further contract negotiations in the absence of anti-dumping measures on dumped exports from China, Sweden and Thailand.

If you have any questions concerning the attached response, please do not hesitate to contact me on (08) 9411 8593 or CSBP Limited's nominated representative Mr John O'Connor on (07) 3342 1921.

Yours faithfully



Gerard Chan
Commercial Manager – Ammonium Nitrate