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**PACIFIC
AGRISCIENCE**

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PUBLIC FILE

March 7, 2012

Director Operations 2
International Trade Remedies Branch
Australian Customs and Border Protection Service
Customs House
5 Constitution Avenue
CANBERRA ACT 2601

Dear Sir,

Re: Anti-dumping Duty on formulated Glyphosate exported from China

We wish to be a participant of the investigation on the above.

We, Pacific Agriscience Pte Ltd., based in Singapore, exported Glyphosate 450 to Australia during the investigation period. Product was formulated in China. During the same period, our Australian entity, Pacific Agriscience Pty Ltd., also imported the same material. The details of our exports and imports are as follows:

XXXXXXXXXXXX

We wish to clarify that we have two entities involved; Pacific Agriscience Pte Ltd (Pte stands for Private) based in Singapore and Pacific Agriscience Pty Ltd (Pty stands for Proprietary) based in Australia.

In the year 2011, we had Pacific Agriscience Pte Ltd exporting Glyphosate 450 to XXX as well as exporting to our own entity Pacific Agriscience Pty Ltd which then in turn on-sold the product to end-use customer/s in Australia. On top of this, the Pte entity in Singapore also sold the product to various Australian customers directly.

The Glyphosate Situation in China in 2011

Most of the Glyphosate formulations sold within China was a 10% formulation which was derived from the "mother liquid" arising from the production of Glyphosate Technical 95%. So, it was essentially waste material (the mother liquid) that contained some Glyphosate and the production plants then boosted the content to 10% for local sales. Only a small portion of the Chinese Glyphosate market was occupied by Glyphosate 360 and Glyphosate granules of a strength and quality that is different to those sold in Australia. As far as we know, there has been no Glyphosate 450, 470, 510 and 540 (ROUNDUP POWERMAX) sold in China.

The Glyphosate Situation in Australia in 2011

In contrast to the situation in China, most of the Glyphosate formulations sold in Australia were the 450 and 540. A relatively small portion of the market was occupied by Glyphosate 360, 470, 510 and the granules, 680.

Conclusion in terms of like goods

The amount of "like goods" for the purpose of this anti-dumping duty investigation is very small. In the year 2011, we estimate that the amount of like goods, mainly and if not only, Glyphosate 360, in proportion to the total markets of both Australia and China could be well less than 10%, in terms of volume and value.

As of Jan 01, 2012, no more Glyphosate 10% is allowed to be sold within China. Most of this should have been replaced by Glyphosate with a minimum of 30%. So, any field visits by Australian Customs to check on the amount and availability of Glyphosate 10% now may yield the negative. So, please take this significant and impactful change into account in the light of regulatory changes in China.

In the absence of like goods, the calculations by the applicants to arrive at "constructed selling prices" and "dumping margins" are invalid.

As also pointed out by the applicants, the formulations sold within China are incorporated with a domestic surfactant whereas those sold/exported into Australia are incorporated with an "imported surfactant". In fact, the so-called imported surfactant is the same ethoxylated tallowamine surfactant the suppliers such as Hunstman and Akzo Nobel supplied to the applicants as well. So, indeed, the applicants' claim that "locally produced and imported formulated Glyphosate are wholly interchangeable and can be substituted in all end use applications" is absolutely correct and true. However, the same cannot be said about the formulations made for and sold within China! No farmers in Australia and no importers and traders of Glyphosate in Australia will ever accept Chinese surfactant and Chinese Glyphosate formulations formulated with Chinese surfactant as being equivalent in quality and in performance to those made for and sold in Australia. It is a well-known fact in the industry that surfactant plays a vital role in the absorption, and hence the performance, of Glyphosate. And it is also a well-known fact that Chinese surfactants do not have the same effect and performance as compared to the so-called "imported surfactants" *under Australian weed and farming conditions*. The Australian Customs can easily verify these vital facts by interviewing agronomists, formulators, importers, resellers and farmers in Australia.

Discussions on the so-called losses and reductions of the applicants

The applicants claimed that they have suffered from:

1. Inadequate returns on investment

Both their Glyphosate formulation plants have been in operation for as many as over 20 years. They should have recouped their investments long ago.

2. Inability to attract capital to reinvest and reduction in capital expenditure

Formulation of Glyphosate 450 and other similar liquid formulations is a simple reactive process. The amount of capital required to set up such a plant in China, or even in Australia, could be as low as \$1.0 million. It is because of this low barrier to entry that one sees many such plants in China, and a few in Australia too. The technology is not rocket science. Therefore, any talk of "attracting capital to reinvest" should not be considered a valid concern.

3. Loss of sales volume, loss of market share, reduced revenues, reduced capacity utilisation, reduced employee numbers and subsequent reduction in wages bills.

These so-called losses and reductions are not solely due to the impact of imported Chinese formulated Glyphosate 450 and whatever other minor formulations into Australia. Over the past few years, Monsanto's ROUNDUP-POWERMAX (a novel, patented and premium 540 potassium salt formulation) may have taken over as much as 50% of market-share in Australia. Australian customs ought to investigate this aspect and determine how much of the ROUNDUP-POWERMAX was in fact formulated in the applicants' plants. So, a major reduction in volume of Glyphosate 450 (the dominant formulation in the Australian market for many years) was perhaps replaced by ROUNDUP-POWER-MAX.

The significant amount of Glyphosate Technical imported into Australia by the applicants themselves had also contributed to the cut-throat competition in the Australian market leading to all these claimed losses and reductions. They themselves have been and are directly supporting the Chinese manufacturers. This tantamounts to "scoring own goals"! At this juncture, we wish to highlight to the Australian Customs that the chart in between pages 13 and 14 of the application does not tally with the facts. The chart shows that the applicants' Glyphosate Technical was entirely imported from the USA! Even when the heading of the chart does say "July 10 to June 11", we do not believe that the applicants did not import any Glyphosate at all from China during that period as this is certainly not the case during the previous years when they were very significant importers themselves. This is a well-known fact in Australia as well as in China. We are sure that Australian Customs have the records to confirm this.

As pointed out in their chart mentioned above, the applicants did import Glyphosate Technical from the USA, namely, Monsanto USA. Obviously, importing it from Monsanto USA, the inventor of the Glyphosate molecule, is surely one viable and competitive option as Monsanto had priced their products in the USA market to keep the Chinese Glyphosate out effectively in 2011! This was also mentioned by the applicants themselves. So, Monsanto's Glyphosate was in fact competitive vis-à-vis the Chinese made product. Therefore, the applicants should not have imported such large amounts of Glyphosate from China to encourage them (the Chinese) to produce even more and also to aid them in the plant throughputs thus enabling them (the Chinese) to be even more competitive. We surmise that the applicants' own actions in importing large amounts of Glyphosate from China themselves have contributed to their own predicament.

In the light of the above scenarios, we request Australian Customs to investigate the following:

- A. How much Glyphosate Technical was imported into Australia by each of the applicant in 2011 from China and from USA, and the two years before that?
- B. How much of the imported Technical, if any, was used to make ROUNDUP POWER-MAX for Monsanto?
- C. Confirm that the market-share of ROUNDUP POWER-MAX, a premium proprietary formulation, was indeed as significant as 50% of the Australian market.
- D. How much of the ROUNDUP POWER-MAX sold in Australia was in fact made in the applicant/s' plant/s? How has this positively impacted the applicant/s' bottom-line? Here, Australian Customs could possibly show that rather than to moan about the negative impact of increase in importation of formulated Chinese Glyphosate, the applicants should have invested in innovative and value-added Glyphosate formulations as a defense against low-tech formulations that the Chinese could make cheaply and efficiently. It is not in the interest of Australian Customs, government and farmers to help the applicants defend against erosion of their relatively low-tech business.
- E. What was the economic impact of imported Chinese Glyphosate Technical itself on the so-called losses and reductions as claimed by the applicants? In other words, do not just look at the impact of the increase in imported Glyphosate formulations from China alone.

Addressing the emotional aspects

Some in the industry, including Crop Life Australia, an agchem industry organisation, have suggested and widely publicised via the rural media that Chinese made Glyphosate formulations as well as Chinese made pesticide products in general, are of inferior quality and ought to be discouraged and booted out of the Australian market. Australian farmers are not ignorant and are not fools. They can be fooled only once and certainly some may be fooled only some of the time. Most of them, if not all, have used Chinese made pesticide formulations and they sure know if one brand does not measure up and they know what to do thereafter. So, let no one insult the intelligence of Australian farmers.

Let's be clear too that there is APVMA in Canberra to regulate and to prevent any off-specification pesticide products coming into the Australian market. So, to rubbish all Chinese made pesticides that flowed into Australia is to insult the APVMA and to belittle the good work that they do.

The implications of any anti-dumping duty imposed on Chinese Glyphosate formulations in Australia

1. If an anti-dumping duty is levied on imported Chinese-made Glyphosate formulations, all importers will then have no choice but to import Technical grade Glyphosate from China. There are only a handful of Australian toll-formulators with limited capacity to supply the Australian market. Could one go to Nufarm which has the largest capacity, to get their Technical Glyphosate formulated? Of course not since they are competitors in the marketplace. Could they go to the others then? Sure, but are all these toll-formulators totally independent? Some of them may have Glyphosate formulation end-use labels themselves, meaning, they are the same as Nufarm. So, to make the playing field level, before any anti-dumping duty is even considered, the question of where can one go in Australia to get independent toll-formulators must be investigated. Australian Customs should ensure that none of these toll-formulators are in fact selling formulated Glyphosate themselves under another company name. *The fact that the applicants themselves, without hesitation, claimed that between the two of them, they produced over 85% of locally formulated Glyphosate in Australia should raise alarm bells.*

2. The 140,000 farms and farmers in Australia will end up paying higher prices for formulated Glyphosate for the sake of defending "the industry" employing perhaps, at most, a couple of hundred people who are directly connected to the relatively low-tech formulation and packaging of Glyphosate. This will make Australian agricultural produce less competitive in the world markets. As discussed earlier, is it in the interest of Australian Customs, government and the farmers to defend and to protect the relatively low-tech formulation technology and business of the applicants? The government of Australia should in fact discourage low-tech businesses to force the industry to innovate and compete effectively such as what Monsanto has done. Imposing an anti-dumping duty on formulated Glyphosate will discourage innovation and at the same time, make Australian agricultural produce less competitive in the world markets, clearly a "double whammy"!

Unlike the EU, Japan and USA agriculture, Australian agriculture is not subsidized by the government and yet, Australia is a major food producer and a major grain exporter. It competes very effectively in an unlevel playing field and this is due to the fact that chemical input costs are kept very low by the government adopting legislations that encourage competition. This sound and proven policy should not be altered in any way that results in higher input costs for Australian farmers.

In conclusion, we do not believe there is any merit at all in imposing an anti-dumping duty on imported Chinese-made Glyphosate formulations in Australia.

Sincerely,

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Managing Director

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