



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

**TRADE AND
INTERNATIONAL**

Trade (Anti-dumping and Countervailing Duties) Act 1988

Initiation Report: Application for Anti-Dumping Duties

Frozen potato fries and wedges from Belgium and the Netherlands

MBIE/AD/I/2020/004

October 2020

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1.1 Purpose

1. The purpose of the report is to assess an application from Potatoes New Zealand (PNZ) requesting that anti-dumping duties be imposed on frozen potato fries and wedges from Belgium and the Netherlands on the basis that these goods are being dumped.
2. The evidence provided by PNZ has been assessed against the requirements in the Trade (Anti-dumping and Countervailing Duties) Act 1988 (the Act) that must be met before an investigation into alleged dumping is initiated.
3. In order to initiate an investigation, the chief executive must be satisfied that there is sufficient evidence justifying investigating whether goods are being dumped and that because of the dumping material injury is being caused or threatened to the New Zealand industry that produces like goods. The application must also be supported by a certain proportion of those New Zealand producers.
4. This report concludes that the threshold in the Act has been met and recommends that an investigation be initiated.

1.2 Application for anti-dumping duties

5. On 9 September 2020, the Ministry of Business, Innovation and Employment (MBIE) accepted a properly documented application from PNZ requesting that anti-dumping duties be imposed on frozen potato fries and wedges from Belgium and the Netherlands. PNZ claimed that imports of Belgian and Dutch frozen potato fries are being dumped and threaten to cause material injury to the New Zealand industry.
6. In accepting the application as properly documented, MBIE was satisfied that the information included in the application was as much of the information required by section 10 of the Act as was reasonably available to the applicant.
7. PNZ claims that the available inventories and government support being received by the industry in Belgium and the Netherlands poses a threat of material injury to the New Zealand industry. PNZ considers that the threat arises from a change in circumstances that is clearly foreseen and imminent, and PNZ believes that there is reason to believe that there will, in the coming months, be increased importation of frozen potato fries and wedges from Belgium and the Netherlands at dumped prices, with dumping margins increasing as export prices decline. PNZ claims that there are strong indications that increased imports will be shipped to New Zealand in the wake of the downturn in European markets caused by COVID-19 and an associated glut of frozen potato fries and wedges that need to find a market to make room for the 2020 harvest. PNZ claims that the situation is being exacerbated by the ongoing provision of government support to the industry in Europe that allows production to continue, but the application relates to dumping only, not to subsidisation.
8. PNZ points out that the majority of the New Zealand market for frozen potato fries and wedges is for food service rather than for retail sale, and the food service sector has been one of the most affected by COVID-19, and will be so long as countries and regions face re-imposition of lock downs. As long as New Zealand remains with relatively low infection rates and while trading restrictions in New Zealand on hospitality channels remain relatively light and temporary, PNZ considers the New Zealand market will be especially attractive compared to other export destinations.

9. PNZ claims that historically, imports increase significantly following declining export prices, and evidence is available which shows that export prices have collapsed over the past months to a far greater extent than previously. PNZ expects that this will lead to significant increases in exports to New Zealand which, in the absence of a remedy, PNZ claims will lead to the destruction and closure of the New Zealand frozen potato industry.
10. PNZ claims that the forecast increased imports at dumped prices will cause injury because:
 - Exporters will increase volumes at lower prices due to inventory surpluses and aid from COVID-19-related government support in Belgium and the Netherlands;
 - Increased imports at dumped prices will lead to price undercutting, significant price depression and price suppression, leading to a decline in sales and profits, and a threat to the medium and long term stability of the New Zealand potato processing industry;
 - Frozen potato fries and wedges from Belgium and the Netherlands are already being sold in New Zealand so there are existing commercial arrangements and market access, and PNZ considers it is highly probable that importers will take advantage of cheaper prices from Belgium and the Netherlands to pass on price savings to the New Zealand market in order to increase volumes and take market share.
11. The applicant also sought the imposition of provisional measures. This request will be considered during the investigation.

1.3 Legal Requirements

12. In order to initiate an investigation, the chief executive must be satisfied from the evidence in the application that there is sufficient evidence justifying investigating whether goods are being dumped and that due to this dumping, material injury is being caused to the New Zealand industry that produces like goods. The application must also be supported by a certain proportion of New Zealand producers. These requirements are set out in section 10A of the Act.
13. In interpreting the term 'sufficient' MBIE has considered requirements in the WTO Agreement on the Implementation of Article VI of the GATT 1994 (AD Agreement) which requires authorities to examine the adequacy and accuracy of the evidence. Accordingly, consideration of the sufficiency of evidence requires an assessment of both the quantity and quality of the information provided.
14. Section 10A(1) of the Act provides:

The chief executive must start an investigation if the chief executive is satisfied from the evidence in the application that—

(a) there is sufficient evidence to justify investigating whether—

 - (i) goods imported or intended to be imported into New Zealand are being dumped or subsidised; and*
 - (ii) the alleged dumping or subsidisation—*
 - (A) has caused, is causing, or threatens to cause material injury to the industry; or*
 - (B) has caused or is causing the establishment of the industry to be materially retarded; and*

(b) the collective output of those New Zealand producers who have, in writing, expressed support for the application constitutes—

(i) 25% or more of the total New Zealand production of like goods produced for domestic consumption (as assessed during the most recent representative period of not less than 6 months); and

(ii) more than 50% of the total production of like goods produced for domestic consumption (assessed as referred to in subparagraph (i)) by those New Zealand producers who have, in writing, expressed support for or opposition to the application.

1.4 Assessment of PNZ’s application against the legal requirements

15. In order to assess PNZ’s application against the legal requirements, MBIE begins by identifying the like goods and the New Zealand industry. MBIE then assesses the evidence provided in the application to ascertain whether there is sufficient evidence to justify investigating whether the goods that are the subject of the investigation (subject goods) are being dumped and that by reason of this dumping, material injury is being caused to the New Zealand industry that produces like goods.

1.5 Goods that are the subject of the application (subject goods)

16. The goods that are the subject of PNZ’s application are Belgian and Dutch frozen potato fries and wedges described as:

Frozen potato fries and wedges falling under tariff code 2004100000

17. The subject goods are currently subject to the following classification in the New Zealand Customs Tariff.

Figure 2.1: Tariff Classification

Tariff item	Stat Key	Unit	Description	Duty %	Pref.
20.04			Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen other than products of heading 20.06:		
2004.10.00	00J	kg	– Potatoes	5	Free *See Below CA Free LDC Free
*Unless otherwise indicated, AAN, AU, CN, CPT, HK, KR, LLDC, MY, Pac, SG, TH, TPA and TW rates in the Preferential Tariff are Free.					

1.6 New Zealand Industry

18. Section 3A of the Act provides that the term industry (referred to in this report as the New Zealand industry), in relation to any goods, means –

(a) the New Zealand producers of like goods; or

(b) such New Zealand producers of like goods whose collective output constitutes a major proportion of the New Zealand production of like goods.

19. The Act provides that like goods, in relation to any goods, means—

- (a) other goods that are like those goods in all respects; or
- (b) in the absence of goods referred to in paragraph (a), goods which have characteristics closely resembling those goods

20. PNZ submits that the goods that are the subject of its application (subject goods) are descriptively the same as the goods that are produced by the New Zealand industry, and are like goods to the subject goods.
21. MBIE agrees that the information provided by PNZ confirms the existence of a New Zealand industry.

1.7 Support by New Zealand industry

22. The applicant is PNZ, an association representing the interests of the New Zealand potato industry. In its application, PNZ represents the potato processors McCain Foods NZ Limited, Talley's Group Limited, Mr Chips and Makikihi Fries who account for 88 per cent production of the domestic industry.
23. The application therefore meets the requirements of section 10A(1)(b) of the Act, which outlines the minimum level of support required from the domestic industry for an application for an investigation (see paragraph 14).
24. The application mentions another party, Fresher Foods, in the industry which is neither a member nor is represented by PNZ. Fresher Foods, which accounts for the remaining 12 per cent of production, neither opposes nor supports this application.

1.8 Evidence of dumping resulting in material injury

25. MBIE now considers whether PNZ's application contains sufficient evidence to justify investigating whether the subject goods are being dumped and that by reason of this dumping material injury is being caused to the New Zealand industry.
26. In considering the sufficiency of the evidence provided, MBIE has assessed the accuracy and adequacy of the evidence, including any supporting information. In particular, in order to ensure that the application is not based on simple assertion, unsubstantiated by relevant evidence, MBIE has examined the supporting evidence provided in the application for export prices and normal values and whether that evidence does, in fact, support the values established.

1.9 Evidence of Dumping

27. Section 3(1) of the Act provides that dumping, in relation to goods, means the situation where the export price of goods imported into New Zealand or intended to be imported into New Zealand is less than the normal value of the goods as determined in accordance with the provisions of this Act, and dumped has a corresponding meaning.
28. The investigation will rely on the period from July 2019 to June 2020 as the period of investigation of dumping (POI(D)).
29. The evidence submitted by PNZ consisted of information based on import data from Statistics New Zealand (Stats NZ) InfoShare and TradeData International covering the period from January 2015 until May 2020; Belgian and Dutch retail prices from online stores; New Zealand retail prices from Information Resource Inc. (IRI) Data; and New Zealand Industry data.

30. In the absence of information on domestic prices in Belgium and the Netherlands, PNZ based normal values on estimates derived from retail prices adjusted to the ex-factory level, with adjustments to derive prices to food service customers.

1.9.1 Export Prices

31. Section 4 of the Act sets out how export prices are to be determined for the purpose of the Act. In summary, section 4 generally provides that the export price shall be the price paid by the importer other than any additional costs, charges and expenses incurred in preparing the goods for shipment to New Zealand, and any other costs, charges and expenses arising after the shipment.
32. For Belgium, PNZ calculated a base price of EUR 0.68/kg, which it adjusted for inland freight to obtain an ex-factory export price of EUR 0.57/kg. For the Netherlands, PNZ calculated a base price of EUR 0.81/kg, which it adjusted for inland freight to obtain an ex-factory export price of EUR 0.70/kg. PNZ has submitted evidence supporting this analysis in its application. The evidence relates to inland freight and was based on inland freight costs in New Zealand.

MBIE's assessment of evidence of export prices

33. MBIE is satisfied that PNZ has provided evidence of export prices, including information on base prices and of the proposed adjustments to the base prices. Although not exhaustive, MBIE considers the evidence is sufficient to provide plausible estimates of export prices.
34. MBIE's analysis, based on the evidence submitted by PNZ and its own independent research, is available in section C of the Annex. MBIE accepts that the export prices calculated by PNZ are reasonable and the approach used by PNZ is adequate.

1.9.2 Normal Values

35. Section 5 of the Act sets out how normal values are to be determined for the purpose of the Act. In summary, section 5 generally provides that the normal value shall be the price paid for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arm's length transactions by the exporter or, if like goods are not so sold by the exporter, by other sellers of like goods.
36. In calculating its normal values PNZ used retail prices in the country of export as information available to it. PNZ took account of the disparity between the price at which the subject goods are sold to the retail sector and to the food service sector, as there is a higher proportion of sales to the food service sector at significantly lower prices. The evidence presented was based on retail prices in the exporting countries, discounted by the estimated difference between retail and food service prices. The level of this difference was based on the relative price difference in New Zealand between retail prices and prices to the hospitality/food service sector.
37. For Belgium, PNZ started with a base price of EUR 1.99/kg, adjusted for VAT, reseller margin and inland freight to obtain an ex-factory normal value of EUR 1.35/kg. For the Netherlands, PNZ started with a base price of EUR 1.86/kg and adjusted for VAT, reseller margin and inland freight to obtain an ex-factory normal value of EUR 1.22/kg. PNZ has submitted evidence supporting this analysis in its application. The evidence for the reseller margins and the inland freight cost were based on levels in New Zealand.

MBIE’s assessment of normal values

- 38. MBIE is satisfied that the information provided on the estimated normal values is adequately supported by evidence included in the application or in referenced material. Although not exhaustive, MBIE considers that the adjustments made are sufficient to give plausible estimates of normal values.
- 39. MBIE’s analysis based on the evidence submitted by PNZ and its own independent research is available in section C of the Annex. MBIE accepts that the normal values calculated by PNZ are reasonable and the approach used by PNZ is adequate.

1.9.3 Dumping Margins

- 40. The application indicated dumping margins of 136 per cent for Belgium and 73 per cent for the Netherlands.
- 41. In order to assess the accuracy and adequacy of the information provided in the application, MBIE has applied the approach used by PNZ, but used New Zealand Customs Service (Customs) data relating only to the subject goods and found dumping margins that are not significantly different from the application. Details of the analysis are included in the Confidential Attachment to the Annex.

Figure 4.1 – Dumping Margins

	PNZ	
	Belgium	Netherlands
Normal Value - EUR/kg	1.35	1.22
Export Price - EUR/kg	0.57	0.70
Dumping Margin - EUR/kg	0.78	0.52
Dumping margin as % of export price	136%	73%

Conclusions on Dumping

- 42. In considering the requirements of section 10A(1)(a)(i) of the Act MBIE accepts that there is sufficient evidence of dumping to justify proceeding with an investigation. MBIE has assessed the method used by PNZ and has reviewed the accuracy and adequacy of the supporting evidence submitted in its application.
- 43. The evidence further shows that the margins of dumping are in excess of the minimum levels of dumping beneath which a dumping investigation must be terminated under section 11(2)(a)(ii) of the Act (less than 2% of the export price).

1.10 Evidence of Material Injury

- 44. Section 8(1) of the Act sets out the matters that must be examined when determining whether or not material injury to an industry is being caused by means of the dumping of goods imported into New Zealand, while section 8(2) sets out in more detail matters that MBIE must have regard to in any investigation to establish if material injury exists (without limiting the generality of section 8(1), or the matters MBIE may consider).
- 45. Section 8(1) of the Act provides:

(1) In determining for the purposes of this Act whether or not any material injury to an industry has been or is being caused or is threatened or whether or not the

establishment of an industry has been or is being materially retarded by means of the dumping or subsidisation of goods imported or intended to be imported into New Zealand from another country, the chief executive shall examine—

- (a) The volume of imports of the dumped or subsidised goods; and*
- (b) The effect of the dumped or subsidised goods on prices in New Zealand for like goods; and*
- (c) The consequent impact of the dumped or subsidised goods on the relevant New Zealand industry.*

46. In its application, PNZ has considered the effects of imports from Belgium and the Netherlands on a cumulated basis. Although not specifically provided for in the Act, Article 3.3 of the AD Agreement provides for cumulation. An investigation would need to ensure that the conditions for cumulation set out in Article 3.3 of the AD Agreement are met before MBIE could cumulatively assess the effects of any dumped imports.
47. The evidence provided by PNZ was a complete set of data from the individual companies the make up the industry, and covered production, output and sales, revenue, cost, prices, profits, employment, capacity, inventories, and other injury factors.
48. The period of investigation for injury (POI(I)) will be based on financial years ending June 2018 to June 2020, with forecasts to June 2021 where appropriate.

1.10.1 Threat of Injury

49. Section 8 of the Act does not set out how to consider a threat of material injury. However, Article 3.7 of the AD Agreement identifies some relevant factors in this regard including the rate of increase in dumped imports and the likelihood of substantially increased importation, the capacity and readiness of exporters to increase exports, prices and their effects, and inventories of the product being investigated. Article 3.7 of the AD Agreement requires that a change in circumstances which would create a situation where dumping would cause injury must be clearly foreseen and imminent.

1.10.2 Import Volume Effects

50. Section 8(2)(a) of the Act requires that the chief executive should have regard to the extent to which there has been or is likely to be a significant increase in the volume of imports of dumped goods either in absolute terms or in relation to production or consumption in New Zealand.
51. In assessing the accuracy and adequacy of the evidence of whether dumped imports have increased significantly in absolute terms or in relation to production or consumption in New Zealand, MBIE analysed Customs data for the twelve months to June 2020, adjusted to the extent possible to reflect imports of the subject goods only. The volumes of imports are, as could be expected, lower than the unadjusted figures available to PNZ, but the shares of total imports are broadly similar.
52. Customs data shows that exports from the Netherlands have declined gradually over the first nine months of 2020 while exports from Belgium have risen to high levels. MBIE also notes that in the first six months of calendar year 2020, Belgium and the Netherlands combined had exported 2,076 tonnes of frozen potato fries and wedges, which is slightly over half of their total annual exports in calendar year 2019 of 4,040 tonnes. Further details of this analysis are available in section D of the Annex.

1.10.3 Likelihood of increased imports

53. With regard to a threat of injury, the applicant should provide evidence in relation to whether there will likely be a significant rate of increase in dumped imports indicating a likelihood of substantially increased importation; sufficient capacity and readiness of the exporter to substantially increase dumped exports to New Zealand; and sufficient inventories of the subject goods.
54. PNZ claims that:
- There is a significant change of circumstances due to COVID-19, with a high likelihood of substantially increased imports;
 - The change in circumstances is clearly foreseen and imminent, based on:
 - Capacity and existing inventories of like goods and raw materials available in Belgium and the Netherlands,
 - Evidence of collapsing export prices which in the past led to increased imports,
 - Government support for the industry in Belgium and the Netherlands which will result in continued production, leading to surpluses and lower export prices.

MBIE's assessment of evidence of import volume effects

55. In its assessment of threat of injury, MBIE considers whether the evidence supports a conclusion that a substantial increase in imports is likely and that exporters have the capacity and/or inventories to support such an increase. The assessment also considers whether there is a change in circumstances that make this likelihood imminent.

Summary of Findings

Is there evidence of a likelihood of an increase in dumped imports supported by the readiness and capacity of exporters to increase exports and sufficient inventories, and is there a change in circumstances which makes a threat of injury imminent?

- *MBIE concludes that the information provided by PNZ does support the claim that Belgium and the Netherlands are likely to have substantial capacity to export significant volumes of the subject goods to New Zealand.*
- *MBIE accepts that the evidence supporting PNZ's claim regarding the increase in inventories and capacity of the Belgian and Dutch exporters is based on information available to it at the time of application.*
- *MBIE notes that over the period Belgium and the Netherlands have exported significant volumes to New Zealand, which supports the claim that these exporters have the capacity and inventory levels to continuously supply the New Zealand market.*
- *MBIE accepts the evidence available to PNZ in support of the allegation that FOB export prices have recently declined significantly and swiftly over a short period in recent months.*
- *MBIE's conclusion is that it would be difficult to say that there is a causal link between the aid provided to potato growers for effects arising from the COVID-19 pandemic, and the volumes and prices of exports of frozen processed potatoes. It would also be difficult to identify any level of benefit that would pass through to exporters of frozen potato products as a result of these programmes.*

56. MBIE is satisfied that overall PNZ has provided evidence that shows that there is likely to be increased volumes of imports of frozen fries and wedges from Belgium and the Netherlands at dumped prices and that this poses a threat of material injury to the New Zealand industry.

1.10.4 Price Effects

57. Sections 8(2)(b) and (c) of the Act require that the chief executive shall have regard to the extent to which prices of the dumped goods represent significant price undercutting in relation to prices in New Zealand (at the relevant level of trade) for like goods of New Zealand producers, and the extent to which the effect of the dumped goods is or is likely significantly to depress prices for like goods of New Zealand producers or significantly to prevent price increases for those goods that otherwise would have been likely to have occurred (price suppression).
58. With regard to a threat of injury, an applicant should provide evidence that imports are entering at prices that will have a significant depressing or suppressing effect on domestic prices, and would likely increase demand for further imports. MBIE's full analysis of the evidence provided is presented in section D of the Annex.

MBIE's assessment of evidence of price effects

Summary of Findings

Is there evidence that dumped goods are significantly undercutting prices of New Zealand goods; significantly depressing prices of New Zealand goods; or significantly preventing price increases of New Zealand goods?

MBIE is satisfied with the approach and the accuracy and adequacy of information used by PNZ to calculate the levels of price undercutting for the four producers. PNZ calculated an industry average of 27 per cent, forecast industry average of 48 per cent, price depression to the full extent of the price undercutting and price suppression averaging 114 per cent in 6 months time and 161 per cent by the end of June 2021. MBIE concludes that PNZ has provided sufficient evidence that dumping of the subject goods is, and is likely to continue, significantly undercutting prices of New Zealand goods; significantly depressing prices of New Zealand goods; and significantly preventing price increases of New Zealand goods.

59. MBIE is satisfied that PNZ has provided sufficient evidence that the average prices of allegedly dumped frozen potato fries and wedges imported from Belgium and the Netherlands have undercut the New Zealand industry's average selling prices for some of the period examined, and that there is a likelihood that prices could remain at low levels. The forecast also shows that the New Zealand industry will experience price depression and price suppression in the next 12 months.

1.10.5 Consequent Impact

60. Section 8(2)(d) of the Act requires an assessment of the consequent impact of the dumped goods on the New Zealand industry, and the relevant factors are taken into account when considering the extent of that impact. These factors are considered below, a full analysis of the arguments is presented in section D of the Annex.
61. PNZ has based its current analysis in this section on data in the financial year ending June 2020 and forecast analysis on the year ending June 2021. PNZ stated that the industry's

strategy is to compete on price with the objective of maintaining market share and selling existing inventories by maintaining the current output levels until June 2021. PNZ based its forecast on the assumption that in the absence of trade remedy measures, post-2021 producers will exit the New Zealand industry due to the adverse effects of dumping. Information was provided in respect to each of the New Zealand producers.

MBIE's assessment of evidence of consequent impact

62. It should be noted that a finding of the sufficiency of the evidence in relation to material injury does not require that all of the injury factors examined should indicate adverse effects, nor does an absence of an actual or potential decline in some factors or actual and potential negative effects in other factors mean that there is insufficient evidence of material injury.

Summary of Findings

Has the dumping of imports contributed to actual or potential decline in output, sales, market share, profits, productivity, return on investments and utilisation of production capacity?

MBIE concludes that PNZ has provided sufficient evidence showing that the dumping of imports has not resulted in any current decline in output, sales volume, market share, profits, productivity and utilisation of production capacity in the period ending June 2020. However, sufficient evidence was provided indicating that dumping of imports will contribute to potential decline in these factors in the period between June 2020 and June 2021. In the absence of anti-dumping duties, PNZ claims that the impact of dumping will cause producers to exit the New Zealand industry. PNZ has not provided any evidence regarding the actual or potential impact of dumped imports on its return on investment.

Has the dumping of imports had an impact on factors affecting domestic prices, and what is the impact of the magnitude of the margin of dumping?

MBIE notes that PNZ has neither provided any evidence nor made any claims regarding factors affecting domestic prices and the magnitude of dumping, therefore there was no basis to make a determination. However, MBIE considers the magnitude of dumping is an indicator of the extent to which injury can be attributed to dumping especially in comparison to price undercutting. Therefore, MBIE notes that estimated dumping margins are 136 per cent for Belgium and 73 per cent for the Netherlands. These margins are significant enough to imply the likelihood of injury being caused or threatened by dumped imports.

Have the dumped imports had actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital and investments?

MBIE concludes that the evidence provided by PNZ does not show negative actual effects of dumping on employment and wages in the current period, but shows evidence that there will be negative effects in the forecasted period.

MBIE notes that PNZ has neither provided any specific evidence nor made any claims regarding the effect of dumped imports on the industry's inventories. However, it did state that the reason for taking the stance of competing on price is so the industry can maintain its market share and sell existing inventories. PNZ observed that the price undercutting by imports from Belgium and the Netherlands adversely affects growth, but has not provided any specific evidence regarding the effect of dumped imports on the industry's growth. MBIE notes that PNZ has neither provided any specific evidence nor made any claims regarding the effect of dumped imports on cash flow, ability to raise capital and investments.

MBIE considers that dumped imports potentially have future negative effects on the industry's growth and inventories. With regard to cash flow, ability to raise capital and investments MBIE did not have sufficient evidence to determine whether dumped imports had actual or potential negative effects.

63. MBIE is satisfied that the evidence indicates that there will be a consequent impact on New Zealand industry in relation to the identified injury factors arising from the threat posed by an increase in the volume of imports and price effects of allegedly dumped frozen potato fries and wedges from Belgium and the Netherlands.

1.10.6 MBIE's conclusions relating to evidence of injury

64. Based on its analysis, MBIE concludes that PNZ has submitted sufficient evidence to demonstrate that the New Zealand industry is facing a threat of material injury from dumped imports of frozen potato fries and wedges from Belgium and the Netherlands.
65. MBIE notes that even though there is evidence of current dumping, PNZ did not make a claim of current injury to the New Zealand industry. MBIE understands that it is continued importation of increased volumes of subject goods at dumped prices that poses a threat of injury in the future for the New Zealand industry as shown by the forecasted impact.

1.11 Causal Link

66. In assessing the sufficiency of the evidence provided in the application, MBIE needs to consider the extent to which the evidence shows that material injury is attributable to the allegedly dumped imports or whether there are other factors contributing to the injury

1.11.1 Dumped Imports

67. PNZ claimed that the significant elements of the causal link are:
- Frozen potato products are being exported at dumped prices;
 - Increased and available inventories and the significant change in circumstance caused by COVID-19 has had an effect of:
 - Reducing frozen potato demand globally as hospitality industries are shut during lockdowns and operating at lower capacity due to social distancing requirements;

- Reduced demand has led to surpluses of frozen potato inventory and potato raw material in Belgium and the Netherlands; and
 - Intervention (support) measures have been put in place in Belgium and the Netherlands to assist the industry by mitigating the impact of Covid-19 induced surpluses.
- There is evidence of surplus inventory of frozen potato products available in the Netherlands and Belgium, which will result in substantially increased import volumes;
 - There is evidence to suggest surplus capacity exists with producers currently intending to keep producing frozen potato products until they run out of storage;
 - There is evidence that government support for the potato growing industries in Belgium and the Netherlands is being taken advantage of, with producers buying low priced raw material from the “free-buy” market, which will result in further export price reductions, increasing dumping margins; and
 - There is evidence to suggest the import volume is growing and accelerating relative to current imports.
68. MBIE is satisfied that there is sufficient evidence showing a causal link between the threat posed by the allegedly dumped imports from Belgium and the Netherlands, and the current and forecast material injury caused by volume and price effects and their consequent impact on the New Zealand industry.

1.11.2 Other causes of injury

69. Section 8(2)(e)(i) to (v) of the Act requires the chief executive to have regard to factors other than the dumped or subsidised goods that have injured or are injuring the domestic industry, including the following factors. MBIE’s assessment of the factors is presented in section D of the Annex.
- Volume and prices of goods not sold at dumped prices;
 - Contraction in demand or changes in patterns of consumption;
 - Restrictive trade practices and competition between overseas and New Zealand producers;
 - Developments in technology;
 - Export performance and productivity of New Zealand producers; and
 - Imports by the New Zealand industry.

MBIE’s assessment of evidence of other causes of injury

70. PNZ provided evidence and comments on the matters listed in section 8(2)(e)(i) to (v) of the Act, including evidence of exports and imports by the industry. MBIE is satisfied that the evidence provided is sufficient.

2. Recommendations

71. Based on the above statutory requirements, MBIE recommends that you, as the Acting Manager of the Trade and International Team of MBIE, acting under delegated authority from the Chief Executive:

Agree that you are satisfied from the evidence in PNZ's application that in accordance with section 10A(1)(a) of the Act there is sufficient evidence to justify investigating whether frozen potato fries and wedges from Belgium and the Netherlands imported into New Zealand are dumped, and that the alleged dumping has caused, is causing, or threatens to cause material injury to the New Zealand industry.

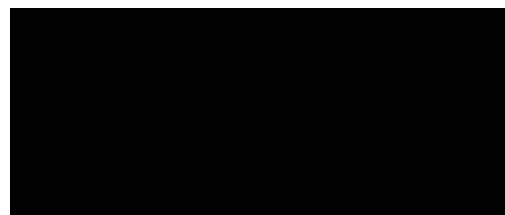
Agree that you are satisfied from the evidence in PNZ's application that support for the application by the New Zealand industry producing frozen potato fries and wedges meets the requirements of section 10A(1)(b) of the Act.

Note that, in accordance with the requirements in section 10A(2)(a) of the Act, the Governments of Belgium and the Netherlands and the European Commission have been advised of the goods that are the subject of the proposed investigation.

Agree in accordance with section 10A(1) of the Act to start an investigation into the alleged dumping and threat of material injury posed by frozen potato fries and wedges imported from Belgium and the Netherlands.

Agree to give notice of the decision to start step 1 of the investigation, in accordance with section 10B(2) of the Act, and to sign the attached *Gazette* Notice.

Trade Remedies Group
October 2020



Agree/Disagree

Adam Dubas
Acting Manager
Trade and International
30/10/2020

Trade (Anti-dumping and Countervailing Duties) Act 1988

Annex to Initiation Report

Frozen potato fries and wedges from Belgium and the Netherlands

Abbreviations and Acronyms

Acronym	Meaning
Act, the	The <i>Trade (Anti-dumping and Countervailing Duties) Act 1988</i>
AD Agreement, the	The WTO Agreement on Implementation of Article VI of the GATT
BE	Belgium
CIF	Cost, Insurance, Freight
COVID-19	Novel Coronavirus Disease 2019
Customs	New Zealand Customs Service
EBIT	Earnings Before Interest and Taxes
EC	European Commission
EU	European Union
EUR	Euro (€)
FOB	Free on Board
FTA	Free Trade Agreement
FY	Financial Year
HS	Harmonised System
IPP	Import Price Parity
KG	Kilogram
MBIE	Ministry of Business, Innovation and Employment
MT	Metric ton (tonne)
NL	Netherlands, the
NZ	New Zealand
NZD	New Zealand Dollar
PNZ	Potatoes New Zealand Limited
POI(D)	Period of Investigation (Dumping)
POI(I)	Period of Investigation (Injury)
PPP	Purchasing Power Parity
ROI	Return on investment
SCM Agreement, the	The WTO Agreement on Subsidies and Countervailing Measures
USD	United States Dollar
VAT	Value Added Tax
VFD	Value for Duty
WTO	World Trade Organization

REPORT DETAILS

- A1. Unless otherwise stated, financial years (FY) are years ending 30 June and dollar values are New Zealand dollars (NZD). In tables, column totals may differ from the sum of individual figures because of rounding.
- A2. All volumes are expressed on a metric ton (MT/tonne) basis unless otherwise stated. The exchange rates used are the Customs exchange rates, or the rate provided by the applicant and that MBIE considers most appropriate in the circumstances, as indicated in the text.
- A3. Information which is confidential in terms of section 3F(5) of the Act, or which would be withheld if requested under the Official information Act 1982, is set out in the Confidential Attachment to this Initiation Report.

A – GOODS DESCRIPTION

Subject Goods

A4. The subject goods are described as:

Frozen potato fries and wedges falling under tariff code 2004100000

A5. PNZ notes that the goods subject to the application are descriptively the same as the goods that are produced by the New Zealand industry.

Tariff Classification

A6. The subject goods are currently subject to the following classification in the New Zealand Customs Tariff.

Figure 2.1: Tariff Classification

Tariff item	Stat Key	Unit	Description	Duty %	Pref.
20.04			Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen other than products of heading 20.06:		
2004.10.00	00J	kg	– Potatoes	5	Free *See Below CA Free LDC Free
*Unless otherwise indicated, AAN, AU, CN, CPT, HK, KR, LLDC, MY, Pac, SG, TH, TPA and TW rates in the Preferential Tariff are Free.					

Imports

A7. In its application, PNZ provided frozen potato products import data from January 2019 until March 2020, derived from Statistics New Zealand InfoShare for New Zealand tariff item and statistical key 2004.10.00.00J,¹ and for January 2015 until May 2020 from TradeData International import statistics for EU tariff items 2004.10.10, 2004.10.91 and 2004.10.99². For both sources, these tariff lines covers a wider range of goods than the subject goods. Using Customs data MBIE will be able to narrow down the data to better compare the subject goods to the like goods.

¹ New Zealand HS classification for other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading 20.06: Potatoes.

² European Union HS classification 2004.10.10 cooked potatoes frozen, 2004.10.91 potatoes prepared or preserved in the form of flour, meal or flakes frozen and 2004.10.99 potatoes prepared or preserved otherwise than by vinegar or acetic acid; frozen (excl: cooked only and in the form of flour, meal or cakes).

- A8. Commenting on the FY2020 data, PNZ noted that the Statistics New Zealand InfoShare database has a time lag of up to 8 weeks, which means that at the time of application PNZ might not have data covering the entire period of investigation for dumping.
- A9. Figure 2.2 presents data submitted by PNZ in its application, based on Statistics New Zealand InfoShare data for tariff item 2004100000 for year ending April 2020. It shows that the total import shares held by Belgium were 11.5 per cent and the Netherlands were 15.1 per cent making a combined total of 26.6 per cent therefore meeting the negligibility test set out in Article 5.8 of the AD Agreement, which requires that an application be rejected if the volume of dumped imports from a particular country is less than 3 per cent of all imports.

**Figure 2.2: PNZ Import Data, year ended April 2020
(Kilograms, NZD, NZD/kg, percentage)**

Country	Quantity (KG)	Costing including insurance and freight (NZD)	Value for duty (NZD)	VFD/KG (NZD/KG)	Share
Australia	7,607,322	13,827,323	12,930,668	1.70	40.3%
Austria	6,720	16,964	15,058	2.24	0.0%
Belgium	2,165,911	3,951,504	3,584,071	1.65	11.5%
Canada	471,780	1,517,873	1,370,567	2.91	2.5%
China, People's Republic of	189,777	501,468	465,669	2.45	1.0%
Columbia	168	3,781	3,096	18.43	0.0%
France	2,394	21,364	19,409	8.11	0.0%
Germany	7,213	24,815	24,173	3.35	0.0%
India	966,943	1,785,465	1,609,339	1.66	5.1%
Japan	60	809	646	10.77	0.0%
Korea, Republic of	519	11,335	10,816	20.84	0.0%
Lithuania	50	186	177	3.54	0.0%
Netherlands	2,847,867	4,848,774	4,338,240	1.52	15.1%
New Zealand	284,610	440,112	437,411	1.54	1.5%
South Africa	47,694	195,126	182,211	3.82	0.3%
Spain	34,144	95,862	95,622	2.80	0.2%
Taiwan	749	3,118	2,968	3.96	0.0%
Tonga	90	83	65	0.72	0.0%
United Kingdom	396	8,982	7,267	18.35	0.0%
United States	4,220,205	8,941,874	7,630,658	1.81	22.4%
Total	18,854,612	36,196,818	32,728,131	1.74	100.0%

- A10. MBIE has obtained data from Customs for the period starting in January 2015 to August 2020, covering FY2016 to FY2020. Using the goods entry line description, MBIE screened the data for products that may fall within the subject goods description. This is the data used as "Customs data" in this report, unless otherwise stated.
- A11. MBIE's analysis of Customs data, in Figure 2.3, notes that as of June 2020 the Netherlands is the third largest source of New Zealand's imports of frozen potato fries and wedges with annual export volumes to New Zealand ranging between 2,341 tonnes and 4,925 tonnes between FY2016 and FY2020. Over this same period Belgium, the fourth largest source, had declining trend in export volumes of frozen potato fries and wedges to New Zealand with 2,808 tonnes in FY2016 and 1,459 tonnes in FY2020.
- A12. Customs data for the year ending June 2020 indicated that 11 per cent of New Zealand's imported frozen fries and wedges originated from Belgium whilst 18 per cent originated

from the Netherlands. These gave a combined 29 per cent, down from a high of 42 per cent in FY2018.

Figure 2.3: Imports, years ended June, Customs data

	FY2016	FY2017	FY2018	FY2019	FY2020
Tonnes:					
Belgium	2808	2482	1883	1204	1459
Netherlands	2341	3376	4925	3187	2474
Total	5150	5858	6808	4391	3934
Australia	6901	6667	4972	4756	5613
United States	2184	3006	3740	3663	3314
Other	549	923	813	642	687
Total imports	14784	16454	16332	13452	13548
Share of imports %:					
Belgium	19%	15%	12%	9%	11%
Netherlands	16%	21%	30%	24%	18%
Total	35%	36%	42%	33%	29%
Australia	47%	41%	30%	35%	41%
United States	15%	18%	23%	27%	24%
Other	4%	6%	5%	5%	5%

Like Goods

- A13. In order to establish the existence and extent of the New Zealand industry for the purposes of an investigation into injury, and having identified the subject goods, it is necessary to determine whether there are New Zealand producers of goods that are like those goods in all respects or have characteristics that closely resemble the subject goods.
- A14. Section 3(1) of the Act defines **like goods**, in relation to any goods, as:
- Other goods that are like those goods in all respects; or
 - In the absence of goods referred to in paragraph (a), goods which have characteristics closely resembling those goods.
- A15. Section 3 of the Act provides that like goods are goods that either are like the imported goods in all respects or have characteristics that closely resemble those goods. To determine whether the goods produced in New Zealand are like goods to the subject goods, the Act considers comparison of physical characteristics, function and usage, pricing structures, marketing and any other relevant considerations, with no one of these factors being necessarily determinative.
- A16. PNZ states that the frozen potato fries and wedges that it produces are “like goods” to the subject goods, as required under section 3(1) of the Act. PNZ noted that the goods subject to the application are the same as the goods produced by the New Zealand industry in respect of method of manufacture, physical characteristics, end use and marketing and distribution channels.
- A17. The New Zealand potato industry’s manufacturing process starts with potatoes as raw materials being washed, peeled (or not), cut, fried, frozen then packed. PNZ claims that locally produced frozen fries and wedges are distributed using similar channels, target similar customers and use similar means of advertising as the subject goods.

- A18. Regarding physical characteristics and the end use of the locally produced potato fries and wedges, the applicant claims that these products are identical and would not be differentiated in a blind taste.
- A19. PNZ noted that there are no material differences in respect to method of manufacture, physical characteristics, end use, and marketing and distribution channels.
- A20. Based on the evidence provided by PNZ, MBIE concludes that the frozen potato fries and wedges produced by PNZ are like the subject goods.

MBIE Consideration

- A21. On the basis of these considerations, and in particular the physical characteristics, production methods, function and usage of the goods, MBIE concludes that, for initiation purposes, PNZ produces like goods to the goods imported from Belgium and the Netherlands.

B – INTERESTED PARTIES

New Zealand Industry

- A22. Section 3A of the Act defines the term **industry** as:
- a. the New Zealand producers of like goods; or
 - b. such New Zealand producers of like goods whose collective output constitutes a major proportion of the New Zealand production of like goods.
- A23. MBIE is satisfied that PNZ is representing the majority of the New Zealand domestic industry, and in accordance with section 10A(1)(b) of the Act, the collective output of those New Zealand producers who have, in writing expressed support for the application constitutes 25 per cent or more of the total New Zealand production of like goods and more than 50 per cent of the total production of the goods by those New Zealand producers who have, in writing, expressed support for or opposition to the application.
- A24. MBIE has accepted that the members of PNZ support the application. Accordingly, the requirements for industry support for the application have been met. The four supporting producers, out of five producers in the industry, are affiliated to the association that has made this application on behalf of the industry.

Exporters

- A25. PNZ was not aware of the names and addresses of the Belgian exporters of the subject goods. However, it did provide a link to a website listing over 40 Belgian manufacturing companies with the potential and capacity to export to New Zealand
- A26. PNZ did not name any exporters from the Netherlands in its application.
- A27. MBIE has used Customs data to identify suppliers who are interested parties in the investigation. There do not appear to be intermediaries acting on behalf of any the parties involved. MBIE has used Customs data to establish the individual Belgian and Dutch companies supplying the subject goods. These are listed in Figure 3.1.

Figure 3.1: Suppliers

Belgium	Netherlands
Agristo NV	Agristo NV
Ardo NV/SA	Aviko BV
Clarebout Potatoes NV	Clarebout Potatoes NV
Farm Frites International BV	Farm Frites International BV
Mydibel	Lamb Weston Meijer VOF
PinguinLutosa Foods Zone Industrielle du Vieux Pont SA	Mydibel

Importers

- A28. PNZ indicated that neither it nor the producers it represents import frozen potato fries and wedges from Belgium. MBIE confirmed this information using Customs data. Even though the application was not clear about members of PNZ importing from the Netherlands, MBIE was able to ascertain that none of the producers represented by PNZ import from the Netherlands.

- A29. There are no intermediaries acting on behalf of companies in New Zealand importing frozen potato fries and wedges from Belgium and the Netherlands.
- A30. MBIE has identified importers of the subject good from Belgium and the Netherlands from Customs data. Details of importers of frozen potato fries and wedges from Belgium and the Netherlands, derived from Customs data, are listed in Figure 3.2.

Figure 3.1: Importers

Belgium	Netherlands
Farmlands Mathias International Limited	Davis Trading Company Limited
Foodstuffs South Island Limited	General Distributors Limited
General Distributors Limited/Woolworths New Zealand Limited	Heinz Watties Limited
Heinz Watties Limited	Ice-Land Group Limited
Ice-Land Group Limited	Service Foods Limited
Service Foods Limited	Shore Mariner Ltd

Foreign Governments

- A31. The Governments of Belgium, the Netherlands, and the European Commission are considered “notified parties” under the Act, and “interested parties” under the AD Agreement.

C – EVIDENCE OF DUMPING

Legal Requirements

- A32. Section 10 of the Act outlines the evidence of dumping that is required in a properly documented application. Under section 10A(1)(a) the chief executive must start an investigation if there is sufficient evidence to justify investigating whether goods imported into New Zealand are being dumped, and the dumping has caused or is causing or threatens to cause material injury to the industry.
- A33. The basis for considering the sufficiency of evidence is set out in section 1.2 above. The information from the application to be considered in order to warrant initiation of a dumping investigation and which is reasonably available to the applicant, includes:
- evidence of the normal values of the allegedly dumped goods
 - evidence of the export prices of the allegedly dumped goods.
- A34. The Act defines ‘dumping’ in section 3(1), which reflects the definition set out in the AD Agreement. In particular, ‘dumping’, in relation to goods, means the situation where the export price of goods imported into New Zealand or intended to be imported into New Zealand is less than the normal value of the goods as determined in accordance with the provisions of the Act, and ‘dumped’ has a corresponding meaning.
- A35. In considering the sufficiency of the evidence provided in the context of information reasonably available to the applicant, MBIE has assessed the accuracy and adequacy of the evidence, including any supporting information. In particular, in order to ensure that the application is not based on simple assertion, unsubstantiated by relevant evidence, MBIE has examined the supporting evidence provided in the application for export prices and normal values and whether that evidence does, in fact, support the values established.
- A36. It should be noted that while the application is based on a threat of injury from dumped goods, this does not mean that the consideration of dumping is based on a threat of dumping. The requirement in relation to considering allegations of dumping is to establish whether there is sufficient evidence to justify investigating whether goods imported or intended to be imported into New Zealand are being dumped. The consideration of information relating to dumping is normally based on a recent relevant period, with an assumption that any dumping behaviour found in that period will continue, unless circumstances indicate otherwise.

Export Prices

- A37. MBIE is required to assess the sufficiency of the evidence of export prices of the allegedly dumped goods, as submitted by PNZ in its application. This assessment considers the factors set out in section 4 of the Act, and takes account of available information and acceptable methods of calculation.

PNZ Application

- A38. In its application, PNZ noted that it did not have the commercial information suggested by MBIE in its Dumping Investigation Application Form, such as invoices or quotes, because the companies it represents do not import the subject goods. PNZ used USD FOB export data for Belgium and the Netherlands from TradeData International. The 12-month average exchange rate obtained from www.x-rates.com was used to convert values to

EUR. The TradeData International export information used by PNZ uses product specific sub-tariff lines that are more defined than the Statistics New Zealand InfoShare tariff item, which combines all food preparations, made from potatoes in one tariff line.

MBIE Assessment

A39. MBIE’s assessment of the information provided, including the supporting information provided by PNZ, is set out below.

Evidence	MBIE Assessment
Belgium	
<p>Base Prices</p> <p>PNZ estimated export prices based on TradeData International export data for the total USD FOB value and volume in tonnes of exports from Belgium to New Zealand for the year ended 30 April 2020. The USD FOB was divided by the total volume, to give a unit value of USD 0.76/kg FOB. Using an average exchange rate for the same 12-month period the unit FOB value in USD/kg was converted to EUR 0.68/kg.</p> <p>PNZ took note of large variations in the month-to-month FOB per kilogram it attributed to changes in the mix of products imported.</p>	<p>MBIE notes that at this stage PNZ would have had no access to information that would enable it to confine the data used only to the subject goods.</p> <p>MBIE has checked the calculations from the source data and the currency conversion.</p> <p>MBIE is satisfied that the information in the application is information that is reasonably available to the applicant and is sufficient as evidence for the base prices proposed.</p>
<p>Adjustments</p> <p><i>Inland freight</i></p> <p>To calculate an ex-factory export price, PNZ deducted estimated costs of EUR 0.11/kg from the FOB price to reach an ex-factory price in Belgium.</p> <p>The amount of the adjustment was based on information relating to actual freight rates in New Zealand for shipments of the subject goods. PNZ notes that the distances travelled in Belgium and the Netherlands are likely to be shorter than in New Zealand, so the rate used may be an overestimate of actual rates in the exporting countries.</p>	<p>MBIE has checked the information provided, and is satisfied that subject to the investigation clarifying the inland freight costs and other costs that might apply to actual shipments in any investigation, the information in the application is information that is reasonably available to the applicant and is sufficient to provide evidence for the adjustment proposed.</p>
<p>Ex-factory Export Price</p> <p>PNZ has calculated an ex-factory export price of EUR 0.57/kg by deducting the adjustment for inland freight from the base price.</p>	<p>MBIE notes that adjustments for cost of credit, export packaging, inland freight and export documentation were not accounted for in the calculation by PNZ.</p>

	<p>MBIE’s analysis in the Confidential Attachment applies the method and average exchange rates used by PNZ to data obtained from Customs and screened for subject goods only, and obtained an ex-factory price of EUR 0.59/kg.</p> <p>MBIE is satisfied that information in the application is information that is reasonably available to the applicant and is sufficient as evidence for the export price proposed.</p>
<p>The Netherlands</p>	
<p>Base Prices</p> <p>PNZ estimated export prices based on TradeData International export data for the total USD FOB value and volume in tonnes of exports from the Netherlands to New Zealand for the year ended 30 April 2020. The USD FOB was divided by the total volume, to give a unit value of USD 0.90/kg FOB. Using an average exchange rate for the same 12-month period the unit FOB value in USD/kg was converted to EUR 0.81/kg.</p> <p>PNZ takes note of large variations in the month-to-month value for duty per kilogram, which it attributed to changes in the mix of products imported.</p>	<p>MBIE notes that PNZ does not have access to information that would enable it to confine the data used only to the subject goods.</p> <p>MBIE has checked the calculations from the source data and the currency conversion from the supporting information provided.</p> <p>MBIE is satisfied that the information in the application is information that is reasonably available to the applicant and is sufficient as evidence for the base prices proposed.</p>
<p>Adjustments</p> <p><i>Inland freight</i></p> <p>To calculate an ex-factory export price, PNZ deducted estimated costs of EUR 0.11/kg from the FOB price to reach an ex-factory price in the Netherlands.</p> <p>The amount of the adjustment was based on information relating to actual freight rates in New Zealand for shipments of the subject goods. PNZ notes that the distances travelled in Belgium and the Netherlands are likely to be shorter than in New Zealand, so the rate used may be an overestimate of actual rates in the exporting countries.</p>	<p>MBIE has checked the information provided, and is satisfied that subject to the investigation clarifying the inland freight costs and other costs that might apply to actual shipments in any investigation, the information in the application is information that is reasonably available to the applicant and is sufficient to provide evidence for the adjustment proposed.</p>
<p>Ex-factory Export Price</p> <p>PNZ has calculated an ex-factory export price of EUR 0.70/kg by deducting the adjustment for inland freight from the base price.</p>	<p>MBIE notes that adjustments for cost of credit, export packaging, inland freight and export documentation were not accounted for in the</p>

	<p>calculation by PNZ.</p> <p>MBIE’s analysis in the Confidential Attachment applies the method and average exchange rates used by PNZ to data obtained from Customs and screened for subject goods only, and obtained an ex-factory price of EUR 0.71/kg.</p> <p>MBIE is satisfied that information in the application is information that is reasonably available to the applicant and is sufficient as evidence for the export price proposed.</p>
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Conclusions on Export Prices

- A40. MBIE is satisfied that PNZ has provided acceptable export prices considering information that is reasonably available to it on base prices and that although not exhaustive the adjustments made are necessary to give plausible estimates of export prices.
- A41. MBIE accepts, for the purpose of initiation, that the export prices calculated by PNZ are based on information reasonably available to the applicant, and the approach used by PNZ is reasonable in the circumstances. The exports prices obtained by PNZ are not significantly different from those obtained by MBIE using Customs data as shown in the Confidential Attachment.

Normal Values

- A42. Section 5(1) of the Act defines that a normal value shall be the price paid for like goods sold in the ordinary course of trade for home consumption in the country of export in sales that are arm’s length transactions by the exporter or, if like goods are not so sold by the exporter, by other sellers of like goods. This requires that MBIE assess the sufficiency of the evidence of normal values of the allegedly dumped goods submitted by PNZ in its application, against the provisions of section 5(2) of the Act, and taking into account available information and acceptable methods of calculation.

PNZ Application

- A43. In its application, PNZ clarified that a high proportion of the New Zealand market is the hospitality\food service sector. Normally the price offered to the hospitality sector is less than the retail price of the subject goods. PNZ was unable to obtain the equivalent hospitality\food service sector prices for the Belgium and Netherlands domestic markets. All PNZ’s analysis in the application was based on retail prices obtained from Belgian and Dutch online retail supermarkets instead of prices offered to the hospitality sector. In the absence of such information, and to account for this difference, PNZ used information on the difference between retail and food service prices offered to the hospitality\food service industry in New Zealand. On this basis, PNZ estimated relative adjustments to retail prices to reflect prices offered to high volume quick serve restaurants, and to other hospitality entities.
- A44. PNZ sourced retail market prices for frozen potato fries and wedges for June 2020. It obtained names of supermarkets in the export countries from Wikipedia, used a search engine (Google) to find the online stores from which it obtained retail prices of the subject goods. Evidence of these prices and the sources used was provided in the application. In its

estimates for adjustments, PNZ used New Zealand-based information on retail margins achieved in New Zealand, and New Zealand freight costs for delivery to port.

MBIE Assessment

A45. MBIE’s assessment of the information provided, including the supporting information provided by PNZ, is set out below.

Evidence	MBIE Assessment
Belgium	
Base Prices	
<p>Based on Belgian retail prices obtained from online retail stores, PNZ calculated an average retail price of EUR 2.88/kg, then adjusted it by the relative price proportion to the high volume quick serve restaurants, based on New Zealand information on relative prices, to obtain an equivalent domestic price to the hospitality\food service sector of EUR 1.99/kg.</p>	<p>MBIE has checked the method used by PNZ in estimating normal values, and checked the calculation against the data on the Belgian retail prices provided.</p>
Adjustments	
<p><i>VAT</i></p> <p>An adjustment was made to account for 6 per cent Belgian VAT. PNZ has provided evidence on the VAT rate applied in Belgium.</p>	<p>MBIE has confirmed that the VAT rate in Belgium for the subject goods is 6 per cent.</p>
<p><i>Reseller margin</i></p> <p>PNZ made an adjustment of 28.6 per cent to provide for a retail margin. This amount is based on knowledge of the margin achieved in New Zealand for subject goods, and supporting information was provided.</p>	<p>MBIE has checked the calculations from the supporting information provided, and is satisfied that subject to the investigation clarifying margins that might apply to actual transactions, the information in the application is information that is reasonably available to the applicant and is sufficient to provide evidence for the adjustment proposed.</p>
<p><i>Inland freight</i></p> <p>To calculate an ex-factory export price, PNZ deducted estimated freight costs of EUR 0.11/kg to reach an ex-factory normal value in Belgium. The amount of the adjustment was based on information relating to actual freight rates in New Zealand for shipments of the subject goods.</p>	<p>MBIE has checked the information provided, and is satisfied that subject to the investigation clarifying the inland freight costs and other costs that might apply to actual shipments in any investigation, the information in the application is information that is reasonably available to the applicant and is sufficient to provide evidence for the adjustment proposed.</p>

Ex-factory Normal Value	
PNZ has established a Belgian ex-factory wholesale price of EUR 1.35/kg, based on the deduction of the adjustments identified above from the base price.	MBIE is satisfied that for the purposes of initiation, the information in the application is information that is reasonably available to the applicant and is sufficient to provide evidence for the estimated normal value.
The Netherlands	
Base Prices	
Based on Dutch retail prices obtained from online retail stores, PNZ calculated an average retail price of EUR 2.69/kg, then adjusted it by the relative price proportion to the high volume quick serve restaurants, based on New Zealand information on relative prices, to obtain an equivalent domestic price to the hospitality\food service sector of EUR 1.86/kg.	MBIE has checked the method used by PNZ in obtaining the normal value and checked the calculation against the data on the Dutch retail prices provided.
Adjustments	
<i>VAT</i> An adjustment was made to account for 9 percent Dutch VAT. PNZ has provided evidence on the VAT rate applied in the Netherlands.	MBIE has confirmed that the VAT rate in the Netherlands for the subject goods is 9 per cent.
<i>Reseller margin</i> PNZ made an adjustment of 28.6 per cent to provide for a retail margin. This amount is based on knowledge of the margin achieved in New Zealand for subject goods, and supporting information was provided.	MBIE has checked the calculations from the supporting information provided, and is satisfied that subject to the investigation clarifying margins that might apply to actual transactions, the information in the application is information that is reasonably available to the applicant and is sufficient to provide evidence for the adjustment proposed.
<i>Inland freight</i> To calculate an ex-factory export price, PNZ deducted estimated freight costs of EUR 0.11/kg to reach an ex-factory normal value in the Netherlands. The amount of the adjustment was based on information relating to actual freight rates in New Zealand for shipments of the subject goods.	MBIE has checked the information provided, and is satisfied that subject to the investigation clarifying the inland freight costs and other costs that might apply to actual shipments in any investigation, the information in the application is information that is reasonably available to the applicant and is sufficient to provide evidence for the adjustment proposed.

Ex-factory Normal Value	
PNZ has established a Belgian ex-factory wholesale price of EUR 1.22/kg, based on the deduction of the adjustments identified above from the base price.	MBIE is satisfied that for the purposes of initiation, the information in the application is information that is reasonably available to the applicant and is sufficient to provide evidence for the estimated normal value.

Conclusions on Normal Value

- A46. MBIE notes that the information provided on the estimated normal value is adequately supported by evidence included in the application or in referenced material and that though not exhaustive the adjustments made are necessary to give plausible normal values.
- A47. MBIE accepts, for the purpose of initiation, that the normal values calculated by PNZ are based on information reasonably available to the applicant, and the approach used by PNZ is reasonable in the circumstances. The normal values obtained by PNZ are not significantly different from those obtained by MBIE using Customs data as shown in the Confidential Attachment.

D – EVIDENCE OF MATERIAL INJURY

Threat of Injury

A48. PNZ's application is based on the threat of injury to the New Zealand industry. The Act does not set out the basis for considering threat of injury, but Articles 3.7 and 3.8 of the AD Agreement provide as follows:

3.7 A determination of a threat of material injury shall be based on facts and not merely on allegation, conjecture or remote possibility. The change in circumstances which would create a situation in which the dumping would cause injury must be clearly foreseen and imminent. In making a determination regarding the existence of a threat of material injury, the authorities should consider, inter alia, such factors as:

- (i) a significant rate of increase of dumped imports into the domestic market indicating the likelihood of substantially increased importation;*
- (ii) sufficient freely disposable, or an imminent, substantial increase in, capacity of the exporter indicating the likelihood of substantially increased dumped exports to the importing Member's market, taking into account the availability of other export markets to absorb any additional exports;*
- (iii) whether imports are entering at prices that will have a significant depressing or suppressing effect on domestic prices, and would likely increase demand for further imports; and*
- (iv) inventories of the product being investigated.*

No one of these factors by itself can necessarily give decisive guidance but the totality of the factors considered must lead to the conclusion that further dumped exports are imminent and that, unless protective action is taken, material injury would occur.

3.8 With respect to cases where injury is threatened by dumped imports, the application of anti-dumping measures shall be considered and decided with special care.

A49. In considering the sufficiency of the evidence of a threat of material injury, MBIE addresses the situation faced by the domestic industry in terms of the matters set out in section 8 of the Act, and the change in circumstances which would create a situation where dumping would cause injury that is clearly foreseen and imminent. The relevant factors in this regard include the rate of increase in dumped imports and the likelihood of substantially increased importation, the capacity and readiness of exporters to increase exports, prices and their effects, and inventories of the product being investigated.

PNZ Application

A50. The application is based on the threat of injury posed by imports from Belgium and the Netherlands. In its application, PNZ noted that frozen potato fries and wedges have been imported from Belgium and the Netherlands for a number of years, but a significant change in circumstances as a result of the COVID-19 pandemic has resulted in reduced global demand for frozen potato fries and wedges, which has resulted in increased available inventories in Belgium and the Netherlands.

A51. PNZ claims that the available inventories and support being received by the industry in Belgium and the Netherlands poses a threat of material injury to the New Zealand industry.

PNZ considers that the threat arises from a change in circumstances that is clearly foreseen and imminent, and PNZ believes that there is reason to believe that there will, in the coming months, be increased importation of frozen potato fries and wedges from Belgium and the Netherlands at dumped prices, with dumping margins increasing as export prices decline. PNZ claims that there are strong indications that increased imports will be shipped to New Zealand in the wake of the downturn in European markets caused by COVID-19 and an associated glut of frozen potato fries and wedges that need to find a market to make room for the 2020 harvest. PNZ claims that the situation is being exacerbated by the ongoing provision of government support to the industry in Europe that allows production to continue.

- A52. PNZ points out that the majority of the New Zealand market for frozen potato fries and wedges is food service rather than retail, and the food service sector has been one of the most affected by COVID-19, and will be so long as countries and regions face resurgence and re-imposition of lock downs. As long as New Zealand remains with relatively low infection rates and while trading restrictions on hospitality channels remain relatively light and temporary, the New Zealand market will be especially attractive compared to other export destinations.
- A53. PNZ claims that historically, imports increase significantly following declining export prices, and evidence is available which shows that export prices have collapsed over the past months to a far greater extent than previously. PNZ expects that this will lead to significant increases in exports to New Zealand, which in the absence of a remedy. PNZ claims will lead to the destruction and closure of the New Zealand frozen potato industry.
- A54. In summary, PNZ claims that the forecast increased imports at dumped prices will cause a threat of injury because:
- Exporters will increase volumes at lower prices due to inventory surpluses, and aid from COVID-19-related government support in Belgium and the Netherlands;
 - Increased imports at dumped prices will lead to price undercutting, significant price depression and price suppression, leading to a decline in sales and profits, and a threat to the medium and long term stability of the New Zealand potato industry;
 - Frozen potato fries and wedges from Belgium and the Netherlands are already being sold in New Zealand so there are existing commercial arrangements and market access, and it is highly probably that importers will take advantage of cheaper prices from Belgium and the Netherlands to pass on price savings to the New Zealand market in order to increase volumes and take market share.

MBIE Assessment

- A55. MBIE's assessment of the information considered, including the application and supporting information provided by PNZ, and any corroborating evidence identified by MBIE, is set out below.
- A56. It should be noted that a finding of the sufficiency of the evidence in relation to material injury does not require that all of the injury factors examined should indicate adverse effects, nor does an absence of an actual or potential decline in some factors or actual and potential negative effects in other factors mean that there is insufficient evidence of material injury.

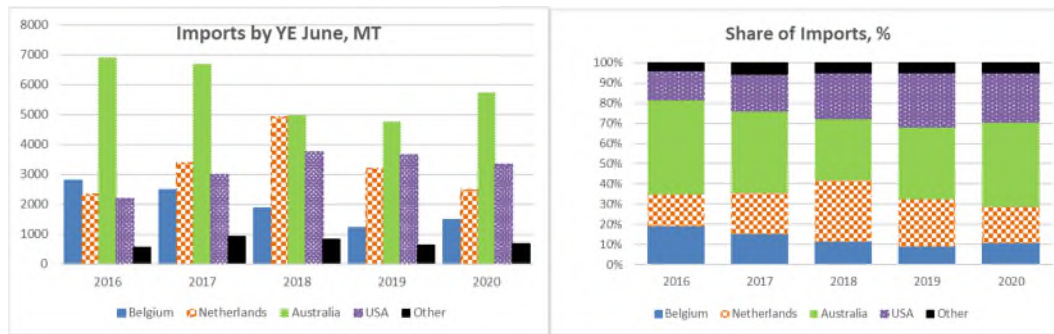
Import Volume Effects

A57. Section 8(2)(a) of the Act requires that the chief executive should have regard to the extent to which there has been or is likely to be a significant increase in the volume of imports of dumped goods either in absolute terms or in relation to production or consumption in New Zealand.

MBIE Assessment

<i>Evidence</i>	<i>MBIE Assessment</i>
<i>Does the evidence show that dumped imports have increased significantly in absolute terms or in relation to production or consumption in New Zealand?</i>	
<p>As shown in Figure 2.2, PNZ used information from Stats NZ InfoShare to identify the volume of imports of goods under New Zealand tariff item 2004.10.00 00 in the 12 months ended April 2020. During this period, imports from the Netherlands were 15.1 per cent of the total volume of imports and imports from Belgium were 11.5 per cent. Other major suppliers were Australia (40.3 per cent) and the United States (22.4 per cent).</p> <p>PNZ also provided export data from TradeData International to show the monthly evolution of export volumes of frozen potato products to New Zealand over the period from January 2015 to May 2020.</p> <p>MBIE obtained Customs data for New Zealand tariff item 2004.10.00 00, adjusted to remove goods that are clearly not within the subject goods definition, as shown in Figure 2.3 above. The absolute volumes of imports and the levels of imports relative to total imports are shown in Figure 5.1 below.</p> <p>These figures were combined with PNZ's information on New Zealand industry production, with the outcome set out in the Confidential Attachment.</p>	<p>MBIE has been able to use Customs data for the twelve months to June 2020, adjusted to the extent possible to reflect imports of the subject goods only. The volumes of imports are, as could be expected, lower than the unadjusted figures available to PNZ, but the shares of total imports are broadly similar.</p> <p>Based on the import volumes derived from Customs data as set out in Figure 2.3 above, and the New Zealand industry production figures provided by PNZ, it is clear that for the financial years ended June 2018 to June 2020, there has not been an increase in imports from Belgium and the Netherlands in either absolute terms or relative to production or consumption in New Zealand. The detailed figures are included in the Confidential Attachment. The absolute and comparative import figures are reflected in Figure 5.1 below.</p>

**Figure 5.1: Import Volumes and Shares, years ended June
(Tonnes, %)**

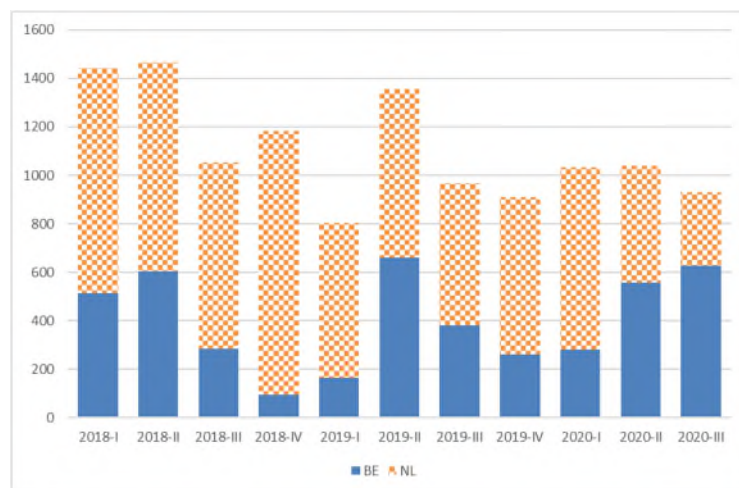


MBIE has also looked at the Customs data on a quarterly basis over the period since January 2018, to get a better picture of the evolution of imports, as shown in Figure 5.2 below.

The quarterly data in Figure 5.2 indicates that from the first quarter of 2020 the levels of exports may have been impacted by the effects of the COVID-19 pandemic, which saw a reduction in demand due to closure of food service sectors globally. Figure 5.2 shows that exports from the Netherlands have declined gradually over the first nine months of 2020 while exports from Belgium have risen significantly to traditionally high levels.

MBIE notes that In the first six months of calendar year 2020 bearing in mind the effect of the COVID-19 pandemic, Belgium and the Netherlands combined had already exported 2076 tonnes of frozen potato fries and wedges which is slightly over half of their total annual exports in calendar year 2019 of 4040 tonnes.

**Figure 5.2: Quarterly Import Volumes – Belgium and Netherlands
(Tonnes)**



Threat of increased imports

- A58. With regard to a threat of injury, the applicant needs to provide evidence that there will be a significant rate of increase in dumped imports indicating a likelihood of substantially increased importation; sufficient capacity of the exporter to substantially increase dumped exports to New Zealand; and inventories of the subject goods.
- A59. The evidence provided by PNZ relates to claims that:
- There is a significant change of circumstances due to COVID-19, with a high likelihood of substantially increased imports;
 - The change in circumstances is clearly foreseeable and imminent, based on:
 - Capacity and existing inventories of like goods and raw materials available in Belgium and the Netherlands,
 - Evidence of collapsing export prices which in the past led to increased imports,
 - Government support for the industry in Belgium and the Netherlands which when passed on will result in continued production, leading to surpluses and lower export prices.

MBIE Assessment

- A60. In its assessment of threat of injury, MBIE considers whether the evidence supports a conclusion that a substantial increase in imports is likely and that exporters have the capacity and inventories to support such an increase. The assessment also considers whether there is change in circumstances that make this likelihood foreseen and imminent.

Evidence	MBIE Assessment
<i>Is there evidence of a likelihood of an increase in dumped imports supported by the capacity of exporters to increase exports and their inventories, and is there a change in circumstances which makes a threat of injury clearly foreseen and imminent?</i>	
Increased Imports	
<p>PNZ notes that Belgium and the Netherlands are significant exporters of frozen potato fries and wedges. On average, they export 350,000 tonnes of frozen fries and wedges per month. Trade figures from TradeData International are provided for all exports of cooked frozen potatoes products for monthly exports from Belgium and the Netherlands from January 2015 to May 2020.</p> <p>PNZ provides evidence of a current surplus between 204,606 and 231,000 tonnes, which is significantly greater than the New Zealand industry's production for the New Zealand market. This estimate is based on an assumption that Belgian and Dutch exports to</p>	<p>With regard to the evidence provided relating to total exports by Belgium and the Netherlands, MBIE notes that the TradeData International information relates to all cooked, frozen potatoes and not just to frozen fries and wedges.</p> <p>MBIE also notes that it appears from the information provided that the estimated export figure of 350,000 tonnes per month is the maximum achieved, and not an average. This is significant, because the estimated surplus assumes average monthly exports of 350,000 tonnes.</p> <p>Nevertheless, the information provided by PNZ</p>

<p>major countries are around 54-67 per cent of a year ago, and extrapolating this for all markets would mean, at the lower end of projections, a surplus of 33 per cent of 2 months x 350,000 tonnes, or 231,000 tonnes. As an alternative, PNZ has looked at data for April and May to identify a surplus arising from reduced export demand for April/May of 204,606 tonnes.</p> <p>PNZ points out that the lower estimate of the surplus is more than 12 months of sales to the entire New Zealand market, so even if only a small percentage of the Belgian and Dutch surplus was exported to New Zealand at dumped prices, the impact on the New Zealand industry would be significant. PNZ notes that in other New Zealand anti-dumping proceedings, it has been found that relatively small volumes of imports can cause injurious price effects.</p> <p>PNZ claims that other information available to it show a huge surplus of 1.75 million tonnes of potato raw material available as a result of the COVID-19 crisis. This information includes an online article by NPR of 3 May 2020 referring to a potato glut in Belgium of some 750,000 tonnes due to the COVID-19 lockdown, and an online article in DutchNews.nl, similarly reporting on likely potato stocks of 1.5 million tonnes, two-thirds of which cannot be sold.</p>	<p>does support the claim that Belgium and the Netherlands are likely to have substantial capacity to export significant volumes of the subject goods to New Zealand.</p>
<p>Capacity and Inventories</p>	
<p>In its application, PNZ states that in the months of April and May 2020 the top three global markets for Belgian and Dutch exporters absorbed 54 per cent of the export volume the markets procured in the same period in the previous year. This leaves 46 per cent of their inventories, approximately between 204,606 and 259,000, tonnes without a market. Using similar reasoning PNZ further stated that the top 6 markets and 10 markets absorbed 67 per cent and 63 per cent, respectively, of the Belgian and Dutch frozen potato products they imported over the same period in the past year.</p> <p>PNZ claims that there is a surplus of 1.75 million tonnes of potato raw material that the European industry is seeking alternative ways to address these surpluses, and noted that</p>	<p>MBIE accepts that the evidence supporting PNZ's claim regarding the increase in inventories and capacity of the Belgian and Dutch exporters is based on information available to it at the time of application.</p> <p>MBIE notes that over the same period Belgium and the Netherlands have exported significant volumes to New Zealand, which supports the claim that these exporters have the capacity and inventory levels to continuously supply the New Zealand market.</p>

<p>these surpluses also exist within the processors' supply chains. PNZ claims that due to the impact of COVID-19 each of the supply chains has its own surplus to manage in its original industry. The most likely scenario according to PNZ is that to manage surpluses in the potato processing supply chain frozen potato processors will continue processing until they have no storage capacity left resulting in very high inventories and capacity to export.</p> <p>PNZ considers that the continued impact of the COVID-19 pandemic will disrupt capacity in the hospitality industry globally and demand for frozen potatoes will still be lower.</p>	
<p>Collapsing Export Prices</p>	
<p>The application included information based on TradeData International data, showing historical volumes per month and FOB prices (USD/MT), of all cooked, frozen potatoes exported to New Zealand from January 2015 to May 2020. PNZ noted that prices for recent months showed that the price had collapsed to levels not seen since November 2016, a period that was followed by significant increases in exports to New Zealand.</p> <p>PNZ suggests that the collapse in price in the most recent period has been at a significantly faster rate than previously seen. PNZ also pointed to the correlation between price decreases and increases in import volumes, particularly around November 2016.</p> <p>PNZ also suggests that the advantage provided by dumped prices has been used to increase market share for exported subject goods in the New Zealand market. PNZ notes that the difference between now and November 2016 is the sudden and profound effect of COVID-19 on hospitality industries globally which has resulted in a contraction in demand for exports from Belgium and the Netherlands, and in vast surpluses of frozen fries and wedges available for export.</p> <p>PNZ has provided articles showing reports that the surplus raw potatoes are being processed and that the cost from the "free-buy" (non-contract) market ranges between EUR 0-30 per</p>	<p>MBIE accepts the evidence available to PNZ in support of the allegation that FOB export prices have recently declined significantly and swiftly over a short period in recent months.</p>

tonne which is significantly lower than the contract prices of EUR 160-165 per tonne.

MBIE’s analysis of VFD price data to June 2020 shown in Figure 5.3 below indicates that prices of subject goods from Belgium and the Netherlands were lower than the average prices from other sources and from total imports.

With regard to price movements over 2020, MBIE has analysed the monthly volume and average price data for 2020, as shown in Figure 5.4. The monthly data confirms that prices of the subject goods dropped in June 2020, with significant increases in the volume of imports from Belgium in June and July, but prices from Belgium then increased significantly in August before dropping back again in September 2020.

MBIE notes that Customs data confirms that the VFD export prices for Belgian and Dutch exports to New Zealand have been generally lower than other exporters.

It is not clear why prices increased in August, but there may have been a chilling effect on trade as a result of the market becoming aware that PNZ was seeking relief against dumped imports. The product mix may also be relevant.

Figure 5.3: NZD VFD/kg

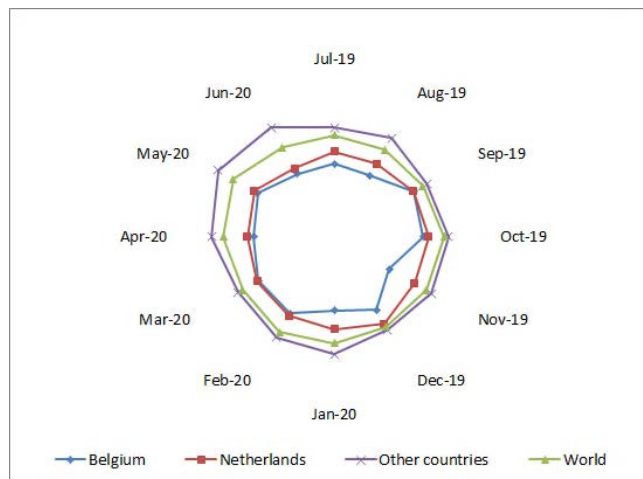
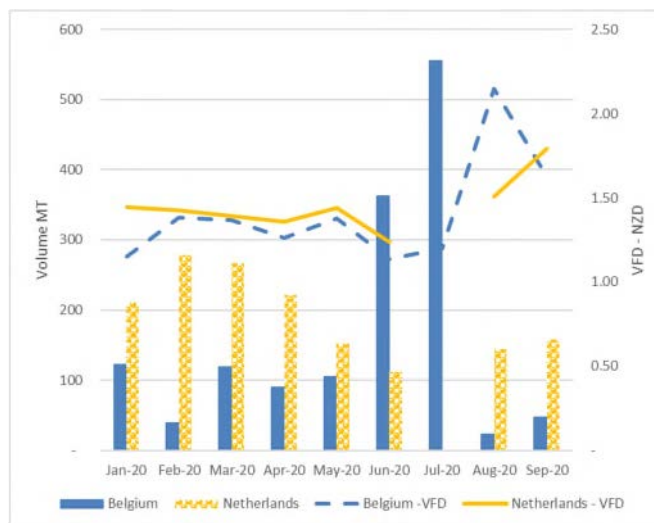


Figure 5.4: Volumes and average VFD/kg



Government Support	
<p>PNZ provided links to the EC website to allege evidence of support to the industries in Belgium and the Netherlands. PNZ claimed that this support, compounded with the effects of reduced demand due to COVID-19 has had the effect of decimating the value of the raw material (potatoes) needed to produce frozen fries and wedges.</p> <p>The programmes concerned were:</p> <p>EU State Aid SA 58014, the Aid scheme to support potato growers and ornamental plant growers affected by COVID-19 in the Flanders region of Belgium. The aid is provided by direct grants under the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak.</p> <p>EU State Aid SA 57217, the Aid scheme to provide the NL LNV AGRI Compensation scheme agricultural and horticultural undertakings (COVID-19). The objective of the scheme is to assist ware³ potato growers affected by the COVID-19 outbreak through a combination of production continuing while hardly any turnover is made; the products have a poor or unsustainable quality due to perishability and for which no or limited alternative applications exist; and companies in the period March, April, May have a major seasonal peak in production, staffing and turnover. The aid is to provide compensation to arable farmers who are growers of potatoes, which are used for processing, for the damage caused by the collapse in demand for their potatoes as a consequence of the measures taken in the Netherlands and many other countries to combat the COVID-19 pandemic.</p> <p>Evidence on price movements was provided, in the form of an extract from an August 2020 report on world potato markets, to show Belgian potato prices in 2020 compared with previous years.</p>	<p>MBIE has reviewed the State Aid programmes identified in the application, and has noted the following:</p> <p>In both Belgium and the Netherlands, the aid is provided to potato growers as compensation for lost sales due to the COVID-19 restrictions on catering and hospitality outlets, and covers the loss of value of their crops.</p> <p>The aid is limited to potato growers and does not cover the processing and marketing of potato products, so there is no compensation in relation to prices paid by the processing industry or the domestic or export sale of frozen potato products.</p> <p>The aid provides compensation in relation to potato stocks that have not been sold to the potato processing food industry for the production of frozen potato products, so there is no element of compensation to the food processing industry.</p> <p>The measures are recognised as subsidies to growers in terms of the WTO SCM Agreement, in that they are financial contributions by a government, which provides a benefit to the recipient, and are specific to certain enterprises.</p> <p>MBIE’s conclusion is that it would be difficult to say that there is a causal link between the aid provided to potato growers for effects arising from the COVID-19 pandemic, and the volumes and prices of exports of frozen processed potatoes. It would also be difficult to identify any level of benefit that would pass through to exporters of frozen potato products as a result of these programmes.</p> <p>With regard to the evidence relating to price movements, MBIE notes that potato futures prices for 2020 showed a significant decline compared with previous years. Data for monthly imports of fries into the United States show that imports from Belgium increased in June 2020, although imports from the Netherlands decreased, while Dutch prices</p>

³ Ware potatoes – potatoes for human consumption.

	<p>increased in June in USD terms but were still lower than in the first quarter, and Belgian prices remained relatively static across the six months to June but were lower at the end of the period.</p> <p>This evidence confirms that 2020 prices dropped significantly, but this is not evidence that the price movements can be attributed to the support measures discussed above.</p>
<p>Change in Circumstances</p>	
<p>PNZ in its application correlates the outcomes in the factors discussed in this section to a change in circumstance for the exporters, namely contraction in global demand leading to increased inventory and capacity, collapse in prices that gives the exporters and importers an unfair advantage to increase market share, New Zealand being a viable market for the surplus, the US market calling for action against exports from Belgium and the Netherlands and reductions in exports for other markets due to the global impacts of COVID-19.</p> <p>It is on the basis of this change in circumstance that PNZ expects that New Zealand will experience an increase in exports from Belgium and the Netherlands using distribution channels that are already established between exporters and importers.</p>	<p>MBIE accepts that the COVID-19 pandemic, and in particular the impact of government responses to the pandemic on the hospitality and food service sector, can be regarded as a change in circumstances that is clearly foreseen and imminent and which would create a situation where injury could be attributable to dumping.</p>

Price Effects

<i>Evidence</i>	<i>MBIE Assessment</i>
<p><i>Is there evidence that dumped goods are significantly undercutting prices of New Zealand goods; significantly depressing prices of New Zealand goods; or significantly preventing price increases of New Zealand goods?</i></p>	
<p>Price undercutting</p> <p>Price undercutting refers to the extent to which the prices of the subject goods are lower than prices in New Zealand for like goods of New Zealand producers. Prices are compared at the point that the imported goods first compete with the goods made in New Zealand. Price undercutting is not in itself a determinant of the existence or extent of injury, i.e. the margin or frequency of price undercutting is not a measure of the extent of the consequent impact on the industry. That impact is to be measured, inter alia, in terms of the factors set out in section 8(2) (d) of the Act, outlined in section 5.4 of this Report.</p>	

<p>The level of trade considered in the application was for the comparison of export prices at ex-wharf level to the New Zealand industry's prices at the ex-warehouse level. PNZ obtained ex-warehouse prices per kilogram for each of the producers in the New Zealand industry.</p> <p>The ex-wharf price was calculated based on TradeData International price for May 2020. This price was converted to NZD using the average exchange rate of 0.6004 for April 2020. This gave a per kilogram price in NZD. Freight and insurance costs were factored in on the basis of the difference between the cost and the prices provided by Statistics New Zealand InfoShare which is inclusive of these charges, giving an import price at the ex-wharf level.</p> <p>PNZ then subtracted the ex-wharf price from the ex-warehouse prices for each of the participating companies to determine if there was any price undercutting.</p> <p>Based on this information, PNZ estimated current levels of price undercutting for the four producers with an industry average of 27 per cent. According to PNZ, forecast price undercutting for the end of June 2021, shows that the New Zealand industry will be facing price undercutting of an industry average of 48 per cent.</p>	<p>MBIE has checked the calculations undertaken by PNZ.</p> <p>MBIE is satisfied with the approach used by PNZ to calculate the levels of price undercutting that was based on information reasonably available to the applicant at the time of application.</p>
<p>Price depression</p> <p>Price depression occurs where prices achieved by the New Zealand manufacturers are lower than those achieved in a period unaffected by allegedly dumped or subsidised goods. Price depression is not in itself a determinant of the existence or extent of injury. There must be a consequent impact on the industry, measured primarily in terms of the factors set out in section 8(2) (d) of the Act.</p>	
<p>PNZ claims that prices of domestic products would have to be lowered to the full extent of the price undercutting since the like products are indistinguishable from the subject goods. Its only option would be to compete on price in order to maintain market share and sell existing inventories, thus resulting in price depression.</p>	<p>MBIE has checked the calculations undertaken by PNZ.</p> <p>MBIE is satisfied with the approach used by PNZ to calculate the likely levels of price depression resulting from prices being lowered to match undercutting.</p>

Price suppression

Price suppression occurs when New Zealand producers are unable to increase prices, for example, to recover cost increases. Price suppression is not in itself a determinant of the existence or extent of injury. There must be a consequent impact on the industry, measured in terms of the factors set out in section 8(2)(d) of the Act.

To calculate price suppression PNZ used the New Zealand producers' ex-warehouse prices and the forecast ex-warehouse price in the next 6 months, which will be equal to the dumped price since these producers will match prices with dumped imports. The estimates were based on cost information provided by one of the producers, and explained the basis for the extrapolation of this information to the other producers.

PNZ considered costs of production, storage, freight and selling and administration based on the production costs of one producer that were extrapolated to other producers in the New Zealand industry.

Taking price suppression to be total costs as a percentage of ex-warehouse price, the application claimed that the New Zealand industry is facing current price suppression levels averaging 114 per cent in 6 months' time and 161 per cent by the end of June 2021 because of price depression caused by dumped imports.

PNZ notes that under normal circumstances, New Zealand's frozen potato industry is highly competitive and this brings benefits due to efficiency to both producers and consumers. The threat of increases in imports will increase constraints as the New Zealand industry matches the dumped prices, they will be unable to offset their costs due to price suppression and hence experience inefficiencies.

MBIE has checked the calculations undertaken by PNZ.

MBIE is satisfied with the approach used by PNZ to calculate the levels of price suppression that was based on information reasonably available to the applicant at the time of application.

Consequent Impact

<i>Evidence</i>	<i>MBIE Assessment</i>
<i>Has the dumping of imports contributed to actual or potential declines in the factors set out below?</i>	

Output

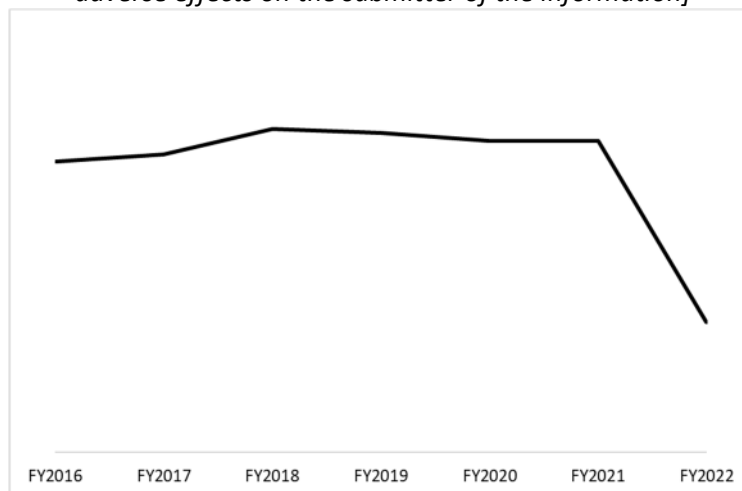
PNZ provided details of industry output in the year ended June 2020. The frozen potato industry is described by PNZ as a large mature market with a stable year on year output. Forecast production levels are expected to remain the same as the current level because PNZ believes that knowledge of this application process and request for provisional measures would act as a deterrent for exporters and importers. However, in the absence of trade remedial measures, output post-2021 is expected to reduce to nil with producers exiting the New Zealand industry.

PNZ suggests that post-2021 there will be no production as producers will exit the industry and growers will diversify to other crops. The market will wholly rely on imported frozen potato fries and wedges. The effect on output will be reflected in the timing of the producers' exit from the industry since it is the industry strategy to maintain volumes and compete on price, but since prices will be lowered to the dumped prices, sales revenues will reflect significant drops prior to producers exiting the industry.

MBIE concludes that PNZ has provided sufficient evidence of adverse effects on output to support its claims of a threat of injury caused by the dumping of subject goods from Belgium and the Netherlands.

Figure 5.5: New Zealand Industry output, MT

[Y axis values deleted, X axis does not cross at 0, gridlines deleted, in order to protect the confidentiality of information where making the information available would have significantly adverse effects on the submitter of the information]



Sales

Movements in sales revenue can reflect changes in volume and prices of goods sold. Allegedly dumped imports can affect both of these factors through increased supply of goods to the market and through price competition.

In the application, PNZ’s forecast without anti-dumping duties shows that the sales volume for the New Zealand industry is expected to remain the same whilst the sales revenue was forecast to decline by 13 per cent, or 24 per cent if support measures drive down the cost of raw materials and consequently the export prices of the subject goods. PNZ stated that the industry will be competing with the imported products on price. Figure 5.5 shows that whilst the forecast sales volumes will remain the same between 2020 and 2021, figure 5.6 shows that all the producers in the industry will experience declining sales revenue from the current financial period until 2021 when producers are expected to exit the industry.

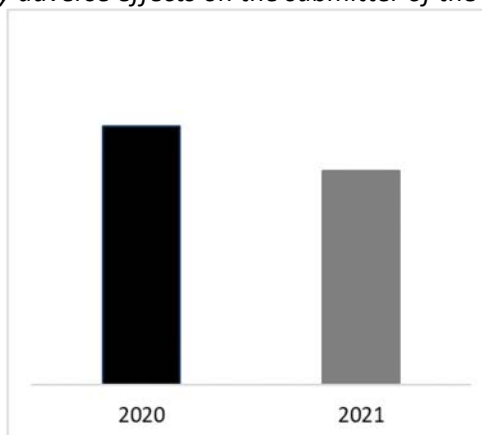
PNZ’s analysis shows that losses in sales revenue are expected to cause productive and allocative inefficiencies that will have long-term damage and disruption to the industry. The result would be growers exiting the industry and diversifying to other crops resulting in a reliance on imports.

Figure 5.6 provides an illustration of the movement in sales revenue expected for 2020 and 2021.

MBIE concludes that PNZ has provided sufficient evidence of adverse effects on sales volume and sales revenue to support its claims of a threat of injury caused by the dumping of subject goods from Belgium and the Netherlands.

Figure 5.6: New Zealand industry sales revenue, NZD

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Market Share

Analysis of market share must consider changes in the size of the total market. A decline in the domestic industry’s market share when the total market is expanding will not necessarily indicate that material injury is being caused, particularly if the domestic industry's sales are also growing, because the New Zealand industry is not entitled to a particular market share.

In the application, it has been stated that in the short term the industry would maintain its market share whilst competing on price to sell existing inventories. However, according to PNZ, the market share of the New Zealand industry is expected to reduce to zero post June 2021 and the share for imports increase to 100 per cent.

In its application, PNZ claims that based on historical data a decrease in the price of exports leads to an increase in the volume of imports. PNZ also claims that there was a significant price collapse between January and May 2020 and reduced global demand due to the effects of COVID-19 and hence it expects a build-up of significant surplus inventories that will contribute to increased volumes of exports to the New Zealand market.

Without anti-dumping duties, PNZ expects imports to continue gaining market share based on lower prices whilst the New Zealand industry loses market share and increases in inventories. These lower prices will give exporters the opportunity to increase export volumes.

PNZ considered that this evidence suggested the imminent threat of high volumes of imports. PNZ pointed out that it was notable that the dumped goods’ share of the market value was uniformly lower than their share of volume, which, it claimed, was consistent with the dumped goods being injurious.

Figure 5.7 illustrates market share information for frozen potato fries and wedges from FY2016 to FY2020 using Customs data and PNZ production figures.

MBIE concludes that currently there is no evidence of a decline in the industry’s market share of frozen potato fries and wedges. However, MBIE is satisfied that PNZ has demonstrated that there is evidence of a likelihood of an increase in dumped imported frozen potato fries and wedges from Belgium and the Netherlands, which is likely to lead to a decline in the market share of the New Zealand industry.

Figure 5.7: Market Share, percentage

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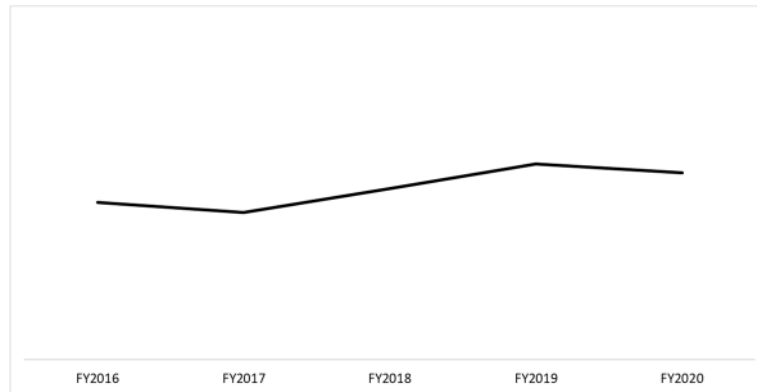


Figure 5.7 shows that in the period between FY2016 and FY2020 the New Zealand industry has not lost market share. The share of imports from Belgium and the Netherlands has not changed significantly at any point relative to the market. MBIE notes that the data aligns with the statement by PNZ in its application that it aims to maintain output levels and compete with imported subject goods on the price points.

The New Zealand industry production trend is stable for the volume of frozen potato fries and wedges produced up to FY2020. However, since PNZ bases its application on the assumption that the New Zealand industry will have to compete on price whilst selling off the current inventories, the result will be a decline in sales revenue averaging 13 per cent due to the price effects of dumping.

PNZ stated that post 2021 producers will exit the industry and growers will diversify into other crops. The resulting decline in output implies that New Zealand producers will lose their entire market share to imports. The effect on the industry is expected to be long term.

Profits

Dumped imports can affect gross profit and net profit via their impact on sales prices and volumes.

PNZ has estimated the current loss in profits measured by EBIT as an average of 83 per cent.

MBIE concludes that the applicant has provided sufficient evidence of adverse effects on profit

<p>In its forecast, PNZ estimated losses of an average of 149 per cent. These losses are expected to make the production of frozen potato fries and wedges untenable in New Zealand post June 2021.</p>	<p>to support its claims of a threat of injury caused by the dumping of subject goods from Belgium and the Netherlands.</p>
<p>Productivity</p> <p>Productivity is the relationship between goods produced and the inputs required to manufacture those goods. Output/sales and capacity utilisation levels affect productivity.</p>	
<p>PNZ noted that production per employee will be negatively impacted if the viability of the industry comes into question. Its outlook for the next 12 months would be that the trend of the past 12 months would be maintained based on the maturity of the market and the chilling effect of knowledge of the application by the industry.</p> <p>In the absence of anti-dumping duties, the application claims that productivity reduces to nil post June 2021 as producers exit the industry.</p>	<p>MBIE concludes that the effect on productivity will reflect changes in sales volume and revenue because of the volume and price effects of dumped imports.</p>
<p>Return on investment (ROI)</p> <p>An analysis of return on investment measures profit against the value of the investment in a business. Changes in return on investment may affect the ability to retain current investment or attract new investment. Declines in return on investment can result from a decline in profit or an increase in the level of investment within the business.</p>	
<p>PNZ has neither provided any evidence nor made any claims regarding the effect of dumped imports on returns on investment.</p>	
<p>Utilisation of production capacity</p> <p>The utilisation of production capacity reflects changes in production volumes or changes in capacity. A decline in production volumes will normally lead to a higher cost per unit due to increased fixed overheads per unit. This will lead to a decrease in profit level, unless offsetting savings are found elsewhere.</p>	
<p>PNZ provided information on industry capacity utilisation. Its outlook for the next 12 months is that the trend of the past 12 months is likely to be maintained based on the maturity of the market and the chilling effect of knowledge of the application by the industry.</p> <p>In the absence of anti-dumping duties, the application claims that utilisation of production capacity reduces to nil post June 2021 as</p>	<p>MBIE concludes that the effect on the utilisation of production capacity will reflect changes in sales volume and revenue because of the volume and price effects of dumped imports.</p>

producers exit the industry due to farmers diversifying into producing other crops.	
<i>Has the dumping of imports had an impact on factors affecting domestic prices, and what is the impact of the magnitude of the margin of dumping?</i>	
Factors affecting domestic prices	
PNZ has neither provided any evidence nor made any claims regarding factors affecting domestic prices.	
Magnitude of the margin of dumping	
PNZ did not provide any specific arguments relating to the effect of the magnitude of the margin of dumping on the domestic industry.	MBIE considers the magnitude of dumping as an indicator of the extent to which injury can be attributed to dumping especially in comparison to price undercutting. Estimated dumping margins are 136 per cent for Belgium and 73 per cent for the Netherlands. These margins are significant enough to imply the likelihood of injury being caused or threatened by originating dumped imports.
<i>Have the dumped imports had actual and potential negative effects on the factors identified below?</i>	
Cash flow Cash flow is the total amount of money being transferred into and out of a business, especially as it affects liquidity, and provides an indication of the ability of producers to self-finance their activities.	
PNZ has neither provided any specific evidence nor made any claims regarding the effect of dumped imports on cash flow.	
Inventories Increasing inventories at the end of a financial period can be a sign of injury, bearing in mind the context of the normal conditions and practices of the industry concerned.	
PNZ has neither provided any specific evidence nor made any claims regarding the effect of dumped imports on the industry's inventories. It did state however that the reason for taking the stance of competing on price is so the industry can maintain its market share and sell existing inventories.	
Employment and Wages	

These factors are considered together.	
<p>PNZ provided evidence of the numbers of personnel employed in three of the producers' production facilities and an estimate for the fourth producer.</p> <p>The trend for the next 12 months is expected to be the same as the past 12 months if trade remedies are in place. This would be maintained on the basis of the maturity of the market and the chilling effect of knowledge of the application by the industry.</p> <p>In the absence of anti-dumping duties, the expectation is that employment reduces to nil post June 2021 as producers exit the industry.</p>	<p>MBIE concludes that the effect on both employment and wages will reflect changes in sales volume and revenue as a result of the volume and price effects of dumped imports.</p>
Growth	
<p>PNZ observed that the price undercutting by imports from Belgium and the Netherlands adversely affects growth, but has not provided any specific evidence regarding the effect of dumped imports on the industry's growth.</p>	
Ability to raise capital	
<p>PNZ has neither provided any specific evidence nor made any claims regarding the effect of dumped imports on the industry's ability to raise capital.</p>	
Investments	
<p>PNZ has neither provided any specific evidence nor made any claims regarding the effect of dumped imports on investments.</p>	

Causal Link

Dumped Imports

- A61. The analysis of the injury factors above identifies the extent of the relationship between the dumping of the goods and the outcomes in terms of the consequent impact on the industry.

Other causes of injury

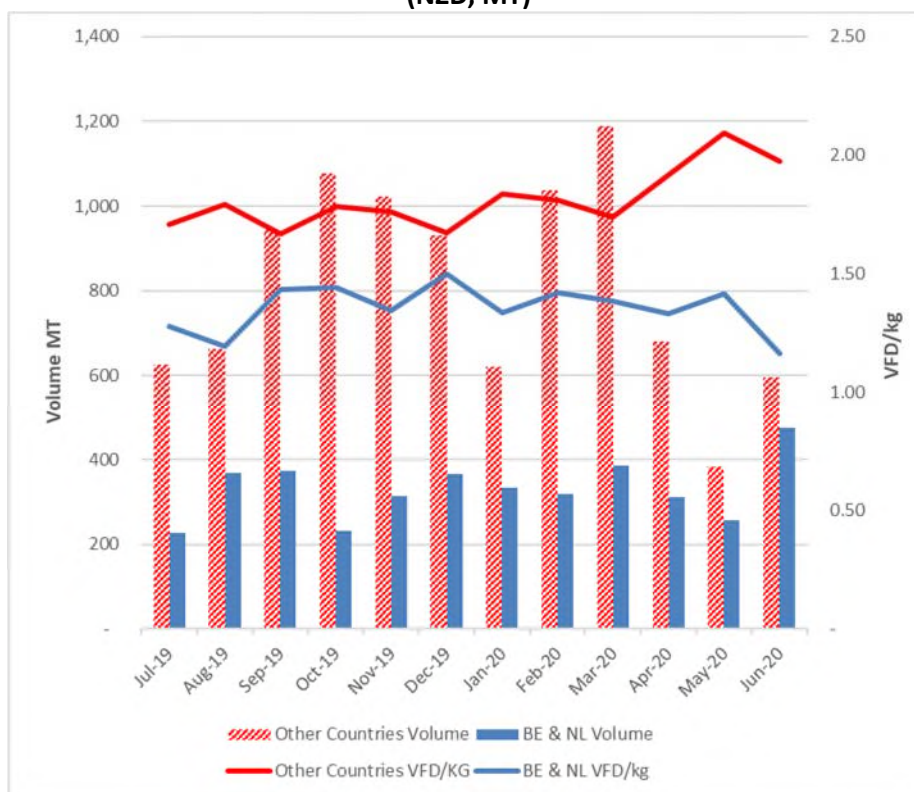
A62. Section 8(2)(e) (i) to (v) of the Act requires the chief executive to have regard to factors other than the dumped or subsidised goods that have injured or are injuring the including the following factors.

Volume and prices of not sold at dumped prices

A63. PNZ stated that it is not aware of any injury being caused through fairly traded products. MBIE has noted based on Customs data that there are large volumes of imports from Australia and United States of America that have significant market share.

A64. Figure 6.1 shows a decline in VFD per kilogram for non-dumped imports in April and May 2020 and a sharp recovery in June 2020. The VFD per kilogram for Belgium and the Netherlands was significantly lower than that of other countries over the period depicted. While the volume of non-dumped imports showed an upward trend, imports from Belgium and the Netherlands showed a downward trend though proportionally they remain a significant in comparison to imports from other countries.

Figure 6.1: Volume and VFD/kg for imports (NZD, MT)



Contraction in demand or changes in patterns of consumption

A65. PNZ stated that the New Zealand industry suffered a short-term contraction in demand and changes in consumer demand as New Zealand saw many food service outlets shut down due to the COVID-19 pandemic. It also noted that New Zealand has remained an attractive market as other markets are facing a contraction in demand due to the effects of the COVID-19 pandemic.

- A66. It further stated that the knowledge of this application within the industry would have a chilling effect on imports and thus reduce the threat of substantially increased imports from Belgium and the Netherlands at dumped prices.

Restrictive trade practices and competition between overseas and New Zealand producers

- A67. PNZ stated that it is not aware of any restrictive trade practices currently affecting the New Zealand industry. It notes that the New Zealand frozen potato industry is highly competitive with five producers and under normal circumstances, the threat of imports or increased import levels provide further constraint.

Developments in technology

- A68. With regard to developments in technology, PNZ stated that it is of the understanding that the New Zealand industry's method of producing frozen products is similar to that of other producers.

Export performance and productivity of New Zealand producers

- A69. PNZ noted that there are significant exports, amounting to 75,952 tonnes by volume and NZD\$99 million in revenue, to Australia, Asia and the Pacific Islands. PNZ has not identifying issues around exports as contributing to injury to the New Zealand industry.

Imports by the New Zealand industry

- A70. Section 8(2)(f) of the Act requires the chief executive to have regard to the nature and extent of importations of dumped or subsidised goods by New Zealand producers of like goods, including the value, quantity, frequency, and purpose of any such importation. In this regard PNZ noted that one of the four producers supporting the application imported the subject goods from sources other than Belgium and the Netherlands.

CONFIDENTIAL ATTACHMENT

The information in this Confidential Attachment is derived from commercial-in-confidence information from PNZ and from other sources. The information is confidential because making the information available would have a significantly adverse effect on the parties to whom the information relates, and in some cases is subject to an obligation to maintain confidentiality.