



Importer Verification Report

Verification & Case Details

Initiation Date	25 January 2021	ADN:	2021/004
Case Number	571		
The goods under consideration	Consumer pineapple		
Case type	Continuation		
Importer	Woolworths Group Ltd		
Verification from	29 March 2021	to	29 March 2021
Inquiry Period	1 January 2020	to	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 in relation to Continuation Inquiry 571.

As outlined in Anti-Dumping Notice (ADN) No. 2021/004, Continuation Inquiries Nos 571 and 572 are in relation to certain exporters of consumer pineapple fruit (the goods) from the Philippines and Thailand. Woolworths Group Ltd was identified as an importer of the goods from the Philippines during the inquiry period.

This verification report 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 section 269SMG and 269SMR of the *Customs Act 1901* (the Act).¹

¹ References to any section in this report relate to provisions of the Act, unless specifically stated otherwise.

1 COMPANY BACKGROUND

1.1 Corporate structure and ownership

Woolworths Group Limited (Woolworths) is a locally owned listed public company (ASX code WOW) with extensive retail interest throughout Australia and New Zealand. Woolworths operates as a food, liquor and general merchandise retailer, and also operates in the hospitality and hotels sectors. The company employs approximately 215,000 people, recorded sales of \$63.675 billion for the financial year ended 2020.

Woolworths is an importer and retailer of the goods during the inquiry period.

1.2 Related parties

The verification team examined the relationships between related parties involved in the importation and sale of the goods.

The verification team found that Woolworths did not have any related party customers or suppliers of the goods during the inquiry period.

2 THE GOODS

2.1 The goods

Woolworths confirmed that it imported the goods from Philippines during the inquiry period matching the description of the goods that are the subject of this inquiry.

2.2 Model control codes (MCCs)

Woolworths has no objection to the MCC structure detailed in ADN No. 2021/004.

The table below outlines the Commission’s proposed MCC structure for the inquiries.

Category	Sub-category	MCC
Pineapple cut	Chunks	CH
	Crushed	CR
	Pieces	PC
	Pizza cut	PZ
	Sliced	SL
	Tidbits	TD
	Thin sliced	TH
Container type	Tin can	TC
	Plastic cup	PC
Container size	Container size in net weight (e.g., ‘850 g’).	
Packing medium	Light syrup	L
	Heavy syrup	H
	Natural juice (sweetened)	S
	Natural juice (unsweetened)	U

Table 1 MCC categorisation

2.3 The goods imported and sold in Australia

The verification team were satisfied that Woolworths sold goods with the following MCCs during the investigation period:

CH-TC-227G-U	SL-TC-227G-U
CH-TC-400G-U	SL-TC-439G-L
CH-TC-439G-L	SL-TC-822G-U
CH-TC-822G-U	SL-TC-836G-L
CR-TC-227G-U	PC-TC-400G-U
CR-TC-432G-U	CH-TC-432G-U
PC-TC-227G-U	SL-TC-432G-U
PC-TC-822G-U	

2.4 Like goods

Woolworths agreed that the Australian Industry produced like goods to the goods that it imported during the inquiry period.

3 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 was unable to conduct this verification because Woolworths is a retailer to general public. Woolworths did not provide a list of sales due to the retail nature and volume of the sales. As the verification team did not receive a detailed sales listing of the goods at retail customers level during the inquiry period, the verification team is unable to conduct the verification for completeness and relevance.

Details are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

4 DOWNWARDS VERIFICATION OF SALES

4.1 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 did not receive a detailed sales listing of the goods imported during the inquiry period and sold to Australian customers, the verification team is unable to conduct the verification for accuracy.

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

5 VERIFICATION OF IMPORTS

5.1 Import listing

Woolworths confirmed that the import listing extracted from the Australian Border Force (ABF) import database is a complete list of imports of the goods over the inquiry period.

The verification team calculated the weighted average free-on-board (FOB) export price by supplier at **Confidential Appendix 1**.

5.2 Verification of cost to import and sell (CTIS)

Prior to the verification, the Commission selected 12 shipments for Woolworths to complete the cost to import and sell (CTIS) spreadsheet of the importer questionnaire.

For each of the selected shipments, Woolworths provided the following source documents:

- Commercial invoice from its supplier and its trading intermediate;
- Annual packing declaration;
- Packaging declaration;
- Bill of Lading;
- Customs entry;
- Internal cargo tracking report;
- Commercial invoice for transport and logistics fees; and
- Tax invoices for broker fees and port handling fees.

5.3 CTIS allocation method

Details of this verification process are contained in the verification work program at **Confidential Attachment 1**.

5.4 Verification of CTIS accuracy

The verification team verified the reasonableness of the method used to allocate the CTIS provided in the questionnaire response.

Cost Area	Method applied
Ocean freight	Freight cost recorded for the shipment in the cargo tracking system.
Marine insurance	Overseas insurance policy allocated to the shipment as recorded in the internal reporting system.
Duties	Actual duties paid based on ABF customs documentation.
Customs entry and broker fees	Actual cost based on ABF customs documentation and invoice from the customs broker.
Port service charges and carrier document fee	Port service charge (Terminal handling charge) cost item recorded for the shipment in the cargo tracking system.

PUBLIC RECORD

Delivery	Cost based on cost ledger for each shipment.
SG&A	Australian Food CODB SG&A is used.

Table 1 Verification of cost calculation method

The accuracy of data is verified by reconciling selected data submitted "downwards" to source documents. This part of verification involves the process of agreeing key information fields within the CTIS data down to source documents. This verifies the accuracy of the data.

Details of this verification process are contained in the verification work program and its relevant attachments, at **Confidential Attachment 1**.

5.4.1 Exceptions during verification of CTIS accuracy

No.	Exception	Resolution
1	The verification team identified errors in the reporting of Other Importation Charges.	Woolworths provided updated importation costs for all selected shipments.
2	Woolworths presented its Cost of Doing Business (CODB) expense at a whole business level as SG&A for pineapple sales.	The verification team consider CODB figure for Australian Food is more accurate in reflecting the pineapple sales, as such, Australian Food CODB is used as SG&A for pineapple sales.
3	Woolworths calculated of marked nett weight per can multiplied by cans per carton then multiplied by the number of cartons for the quantity of the selected shipment.	The verification team used the weight recorded on the packing list. The difference between Woolworths' calculation and packing list record is minor.

Table 2 Exceptions during verification of accuracy of CTIS data

5.5 Forward orders

Woolworths provided list of forward orders is at **Confidential Appendix 2**.

5.6 CTIS verification finding

The verification team is satisfied that the CTIS provided by Woolworths, including amendments as outlined in the exception table above, is accurate.

A table detailing the weighted average unit CTIS is at **Confidential Appendix 3**.

6 EXPORT PRICE

6.1 The importer

The verification team considers Woolworths to be the beneficial owner of the goods at the time of importation and therefore the importer of the goods, as Woolworth is:

- named as the consignee on the bill of lading;
- declared as the importer on the importation declaration to ABF;
- pays for all the importation charges;
- arranges delivery from the port; and
- retains ownership of the goods until they are delivered to its customers.

6.2 The exporter

The goods were imported to Australia by Woolworths. The verification team considers Dole Philippines, Inc. (Dole) to be the exporter of the goods², as Dole is:

- named as shipper/exporter on the bill of lading;
- is the manufacturer of the goods located in the Philippines, the country of export;
- arranges and pays for the goods to be transported to the port and loaded onto the ship in the country of export for delivery to Australia; and
- named as the exporter in the ASEAN Australia- New Zealand Free Trade Agreement.

6.3 Profitability of imports

The verification team assessed the profitability for the following selected shipments by comparing the revenue at aggregated level to the CTIS for each shipment. As each selected shipment is not on-sold and cannot be traced to actual sales transactions, the verification team used the high level sale data generated from Woolworths' SAP system for the relevant product reference for shipment and time period to assess its profitability.

The outcome of the profitability assessment at aggregated higher level is in Table 3 below.

² The Commission generally identifies the exporter as a principal in the transaction, located in the country of export from where the goods were shipped, that gave up responsibility by knowingly placing the goods in the hands of a carrier, courier, forwarding company, or its own vehicle for delivery to Australia; or a principal in the transaction, located in the country of export, that owns, or previously owned, the goods but need not be the owner at the time the goods were shipped.

PUBLIC RECORD

Shipment	Profitable (Y/N?)
1	Y
2	Y
3	Y
4	Y
5	Y
6	Y
7	Y
8	Y
9	Y
10	Y
11	Y
12	Y
Weighted average of all shipments	Y

Table 3 Profitability of selected imports

The assessment is at **Confidential Appendix 4**.

6.4 Intermediary party

During the inquiry period, Woolworths purchased all of the goods from an unrelated intermediary party, Pavé Consumer Brands Ltd (PAVE), a sales and distribution management company, who facilitates the order and delivery process.

Woolworths stated that they use PAVE to manage the purchase and distribution, to simplify business procedures, and to increase the efficiency of transactions.

6.5 Arms length

In respect of imports of consumer pineapples to Australia by Woolworths during the inquiry 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 directly or indirectly, reimbursed, compensated or otherwise received a benefit for, or in respect of, whole or any part of the price.

The verification team was able to ascertain the profitability of selected consignments by matching the sales and cost figures at an aggregated level, and found the goods were sold profitably.

The verification team is satisfied that the imports between Woolworths and its supplier are arms length transactions.

6.6 Export price assessment

The verification team is of the opinion that for the goods imported by Woolworths from Dole:

- the goods have been exported to Australia otherwise than by the importer;
- the purchases of the goods by the importer were arms length transactions; and
- the goods are subsequently sold by the importer, in the condition in which they were imported, to a person who is not an associate of the importer.

Subject to further inquiries, the verification team recommends that the export price for the goods imported by Woolworths can be established under section 269TAB(1)(c) of the *Customs Act 1901*, being the price that the Minister determines having regard to all the circumstances of the exportation.

7 Injury and Causation Claims

Woolworths purchases pineapples from Golden Circle, the Australian Industry applicant. It was stated that Golden Circle's capacity to supply the goods to Woolworths has been reduced due to the impacts of El Nino. This has seen a constriction of supply while Golden Circle has increased the price of the goods.

Woolworths imports goods both from the Philippines and from other countries not subject to anti-dumping measures. It has established relationships for the supply of both Australian and imported canned pineapples. Due to this, it does not conduct an open tender for supply on a regular basis and instead first offers the existing supplier the option to continue the existing contract. During open tenders, price is not the only driver for awarding a new contract, with availability, packaging and quality of the goods also playing a significant part in decision making.

When pricing for end consumer, Woolworths will typically follow the recommended retail price suggested by the supplier. Woolworths expressed the view that affluent older consumers prefer Australian sourced pineapples, which are typically more expensive, however the decline in domestic supplies has led to greater reliance on imports from Philippines.

8 ATTACHMENTS

Confidential Appendix 1	Export price
Confidential Appendix 2	Forward orders
Confidential Appendix 3	CTIS
Confidential Appendix 4	Profitability
Confidential Attachment 1	Verification Work Program