



## Australian Industry Verification Report

### Verification & Case Details

<b>Initiation Date</b>	25 January 2021	<b>ADN:</b>	2021/004
<b>Case Number</b>	571 and 572		
<b>The goods under consideration</b>	Consumer pineapple		
<b>Case type</b>	Continuation inquiries		
<b>Australian Industry</b>	Golden Circle Limited		
<b>Verification from</b>	19 April 2021	<b>to</b>	21 April 2021
<b>Inquiry Period</b>	1 January 2020	<b>to</b>	31 December 2020

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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## **PREFACE**

This report details the findings, analysis, evidence relied upon and reasoning on key verification outcomes of data submitted to the Anti-Dumping Commission (Commission) by the verification team for publication on the public record.

It provides interested parties with information regarding all material aspects of the verification, including explanations of any material issues identified during the verification. It outlines the nature, extent and consequences of any changes made to the data submitted, including data corrections made by the company or by the verification team.

Verification teams are authorised to conduct verifications under sections 269SMG and 269SMR of the *Customs Act 1901* (the Act).<sup>1</sup>

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<sup>1</sup> Reference to any sections in this report relate to provisions of the *Customs Act 1901*, unless specifically stated otherwise.

## **1 COMPANY BACKGROUND**

### **1.1 Corporate structure and ownership**

Golden Circle Limited (Golden Circle) is an Australian manufacturer and importer of consumer pineapple. Golden Circle is owned by H.J Heinz Australia which is part of a group structure ultimately owned by an American company, Kraft Heinz Company (KHC).

Golden Circle does not have any subsidiaries. Kraft Heinz was formed from a merger between Kraft Foods and Heinz in 2018 and manufactures a range of canned vegetable and fruit products such as preserved pineapple, mangoes, purees, infant goods, gravy, sauces and canned meat.

### **1.2 Related parties**

The verification team examined the relationships between related parties involved in the manufacture and sale of the goods. The verification team is satisfied that in relation to consumer pineapple Golden Circle has no related suppliers or related customers.

## **2 THE AUSTRALIAN INDUSTRY MANUFACTURING LIKE GOODS**

### **2.1 Manufacturing in Australia**

Golden Circle manufactures consumer pineapple products at its Northgate production facility located in Queensland, Australia. The verification team visited Golden Circle at its corporate headquarters, where Golden Circle presented a video recording and description of the production process for consumer pineapple. This is summarised below:

- Pineapple fruit is delivered from Australian pineapple growers to Golden Circle, organised for processing into cut pineapple (slices, pieces, thins, crushed or juice) and assessed for suitability for processing as canned pineapple.
- Suitable pineapple fruit is moved onto conveyor belts and then into machinery for skin removal.
- The pineapple fruit is grouped into a long cylinder (slug) and processed again to remove any remaining pineapple skin, before it is cut into slices and thins of pineapple. The fruit retains its core throughout the cutting process.
- Pineapple skin offcuts are removed for use as scrap.
- The quality of the pineapple slices is confirmed through an examination of the slices as they move out of the machine. Slices that do not meet the required standard are removed.
- Pineapple fruit that is unsuitable for canning is used for further processing as crushed or juiced pineapple products.
- Consumer pineapple is packed into an automated pressurised can with a packing medium (liquid) of natural juice, light syrup or heavy syrup. The pineapple core is removed prior to sealing the can. The pineapple core is used for further processing into dehydrated pineapple cores.
- After canning, the tins of pineapple are placed into a pressure cooker and left to cool prior to packaging the tins with Golden Circle branding according to cut, net weight, packing medium and place of production.
- The finished goods are placed into pallets and wrapped with plastic film to be stored in the production facility prior to warehousing.

Based on information gathered at the verification visit and information obtained from previous reviews and inquiries in relation to the subject goods, the verification team is satisfied that Golden Circle is the sole Australian producer of consumer pineapple.

### **2.2 Verification of model control codes**

Table 1 below provides detail on how the model control code (MCC) sub-categories were determined and verified to source documents.

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<b>Category</b>	<b>Determination of the sub-category</b>
Cut	Based on the product description stated on commercial invoices and financial data verified during the visit.
Net weight	Based on the product description stated on commercial invoices and financial data verified during the visit.
Packaging	Based on the product description stated on commercial invoices and financial data verified during the visit.
Packing medium	Based on the product description stated on commercial invoices and financial data verified during the visit.

**Table 1 MCC sub-category determination**

Golden Circle manufactured and sold goods with the following MCCs during the investigation period:

<b>Australian Sales</b>
CR-TC-0.44-U
CR-TC-0.45-S
CR-TC-0.85-S
PC-TC-0.225-S
PC-TC-0.44-U
PC-TC-0.45-S
PC-TC-0.825-U
PC-TC-0.85-S
SL-TC-0.225-U
SL-TC-0.44-U
SL-TC-0.45-S
SL-TC-0.825-U
SL-TC-0.85-S
TH-TC-0.44-U
TH-TC-0.45-S
TH-TC-0.825-U

**Table 2 – List of MCCs**

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As indicated in the table above Golden Circle manufactures and sells a range of preserved pineapple products in containers (tin cans) smaller than one litre, of the following specifications:

- Pineapple cuts of slices, thins, pieces and crushed;
- Can sizes of 225g, 440g, 450g, 825g, 850g; and
- Packing media of syrup, unsweetened juice.

In addition Golden Circle also imports and sells tropical pieces and tropical slices in juice in the can size of 425g. Golden Circle markets imported pineapple as 'tropical pineapple' and Australian self-manufactured goods as 'Australian pineapple'. The self-manufactured goods retail at a higher price point compared to the imported goods.

### 2.3 Like goods

Like goods are defined under section 269T(1) of the Act as:

goods that are identical in all respects to the goods under consideration or that, although not alike in all respects to the goods under consideration, have characteristics closely resembling those of the goods under consideration.

#### 2.3.1 Like goods - assessment

The verification team considers that consumer pineapple manufactured by Golden Circle are identical to, or have characteristics closely resembling, the goods exported to Australia, based on the below assessment.

- **Physical likeness** - The primary characteristics of the goods and locally produce goods are the same. Both the imported and locally produced goods are made of raw pineapple fruit cut into slices, pieces and thins in containers less than 1kg. The net weight of the canned pineapple is 225g, 440g, 450g, 825g or 850g. The canned pineapple contains packing medium of unsweetened juice or syrup in the container.
- **Production likeness** – The goods are produced using the same or similar raw material inputs. The goods are produced using similar equipment and similar manufacturing processes.
- **Commercial likeness** – The goods are sold in the same consumer pineapple market, at supermarkets and via distributors. The verification team noted that some consumers are prepared to pay a premium for Australian manufactured goods and the market is commercially segmented on price.
- **Functional likeness** – The goods can be considered functionally alike, as they have similar or identical end uses.

## **2.4 Preliminary like goods assessment**

The verification team is satisfied that:

- Consumer pineapple manufactured by Golden Circle are like goods to the subject goods;<sup>2</sup>
- at least one substantial process of manufacture of consumer pineapple is carried out in Australia;<sup>3</sup>
- the like goods were, therefore, wholly manufactured in Australia by Golden Circle<sup>4</sup> and
- there is an Australian industry, consisting of Golden Circle, which produces like goods in Australia.<sup>5</sup>

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<sup>2</sup> Section 269T(1).

<sup>3</sup> Section 269T(3).

<sup>4</sup> Section 269T(2).

<sup>5</sup> Section 269T(4).



## **3 AUSTRALIAN MARKET**

### **3.1 Background**

The key suppliers in the consumer pineapple market are Golden Circle, imports from subject countries, the Philippines and Thailand, and increasingly imports from countries not subject to the measures.

Golden Circle is the sole Australian processor of consumer pineapple. Golden Circle sell both self-manufactured and imported consumer pineapple. The imported consumer pineapple is branded as Golden Circle 'Tropical' pineapple.

The Australian industry for consumer pineapple mainly services supermarkets and wholesale distributors who on-sell to smaller retail outlets. Golden Circle estimates that the four main supermarket chains account for as much as 95 per cent of retail level consumer pineapple sales in Australia. The four main supermarket chains are Coles, Woolworths, Aldi and IGA. Golden Circle informed the Commission that Aldi does not sell Golden Circle pineapple products.

These key buyers typically negotiate price, volumes and incentives over a six month period with an expectation that those prices will be firm for 12 months.

### **3.2 Market structure**

Golden Circle supplies consumer pineapple to Australian supermarket retailers and wholesalers. Most consumer pineapple supplied by Golden Circle is self-manufactured at its cannery in Northgate, Brisbane.

The like goods are sold as Golden Circle Australian pineapple and attract a higher price. Since Golden Circle can't meet demand for its product due to lack of raw material pineapple, they also import some quantities of canned pineapple that is sold as Golden Circle 'Tropical' pineapple.

Golden Circle periodically reviews price lists for consumer pineapple in line with increases to cost of production, inflation and other economic factors.

#### **3.2.1 Marketing and distribution**

Consumer pineapple is sold in retail outlets all over the country. Golden Circle sells on a delivered basis and delivers the product to the retailer's distribution centres as agreed with retailers.

#### **3.2.2 Supply**

The main production input in the processing of consumer pineapple is raw pineapple supplied by growers. The Australian industry stated that they place a great importance on their relationship with the growers and incentivise them to grow the type of pineapple suitable for canning. They also commit to buying certain quantities in order to secure supply as pineapple takes 18 months from planting to harvest of the fruit.

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Golden Circle stated that during the injury period they increasingly had to import consumer pineapple to be able to meet demand as they are not able to source sufficient quantities of fresh pineapple due to the recent drought impacting growers. Golden Circle further stated that they have programs in place to increase supply of fresh pineapple.

It is also important to note that once the pineapple is picked it has to be processed within three days, therefore there is no option to stockpile material when there is surplus supply. Golden Circle stated that they work closely with the growers to ensure staggered supply during the harvesting and processing season. Golden Circle also stated that they have recently invested in new cold storage facilities at their Northgate plant. The verification team verified this through the asset register.

### **3.2.3 Demand**

Golden Circle stated that demand for consumer pineapple is driven by the taste preferences, shopping habits and price sensitivity of the consumer. Golden Circle stated that some customers have loyalty to branded product such as Golden Circle and Dole, due to the slightly different flavour and texture. Golden Circle stated that the Australian consumer pineapple has a firmer texture and higher acidity which appeals to some customers.

### **3.3 Pricing**

The retail prices in relation to consumer pineapple are determined by the retailers.

Golden Circle stated that the various brands sometimes run promotions through the large retailers. In these instances the cost of running the promotion is shared by the retailer and the brand. Golden Circle stated that promotions result in higher sales volumes at a discounted price.

Golden Circle stated that some consumers of canned pineapple are willing to pay a premium for Australian produced goods. Golden Circle advised that consumer pineapple produced in Australia is the highest priced product in supermarkets. Imported brands such as Dole are priced at a lower point, while private label brands are sold at the lowest price point.

Golden Circle set its prices based on the cost of production plus a profit margin. The prices are subject to negotiations with the retailers. Golden Circle review their prices and initiate price increases based on changes in production costs and inflation rate.

Golden Circle enters price negotiations with its customers to determine the selling price for continuing supply agreements. A key part of this process is to discuss factors affecting changes in the price of pineapple. To illustrate the process Golden Circle provided evidence of a price increase template relating to its negotiations with a major retailer.

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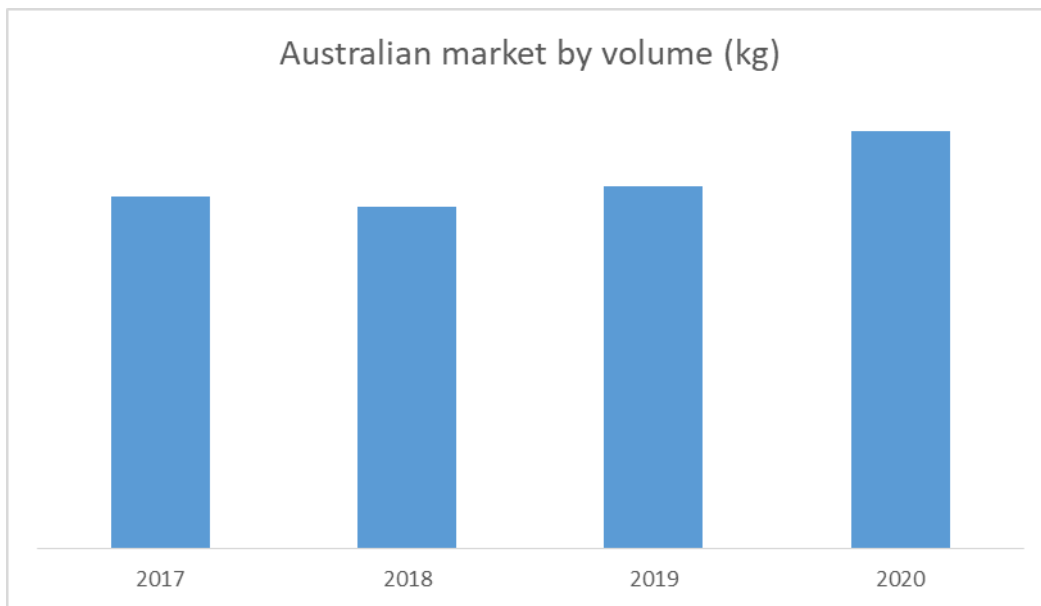
In its application for the continuation of measures Golden Circle provided examples of price negotiations with retailers where Golden Circle had not achieved the price increases requested.

The verification team queried whether requested price increases are denied due to references to competition from dumped goods. Golden Circle stated that was not the case since the market is not homogenous and segments of the customer base are prepared to pay premium price for the Golden Circle brand and Australian made goods.

### 3.4 Market size

In its application, Golden Circle estimated the size of the Australian market using its own sales data, Australian Bureau of Statistics import data and data obtained from International Trade Centre (ITC)<sup>6</sup>.

The Commission has subsequently calculated the size of the market for consumer pineapple based on the verified sales data of Golden Circle and export data obtained from the Australian Border Force import database:



**Figure 1: Australian market by volume**

Figure 1 shows that the size of the market since 2016 remained steady with an increase in calendar year 2020. The Commission was informed by Golden Circle that demand for consumer pineapple increased in 2020 as a result of the COVID-19 pandemic.

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<sup>6</sup> Refer to [www.intracen.org/itc/market-info-tools/trade-statistics/](http://www.intracen.org/itc/market-info-tools/trade-statistics/)

## 4 VERIFICATION OF SALES COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted 'upwards' through management accounts up to audited financial accounts. The total sales value and quantity is reconciled to management reports with particular attention given to ensuring that all relevant transactions are included and irrelevant transactions are excluded. The total value from the management reports is then reconciled to the total revenue figure reported in the audited income statement.

The verification team verified the completeness and relevance of the Australian sales listings by reconciling these to audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of the sales data as follows:

- The verification team reconciled the total sales of Golden Circle as per the income statement to all sales in the 2020 calendar year as per Golden Circle's financial system.
- The verification team reconciled Golden Circle's total revenue relating to canned pineapple (consumer and FSI) to the A4 sales listings received in the application. The verification team requested Golden Circle generate a report on the system to show all pineapple sales in the 2020 calendar year.
- As Golden Circle tracks sales of consumer pineapple and FSI pineapple through the same cost centre, the verification team verified the split of consumer and FSI pineapple against sales by distribution channel.

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**.

### 4.1 Import sales by applicant

Golden Circle imported consumer pineapple during the inquiry period which is denoted as 'co-packed' goods in the Golden Circle financial systems. The various co-packed goods are sold as 'Tropical' pineapple and are allocated separate stock keeping unit (SKU) codes in the system. The sales and accounting system thereby clearly separates and tracks the self-manufactured and the imported goods.

The verification team verified the total purchases of co-packed consumer pineapple as part of the upwards sales verification.

### 4.2 Export sales by applicant

Golden Circle exported some smaller quantities of consumer pine during the inquiry period. The exports make up less than 1 per cent of Golden Circle's sales of canned

## **PUBLIC RECORD**

pineapple. This was verified against high-level financial data extracted by the company during the verification visit.

### **4.3 Sales completeness and relevance finding**

The verification team is satisfied that the sales data provided in the application by Golden Circle is complete and relevant.

## 5 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 down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the Australian sales listings submitted in the application by reconciling these to source documents in accordance with ADN No. 2016/30.

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**.

### 5.1 Related party customers

The verification team found that Golden Circle made no sales of consumer pineapple to related party customers on the Australian market.

### 5.2 Sales accuracy finding

The verification team is satisfied that the sales data provided in the application by Golden Circle is accurate. Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

Accordingly, the verification team considers Golden Circle's sales data suitable for analysing the economic performance of its consumer pineapple operations from 1 January 2020 to 31 December 2020.

## 6 VERIFICATION OF CTMS COMPLETENESS AND RELEVANCE

Verification of relevance and completeness is conducted by reconciling selected data submitted 'upwards' through management accounts up to audited financial accounts. The total cost to make data is reconciled to the cost of production in the management reports with particular attention given to ensuring that all relevant costs are included and irrelevant costs have been excluded. The cost of production data is then reconciled, through relevant account ledgers, to the cost of goods sold figure reported in the audited income statement. Additionally, selling, general and administration (SG&A) expenses are reconciled to income statements, with particular attention given to specific expenses that were excluded or should be excluded.

The verification team verified the completeness and relevance of the cost to make and sell (CTMS) information provided in the application by reconciling it to audited financial statements in accordance with ADN No. 2016/30.

The verification team verified the relevance and completeness of the cost data as follows:

- The total cost of goods sold was verified upwards to the income statement;
- The total cost to make was verified against Golden Circle's financial systems.
- The verification team verified the cost of raw pineapple purchases during the period;
- The verification team noted that Golden Circle applies standard costing. The verification team verified the cost data in the application against standard cost reports and variances.

The verification team verified the relevance and completeness of the SG&A data as follows:

- The verification team verified the SGA listing to the expenses of the Golden Circle income statement;
- The verification team reviewed the expenses and ensured that no expenses relating to other products had been included.

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**.

### 6.1 CTMS completeness and relevance finding

The verification team is satisfied that the CTMS data provided in the application by Golden Circle is complete and relevant.

## **7 VERIFICATION OF CTMS ACCURACY**

### **7.1 Cost allocation method**

The verification team verified the reasonableness of the method used to allocate the cost information, in accordance with ADN No. 2016/30.

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**.

Table 3 below outlines the allocation method applied to each cost item.

<b>Cost item</b>	<b>Method applied</b>
Raw Materials	Pineapple raw material costs are allocated to the subject goods based on net realisable value, since raw pineapple is used to manufacture the subject goods as well as pineapple juice at the same facility. These costs are allocated at standard costs and variances are posted to the profit and loss (P&L) statement
Scrap Allocation	There is no cost allocation or offset to scrap
Manufacturing Overheads	Allocated to each SKU by standard cost
Labour	Allocated to each SKU by standard cost
Depreciation	Allocated to each SKU by standard cost
Variances	Variances are tracked at factory level for each cost component and posted monthly to P&L statement
SG&A	Allocated on actual basis by general ledger, cost centre code and company code; then split between consumer pineapple, FSI pineapple and other Golden Circle products on a volume basis.

**Table 3 Cost calculation method**

### **7.2 Verification of accuracy of CTMS data**

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 cost data down to source documents. This verifies the accuracy of the data.

The verification team verified the accuracy of the CTMS information by reconciling it to source documents in accordance with ADN No. 2016/30.

Specifically:

- The verification team verified the accuracy of selected cost components to source data (specifically, the cost and quantities of raw pineapple down to contracts and purchase orders with growers and selected invoices);



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- The verification team verified the accuracy of energy costs to source data;
- The verification team verified the depreciation costs against the asset register, as well as the relevant allocation to the Northgate facility and production of canned pineapple;
- The verification team verified the cost of labour hire in relation to the production of canned pineapple down to source data;
- The verification team verified selected monthly variances to the accounting system; and
- The verification team verified selected SG&A data relating to freight costs to source data.

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**.

### **7.3 CTMS verification finding**

The verification team is satisfied that the CTMS data provided in the application by Golden Circle is complete, relevant and accurate.

Accordingly, the verification team considers Golden Circle's CTMS data is suitable for analysing the economic performance of its consumer pineapple operations from 1 January 2020 to 31 December 2020.

## 8 ECONOMIC CONDITION

### 8.1 Background

Dumping measures were first applied to consumer pineapple exported to Australia from Thailand and the Philippines since 2001 and 2006 respectively. Over the years the measures have been varied multiple times following the outcomes of continuation inquiries, reviews of measures and accelerated reviews in relation to new exporters.

An assessment as to whether the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of the material injury that the anti-dumping measure is intended to prevent involves a consideration of future outcomes based on an evaluation of the present position. To assist with that assessment, this chapter considers the economic condition of the Australian industry from 1 January 2017.

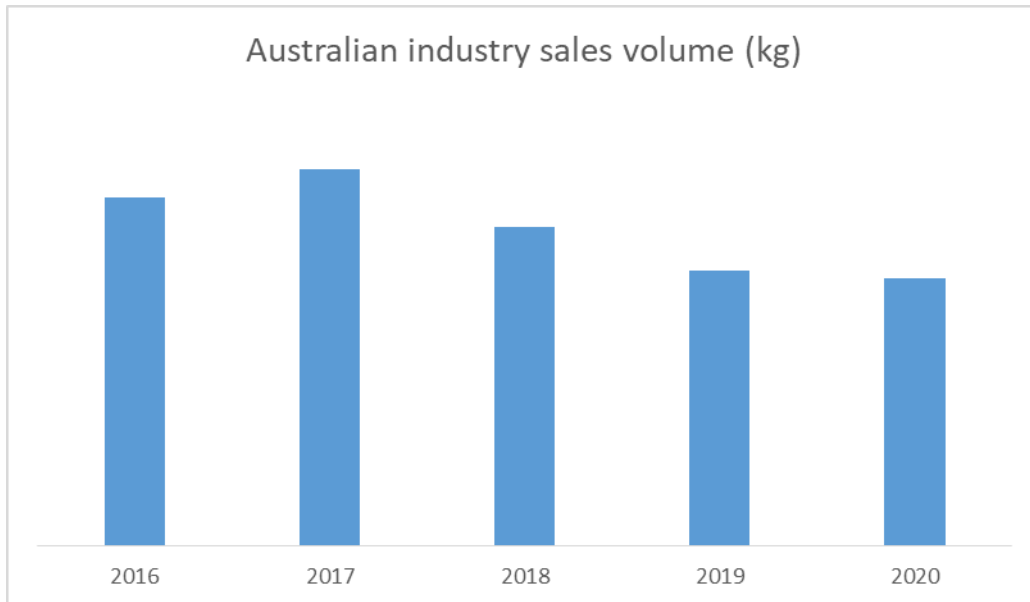
The analysis detailed in this chapter is based on verified financial information submitted by Golden Circle, and imports data from the Australian Border Force import database.

The figures presented have been compiled on an annual basis for years ending 31 December. This preliminary assessment is at **Confidential Appendix 1**.

## **8.2 Volume effects**

### **8.2.1 Sales volume**

The figure below charts the Australian industry's sales volume of its self-manufactured consumer pineapple.



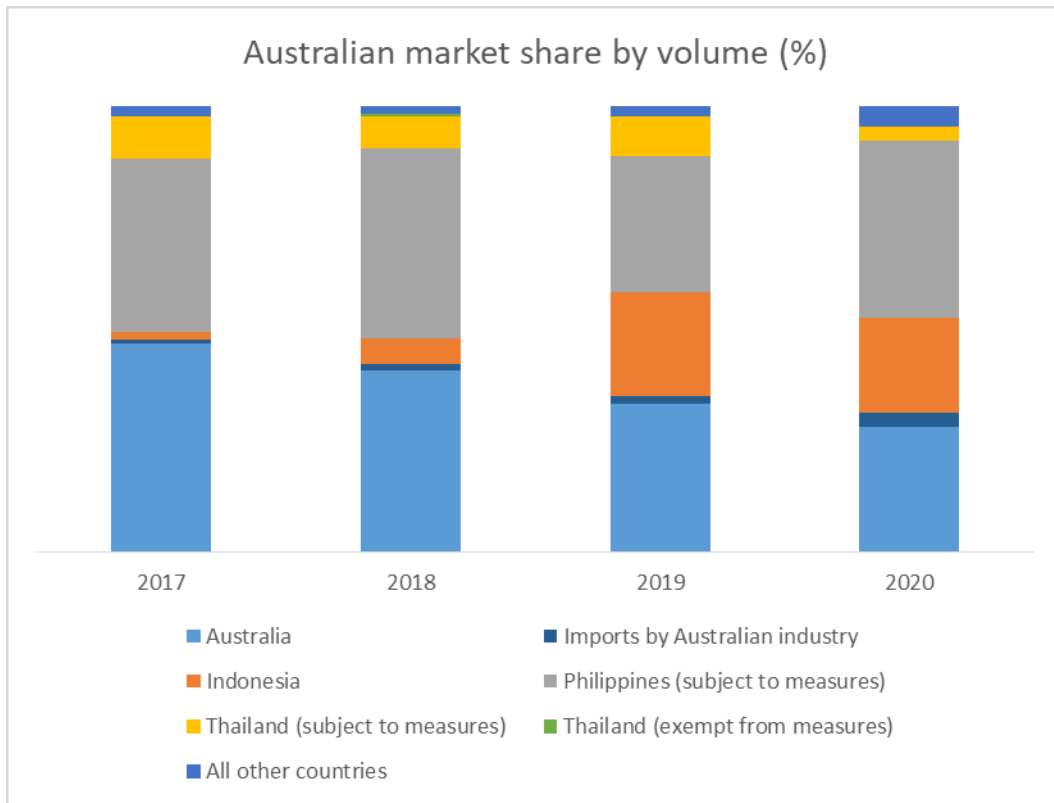
**Figure 2 - Sales volume**

Figure 2 indicates that the Australian industry's annual sales volumes declined steadily between 2017 and 2020.

### **8.2.2 Market share**

Figure 3 charts the proportion of the Australian market for consumer pineapple by:

- the Australian industry;
- exports from the Philippines and Thailand; and
- exports from countries not subject to measures.



**Figure 3: Market share**

The figure above indicates that:

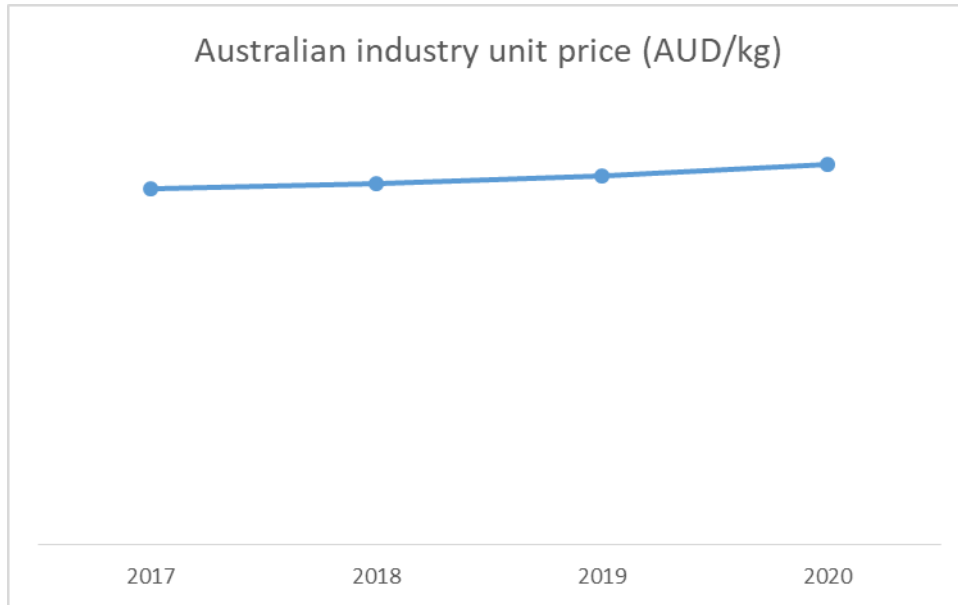
- The Australian market industry self-manufactured goods has accounted for a smaller total market share year-on-year between 2017 and 2020;
- Goods imported from the Philippines account for a comparable share of the market to goods produced by Australian industry, with goods from the Philippines accounting for a larger share of the market than Australian goods in 2018 and 2020;
- Goods from Thailand have been accounting for a decreasing share in the market compared to 2016;
- Goods from Indonesia (not subject to measures) accounted for a substantial proportion of the market share, particularly in 2019 and 2020.

The figure above separates exempt and non-exempt Thai exports but, noting that exempt Thai exports accounted for less than 1 percent of total Australian market volume in any given year, these exempt exports account for negligible volumes and are not visible in the graph.

### **8.3 Price effects**

Price depression occurs when a company, for some reason, lowers its prices. Price depression is indicated by lowered unit selling prices.

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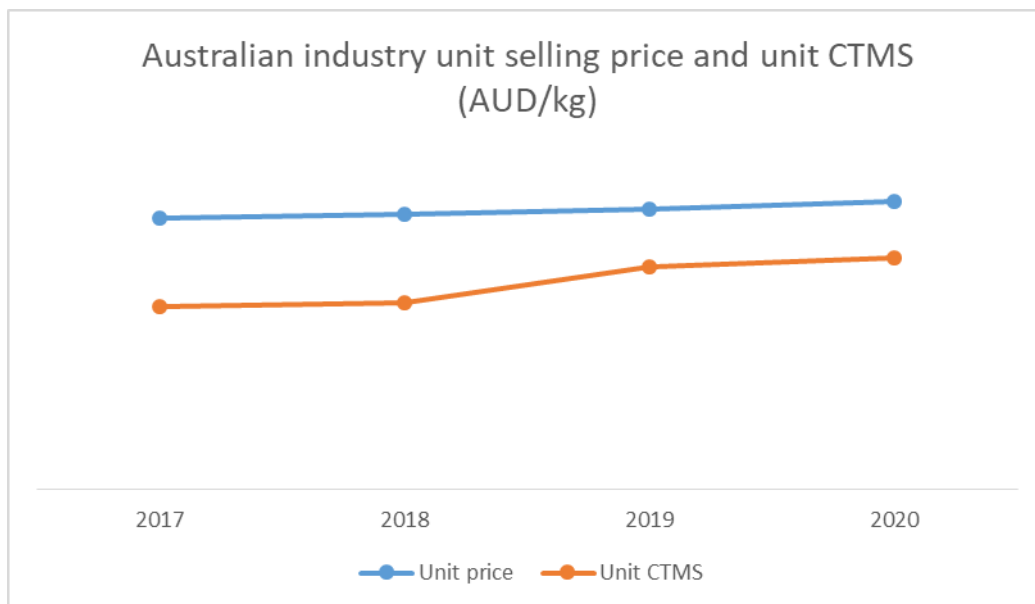
**Figure 4 - Unit price and CTMS**

The figure above indicates that Australian industry unit selling prices have risen slightly year-on-year between 2017 and 2020, suggesting that Australian industry has not experienced price depression during the injury period.

### 8.3.1 Price suppression

Price suppression occurs when price increases, which otherwise would have occurred, have been prevented. An indicator of price suppression may be the margin between prices and costs.

The Commission has compared Golden Circle's per unit selling prices and cost to make and sell (CTMS). This relationship is presented in the chart below:



**Figure 5: Unit price and CTMS**

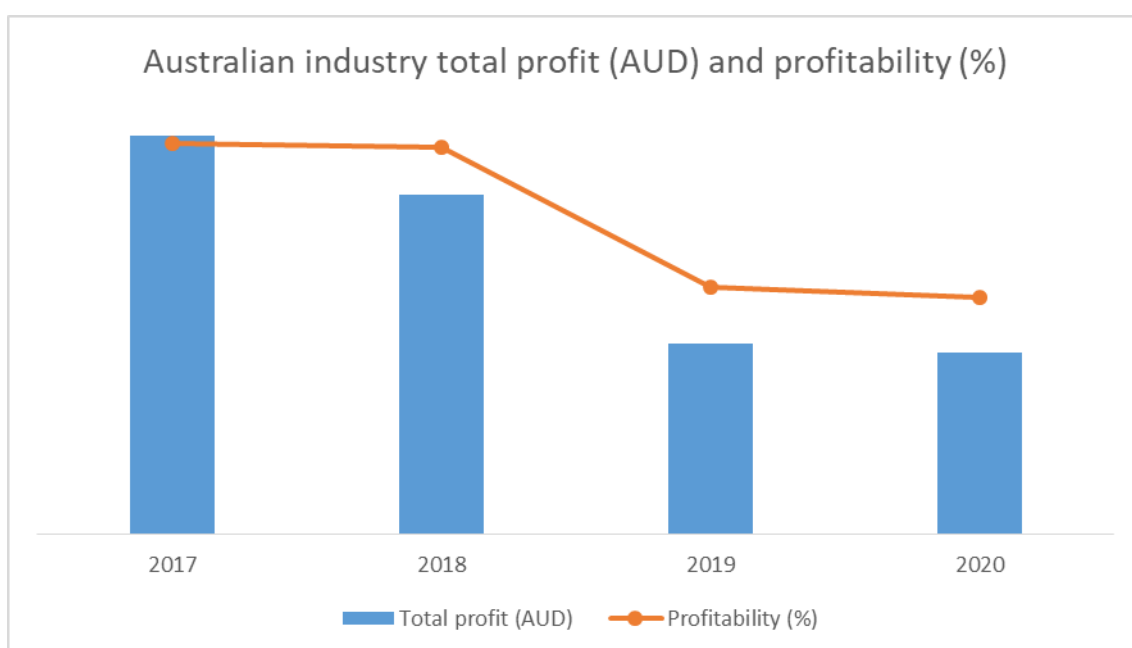
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Having regard to the relationship between the trends in the above chart, the verification team observes in the figure above that, between 2018 and 2019, the unit CTMS increased to narrow the margin between the CTMS and unit selling price. Both the unit CTMS and unit selling prices have increased year-on-year.

Based on the observations of the unit selling price and CTMS, noting the narrower margin between CTMS and selling price, the Commission verification team that price suppression is evident.

### 8.4 Profit and profitability

The figure below charts Golden Circle's profit and profitability across the period of analysis.



**Figure 6: Profit and profitability**

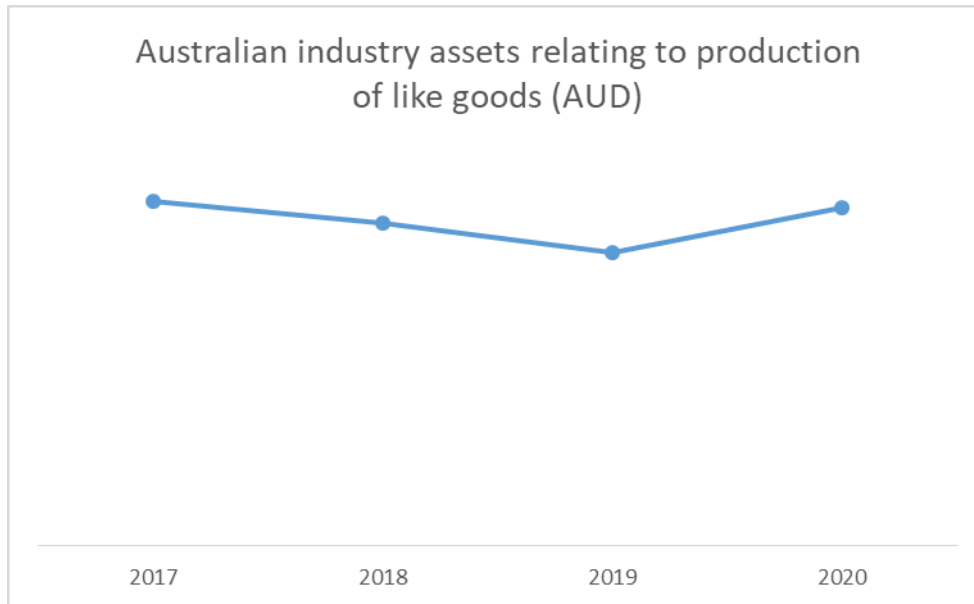
The figure indicates that Golden Circle has experienced both reduced total profit and reduced profitability across the period of analysis. Based on the available information, the verification team considers that Australian industry has experienced a deterioration in its economic performance in the form of reduced profit and profitability across the injury analysis period, mainly as a function of the reduced sales volumes.

### 8.5 Other economic factors

Golden Circle provided data relating to the period of analysis for a range of other economic factors, as outlined below.

**8.5.1 Assets**

The figure below charts Golden Circle's assets relating to the production of like goods across the period of analysis.



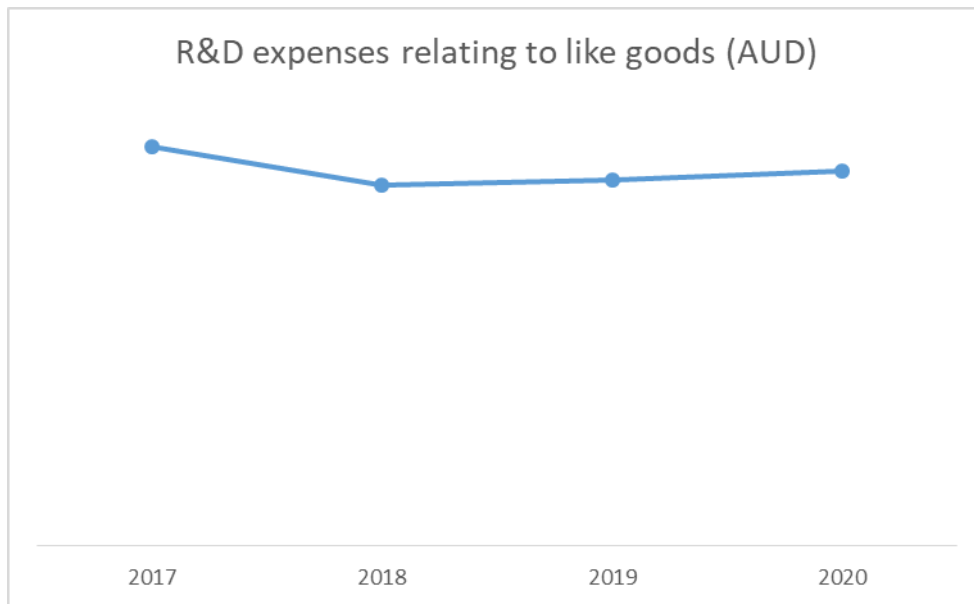
**Figure 7: Assets**

This figure indicates that the value of assets relating to the production of like goods depreciated between 2017 and 2019, with the value of assets returning to levels slightly lower than 2017 levels in 2020 due to investment in production facilities. Golden Circle stated that they had invested in a new cold storage facility, which was verified against the asset register.

**8.5.2 Research and development (R&D) expenses**

Figure 8 charts Golden Circle's research and development expenses relating to like goods across the period of analysis.

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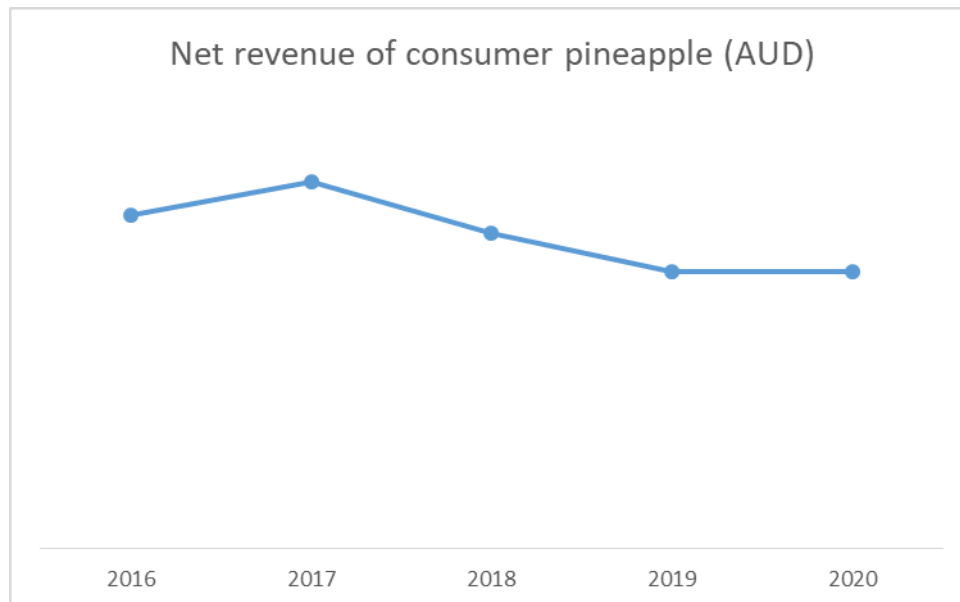


**Figure 8: R&D expenses**

The figure above indicates that R&D expenditure has reduced slightly following 2017, although generally R&D expenditure has remained stable. The Commission also notes that across the period the R&D expenses made up a very low component of expenses in relation to the goods. This is expected due to consumer pineapple being an established product.

### 8.5.3 Revenue

The figure below charts Golden Circle's revenue across the period of analysis in respect of self-manufactured consumer pineapple.



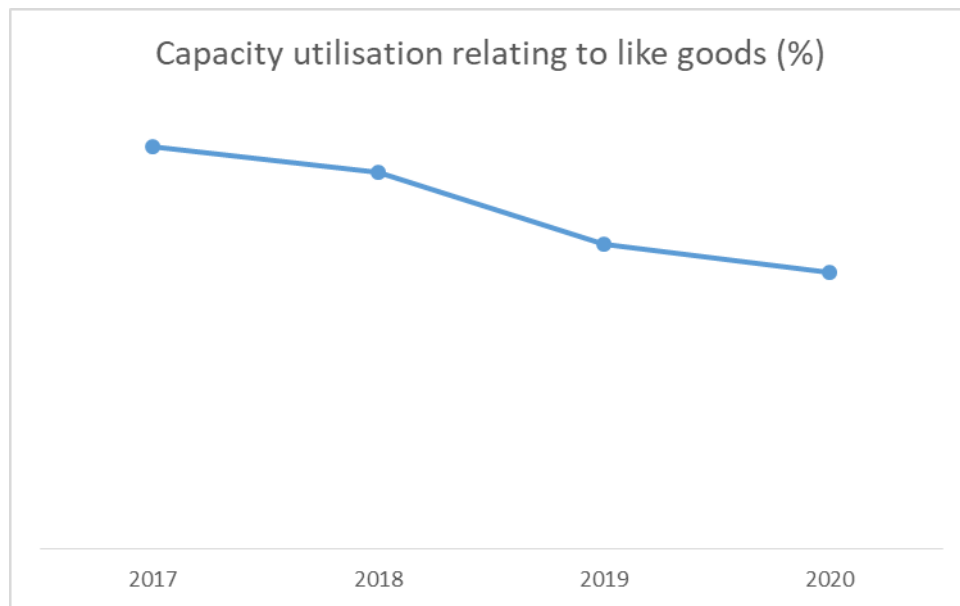
**Figure 9: Revenue**

The figure indicates that net revenue has reduced overall compared with 2016 and 2017 figures, although revenue remained stable between 2019 and 2020.



#### 8.5.4 Capacity utilisation

The figure below charts Golden Circle's capacity utilisation across the period of analysis as relates to the production of like goods.



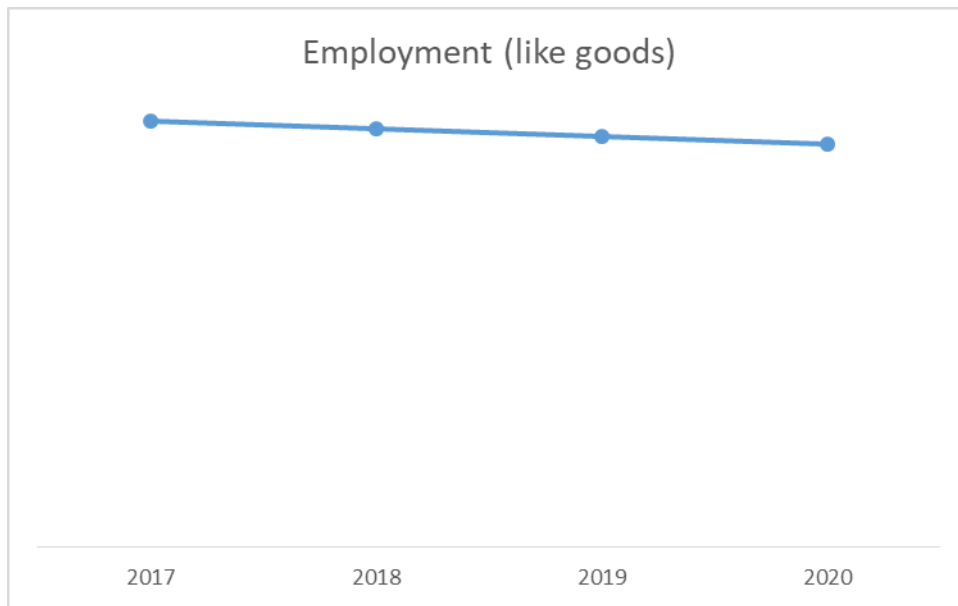
**Figure 10: Capacity utilisation**

This figure indicates that capacity utilisation has steadily decreased between 2017 and 2020, based on Golden Circle's claimed actual production divided by its production capacity for like goods. However, Golden Circle stated to the verification team that their real capacity is determined by supply of raw pineapple from the growers. Golden Circle stated that they process all raw pineapple they can access, and that they sell all canned pineapple that they manufacture. The verification team therefore considers that Golden Circle is operating at 100% of their real capacity in relation to the goods.

#### 8.5.5 Employment

The figure below charts Golden Circle's employment numbers across the period of analysis as relates to the production of like goods:

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**Figure 11: Employment (like goods)**

The figure indicates that employment numbers in relation to the production of like goods have remained largely steady between 2017 and 2020, although there has been a slight decrease in employee numbers year-on-year.

### 8.5.6 Inventory

The below figure charts Golden Circle's closing stocks across the period of analysis:



**Figure 12: Closing inventory**

This figure indicates that Australian industry has had significant reductions in closing stock year-on-year, with a fairly consistent rate of reduction in closing stock in each year from 2016 to 2020. These movements in inventory demonstrate that Australian industry is able to sell all product that they manufacture.

## **9 IMPACT OF EXPIRY OF MEASURES**

### **9.1 Background and approach to analysis**

Under the terms of section 269ZHF(2) of the Act, in order to recommend that the Minister for Industry, Science and Technology take steps to secure the continuation of the anti-dumping measures, the Commissioner must be satisfied that the expiration of measures would lead, or would be likely to lead, to a continuation or recurrence of dumping and the material injury that the anti-dumping measures are intended to prevent.

Accordingly the verification team sought Golden Circle's views on these matters, and collected evidence to support those claims.

The verification team notes that Golden Circle's views and reasoning as to why the measures should be continued are contained in the application.

### **9.2 Golden Circle's views on the impact of expiry of measures**

During the verification visit Golden Circle stated, amongst other things, that the measures have worked well, particularly in providing a floor price (i.e. the lowest selling price) in the market.

Although Golden Circle stated that segments exist in the market, and that certain customers are prepared to pay more for Golden Circle goods, they expressed a concern that this will only be the case to a certain extent. In other words, Golden Circle advised that in the event the price differential was to increase too much, some customers may switch to imported product at a lower price.

Golden Circle stated that if the measures were to expire that may lead to reduced demand for Golden Circle consumer pineapple and lower production at their Northgate facility. Golden Circle stated that this would impact on the profitability of the other goods being manufactured at the Northgate facility. Golden Circle stated that if the measures were to expire Golden Circle may suffer financially to the extent that the facility may have to close.

Golden Circle stated that they are collaborating with pineapple growers to secure more supply of raw material pineapple, and that the measures provide some security of a floor price in the market. Golden Circle demonstrated how they are incentivising growers to increase their crops, however this is a long-term project as pineapple fruit takes 18 months to mature. Following the verification visit Golden Circle made a submission further detailing their argument.<sup>7</sup>

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<sup>7</sup> EPR 571 and 572 item 10 refers.

### **9.3 Continuation or recurrence of dumping**

In relation to the continuation or recurrence of dumping the Commission has analysed the claims and arguments presented by Golden Circle in conjunction with data received from exporters and importers of the goods, submissions received, import data from the Australian Border Force as well as market intelligence available in the public domain. The Commission's preliminary findings are outlined in Statement of Essential Facts (SEF) No 571 and 572.<sup>8</sup>

### **9.4 Continuation or recurrence of material injury**

In relation to the continuation or recurrence of material injury the Commission has analysed the claims and arguments presented by Golden Circle in conjunction with data received from exporters and importers of the goods, submissions received, import data from the Australian Border Force as well as market intelligence available in the public domain. The Commission's preliminary findings are outlined in SEF 571 and 572.<sup>9</sup>

#### **9.4.1 Injury caused by factors other than dumping**

The verification team queried whether there were factors other than dumping that may have caused injury to Golden Circle since the measures were last continued. Golden Circle stated that:

- they had been impacted by cheap imports from countries not subject to the measures;
- the main retailers gradually have reduced the shelf space allocated to the Golden Circle goods in the supermarkets, and that more shelf space is now allocated to dumped goods and other imports; and
- the lack of pineapple raw material available for canning had impacted on quantities they could produce, leading to lower profitability due to increased costs.

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<sup>8</sup> EPR 571 and 572, item 14 refers

<sup>9</sup> *ibid.*

**10 APPENDICES AND ATTACHMENTS**

**Confidential Attachment 1**

Verification work program