



# Exporter Benchmarking Report

ADC Case: 478

## Verification & Case Details

<b>Initiation Date</b>	18/06/2018	<b>ADN:</b>	2018/101
<b>Case:</b>	Consumer Pineapple - Review of Measures - Thailand		
<b>Exporter</b>	Tipco Pineapple Company Limited		
<b>Review Period</b>	1/04/2017	<b>to</b>	31/03/2018

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 THE ANTI-DUMPING COMMISSION

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## **BACKGROUND**

### **This review**

On 18 June 2018, following an application by Prime Products Industry Co., Ltd (PPI), the Anti-Dumping Commissioner (the Commissioner) initiated a review of the anti-dumping measures applying to pineapple fruit – consumer (consumer pineapple or the goods) exported to Australia from the Kingdom of Thailand (Thailand), and furthermore extended the review to include all exporters of consumer pineapple from Thailand.

The review is examining whether the variable factors relevant to the taking of the anti-dumping measures should be varied.

Public notification of the initiation of the investigation was published on the Commission's website. The background relating to the initiation of this investigation is contained in Consideration Report 478.

Following the initiation, the Anti-Dumping Commission (the Commission) wrote to known exporters of consumer pineapple, inviting them to cooperate with the investigation. Tipco Pineapple Company Limited (TPL) cooperated with the investigation and completed the exporter questionnaire and relevant attachments.

Due to the number of exporters involved in this review, the Commission decided to not conduct an on-site verification of TPL's exports but rather benchmark TPL's data against verified exporters.

### **The goods**

The goods subject to the anti-dumping measures, in the form of a dumping duty notice are:

*Pineapple prepared or preserved in containers not exceeding one litre (consumer pineapple).*

The goods are currently classified to the tariff subheading 2008.20.00 (statistical codes 26 and 28) in Schedule 3 to the Customs Tariff Act 1995.

## COMPANY BACKGROUND

### Corporate Structure and Ownership

Tipco Pineapple Company Limited (TPL) was established in 2017 as a wholly owned subsidiary of Tipco Foods Public Company Limited (Tipco Foods). Tipco Foods has transferred the functions of manufacturing and exporting canned pineapple and other fruit products to TPL since October 2017. TPL's head office (co-located with Tipco Foods) is located in Bangkok. TPL's factory is located in Prachuab Kirikan Province.

### Related Parties

An examination of the Australian Border Force (ABF) imports database revealed that neither TPL nor Tipco Foods exported consumer pineapple to Australia during the review period.

### Related Customers

The verification team has reviewed TPL's sales listing against the full list of related Tipco entities and found that TPL made one sale to related entity Tipco F&B during the review period. The verification team has analysed the transaction and considers that the sale was not at arm's length, in the ordinary course of trade. Accordingly, this transaction has been set aside and TPL was found to not have any relevant domestic sales in the ordinary course of trade in the review period. Details of this analysis are contained in the verification work program, and its relevant attachments, at **Confidential Attachment 1**.

According to the Tipco website<sup>1</sup> Tipco F&B manufactures and distributes ready-to-drink beverage products. Tipco F&B's head office is co-located with TPL and Tipco Foods in Bangkok. Tipco F&B's factory is located in Ayutthaya Province.

A full listing of all the related Tipco companies is located at the Tipco website.

### Related Suppliers

Since this is a benchmarking exercise only, the verification team has not requested supplier data from TPL.

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<sup>1</sup> [http://tipco.listedcompany.com/general\\_information.html](http://tipco.listedcompany.com/general_information.html)

## THE GOODS AND LIKE GOODS

### Production Process

The verification team has relied on its knowledge of the production processes of verified exporters in making the determination that the production process does not differ between goods that are exported and goods for local consumption.

### The goods exported to Australia

TPL did not export consumer pineapple to Australia during the review period.

### Like goods sold on the domestic market

The verification team found that Tipco Foods sold like goods in arm's length transactions in the domestic market during the review period, prior to the establishment of TPL.

The verification team considers that the goods manufactured for domestic consumption are identical to, or have characteristics closely resembling, the goods that TPL may export to Australia in the future, as they:

- are not distinguished from the exported goods during production (the exported goods to third countries and goods sold on the domestic market are produced in the same way, subject to individual customer specifications, and the costs of production for models sold domestically and for export are the same);
- are produced at the same facilities, using the same raw material inputs and manufacturing processes;
- compete in the same market sector, are interchangeable and use similar distribution channels; and
- can be considered functionally alike, as they have similar end uses.

### Like goods – assessment

The verification team considers that the goods produced by Tipco Foods for domestic sale have characteristics closely resembling those of the goods that TPL may export to Australia in the future and are therefore 'like goods' in accordance with subsection 269T(1) of the *Customs Act 1901* (the Act).<sup>2</sup>

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<sup>2</sup> References to any section or subsection in this report relate to provisions of the Act, unless specifically stated otherwise.

## **UPWARDS VERIFICATION OF SALES**

### **Verification of Sales Completeness and Relevance**

As the verification team conducted this verification by benchmarking the company's data to verified exporters, the verification team reconciled the volume and values for all domestic and third country export sales listings of the goods under consideration with the data provided.

The sales listing provided in the REQ has been revised as the original sales listing included sales to traders at FAS terms of trade. The verification team requested a revised domestic sales listing that was subsequently received and includes sales intended for domestic consumption only.

The revised sales listing removed all sales to trading companies known to export to Australia and the remaining sales are to domestic retail chains within Thailand. The verification team is therefore satisfied that the domestic sales listing is a complete and accurate listing.

## **DOWNWARDS VERIFICATION OF SALES**

### **Verification of Sales Accuracy**

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing the volume, value and other key information fields within the sales data and cost data down to source documents. This verifies the accuracy of the data (e.g. for sales data, the volume and value of the records for selected transactions are accurate and reflect sales that did occur) The verification team verified accuracy of the domestic sales listing submitted in the REQ by reconciling these to source data provided by TPL and Tipco Foods in accordance with ADN. No 2016/30.

### **Sales Accuracy Finding**

The verification team is satisfied that the sales data provided in the exporter questionnaire response by TPL is accurate.

The verification team did not identify any issues during this process. Details of this verification process are contained in the verification work program, and its relevant attachments, at Confidential Attachment 1.

## **COST TO MAKE AND SELL**

### **Benchmarking of completeness and relevance and accuracy of CTMS data**

The verification team benchmarked the completeness and relevance the cost to make and sell (CTMS) information provided in the REQ by comparing it to verified CTMS data of other exporters during the review period.

In assessing recoverability, SG&A was reallocated on a model basis, based on the percentage of total revenue of each model during the period. This reallocation was incorporated into the benchmark of cost to sell (CTS) data.

### **Benchmarking finding**

Based on the information available, the verification team is satisfied that the CTMS data is a fair and accurate reflection of the cost to make and sell expenses incurred.



## **Export Price**

### **Australian sales of like goods**

TPL had no export sales of the goods to Australia during the review period.

Therefore the verification team is satisfied that an export price cannot be ascertained under subsection 269TAB(1) for the purposes of this review.

Specifically, there is insufficient information to determine the export price of the goods using:

- the price paid or payable by the importer;<sup>3</sup>
- the price in Australia less prescribed deductions (deductive export price);<sup>4</sup> or
- the price having regard to all the circumstances of the exportation.<sup>5</sup>

### **Determination of export price**

The verification team has determined the export price under subsection 269TAB(3), having regard to all relevant information.<sup>6</sup>

The verification team considers it appropriate to determine the ascertained export price to be the same amount as that determined to be the normal value.

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<sup>3</sup> Subsection 269TAB(1)(a)

<sup>4</sup> Subsection 269TAB(1)(b)

<sup>5</sup> Subsection 269TAB(1)(c)

<sup>6</sup> Subsection 269TAB(3)

## **DOMESTIC SALES SUITABILITY**

The verification team has assessed the domestic sales to determine if the prices paid in respect of domestic sales of like goods are suitable for assessing normal value under subsection 269TAC(1).

As mentioned in Chapter 3 of the report, TPL's single domestic sale of the goods in the review period was determined to not be an arm's length transaction sold in the ordinary course of trade.

### **Domestic sales – other sellers of the goods**

The verification team assessed whether like goods were sold by other sellers of the goods, in the ordinary course of trade, in sufficient quantity and suitable for model matching purposes.

In respect of domestic sales of the goods made by Tipco Foods to its customers during the review period, the verification team found no evidence that:

- there was any consideration payable for, or in respect of, the goods other than its price; or
- the price was 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, was not directly or indirectly reimbursed, compensated or otherwise received a benefit for, or in respect of, the whole or any part of the price.

The verification team therefore considers that domestic sales made by Tipco Foods to domestic customers during the period were arm's length transactions.

### **Ordinary course of trade**

Section 269TAAD provides that if like goods are sold in the country of export at a price less than the cost of such goods, and are unrecoverable within a reasonable period, then they are taken not to have been sold in the ordinary course of trade (OCOT).

The verification team compared the revenue (i.e. net sales value) for each domestic sale of like goods to the corresponding quarterly domestic CTMS to test whether those sales were profitable.

Where the volume of unprofitable sales exceeded 20 per cent for a particular model, the verification team tested the recoverability of the unprofitable sales by comparing the revenue for each transaction to the corresponding weighted average CTMS over the review period. Those sales found to be unrecoverable were considered not to be in the ordinary course of trade.

All Tipco Foods' domestic sales of goods in the review period were found to be in the ordinary course of trade.

## NORMAL VALUE

The verification found that Tipco Foods made domestic sales of various models of like goods, which were similar to the goods that TPL exports to third countries and therefore goods that TPL may export to Australia in the future.

The verification team further identified the models that were arm's length transactions and at prices that were within the OCOT. The verification team is therefore satisfied, that the prices paid in respect of domestic sales of these models of the goods, are suitable for assessing normal value under subsection 269TAC(1).

In using domestic sales as a basis for normal value, the verification team considers that certain adjustments, in accordance with subsection 269TAC(8), are necessary to ensure fair comparison of normal values with export prices for the goods that TPL may export to Australia in the future.

Neither TPL nor Tipco Foods made Australian sales during the review period. The verification team has therefore applied adjustments being the weighted average export selling expenses of the verified exporters of the goods during the review period.

The verification team's preliminary normal value calculations are at **Confidential Appendix 4**.

## PUBLIC RECORD

### ADJUSTMENTS

To ensure the normal value is comparable to the export price of goods exported to Australia at free-on-board (FOB) terms, the verification team has to consider adjustments in accordance with subsection 269TAC(8). As TPL did not sell to Australia, and consequently did not claim export adjustments, the verification team applied the following adjustments, based on export data from verified exporters. The verification team noted that Tipco Foods' domestic sales were made at Ex-works basis. Therefore an adjustment for domestic inland transport was not necessary.

**PUBLIC RECORD**

**Rationale and Methodology**

<b>Adjustment Type</b>	<b>Rationale for Adjustment</b>	<b>Calculation Methodology</b>	<b>Claimed in REQ?</b>
Domestic packaging	To adjust for different packing requirements for domestic and export sales.	Stated packing costs for Tipco Foods' domestic sales.	N/A
Domestic credit terms	To adjust for domestic credit in order to arrive at a normal value at cash basis	Weighted average days of credit extended to domestic customers multiplied by the short term bank borrowing rate.	NA
Export packaging	To adjust for different packing requirements for domestic and export sales.	Weighted average packing costs incurred by verified exporters in relation to export sales.	N/A
Export inland transport	To adjust for transport costs necessary to determine an export price at FOB	Weighted average inland transport costs incurred by verified exporters in relation to export sales.	N/A
Export handling	To adjust for handling costs and port charges necessary to determine an export price at FOB	Weighted average handling costs incurred by verified exporters in relation to export sales.	N/A
Export commission	Data from verified exporter suggests that commissions to sales agents are common in the pineapple trade.	Weighted average commissions paid by verified exporters in relation to export sales.	N/A

**PUBLIC RECORD**

**Adjustments**

<b>Adjustment Type</b>	<b>Deduction/addition</b>
Domestic packaging	<b>Deduct</b> the cost of domestic packaging
Domestic credit	<b>Deduct</b> the cost of domestic credit
Export packaging	<b>Add</b> the weighted average cost of export packaging
Export inland transport	<b>Add</b> the weighted average cost of export inland transport
Export handling	<b>Add</b> the weighted average cost of export handling
Export commission	<b>Add</b> the weighted average cost of export commission

The verification team's preliminary adjustment calculations are included in normal value calculations at **Confidential Appendix 4**.

## PUBLIC RECORD

### PROPOSED MEASURES

It is proposed that the dumping duty notice in respect of TPL's exports of the goods to Australia from Thailand have effect as if different variable factors had been ascertained.

It is proposed that interim dumping duties (IDD) payable on the goods the subject of the dumping duty notice, in respect of TPL, will be an amount calculated in accordance with the floor price duty method pursuant to subsection 5(4) of the *Customs Tariff (Anti-Dumping) Regulation 2013*.

**APPENDICES AND ATTACHMENTS**

<b>Confidential Appendix 1</b>	Export price
<b>Confidential Appendix 2</b>	Cost to make and sell
<b>Confidential Appendix 3</b>	Domestic sales, OCOT and profitability
<b>Confidential Appendix 4</b>	Normal Value
<b>Confidential Appendix 5</b>	Dumping Margin – Not applicable
<b>Confidential Attachment 1</b>	Verification work program