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SPCA has reviewed the comments by the exporters in the submission of 20 February 2015 (EPR 013) and provides the following comments:

1. The exporters query the decision to initiate an investigation however the arguments presented do not demonstrate that the Anti-Dumping Commission's established interpretation of the Customs Act 1901.
2. The exporters seek to have the information on the market situation disregarded arguing that it is based on historical data. (Page 18)

SPCA disagrees with this observation and the argument. SPCA's application provides evidence of the impact of the SPS and other CAP policies over the injury years and the investigation period. SPCA's application presents a detailed calculation on the level of the subsidy impact in 2013 and then points ADC to the 2014 transition period identified in Article 21(2) of 1307/2013.

Para 13 of the application's attachment on market situation highlights

'Payment entitlements obtained under the single payment scheme in accordance with Regulation (EC) No 1782/2003 and with Regulation (EC) No 73/2009 shall expire on 31 December 2014'

Therefore, for the investigation period and the injury years, Regulation (EC) No 73/2009 was applicable.'

This transition period carried over the national ceiling referred to in paragraph 20 of the application.

As argued in the application, historical payments from previous years are of relevance as the inventory from previous seasons could still be sold in the market in following years and impact the market pricing. Canned tomato products have a long shelf life can be sold over a period of time. It is also worth noting that all or at least part of products exported to Australia in 2014 would have been processed in the second half of 2013 (or in previous season) due to timing of the growing season.

3 Exporters note that '*...it is not the amount of the alleged support "but whether that support has "materially" affected the domestic sales prices of the canned tomatoes.* (Page 21)

SPCA's application carefully demonstrates the link between raw material prices (raw tomatoes) and the final product. The Application provides a clear demonstration of the effect of Government intervention via the SPS on raw material pricing. If it wasn't for the SPS and other supporting policies under CAP, raw tomatoes available to the processed tomato industry in Italy could have seen reduced volumes or higher prices. In this event the domestic price of the canned tomato products would have been higher.

The Application contains many references which re enforce this observation.

- A USITC report (Mixtures Conditions of Competition between US and Principal Foreign Supplier Industries, 2007), found that EU payments to *various fruit processors were "equivalent to approximately seven or eight percent of the canner's total production cost"*. *The USITC observed that the payments to growers contributed to a more stable supply and are passed on as lower costs for EU processors and that the CAP was essentially delivering similar levels of assistance, albeit via a different architecture as, applying in 2014.* (USITC pages 3-10, 3-11). (Application footnote 35). This USITC report can be a useful proxy for analysing the extent of the impact on the tomato price, in the absence of any further information.
- La Doria's acknowledgement of the impact of CAP is well documented publically and is highlighted in para 38, 39 and 40 of the application.

6 The exporters refer (last paragraph page 21) to the SPS being the same scheme as was introduced in 2009. If this information had been presented to the Commission in investigation 217 then the understanding of the CAP would have been different (paragraph 6.5.2 in SEF 217 and repeated in REP 217 paragraph 6.6.2). There is no apparent mention on the EPR of investigation 217 of the Regulation 1307/2013 (17 December 2013) which sets up new support schemes after the end of 73/2009 in 2014.

7 The exporter submission compares the Italian average price for raw tomatoes with average prices from other countries (page 25).

SPCA disagrees with this analysis. This analysis does not take into account differences in growing conditions, scale, crop health, operating conditions/costs and government programs in other countries. These and other factors would have an impact on the price paid by the processors for tomatoes in these countries.

In addition the Italian average raw tomato price used for comparison already has the SPS component built into those prices therefore making the comparison meaningless.

For growers to continue supplying tomatoes for processing, the average price would have to increase by the amount that the tomato grower gets as income/price support from the SPS. If this income/price support (via SPS) was not supplied then the tomato processors would have to pay a higher price to compensate the growers to this extent. The exporter's close involvement with their growers and/or producers organisation (PO) for the purpose of planning sufficient crop volumes, price and delivery times would suggest that the exporters are aware of the income needs of their suppliers. The PO's role of stabilising prices and supply is relevant here.

Any suggestion that the SPS does not have an effect on the price of tomatoes needs to address observations such as shown in paragraph 34 of the Application. In that paragraph it is noted that "*...the subsidies represented about 50 percent of the entire producer's revenue*". If the SPS payment was withdrawn then it is reasonable to expect that the tomato grower would need a higher price in order to keep supplying processors with raw tomato.

8 In conclusion, the exporters' submission does not provide any factual and relevant information which contradicts the strong evidence submitted by SPCA and therefore arguments presented do not provide a reason to terminate the investigation.