

Trade (Dumping and Countervailing Duties) Act 1988

**APPLICATION FOR AN INVESTIGATION INTO THE DUMPING OF
PRESERVED PEACHES FROM CHINA**

August 2022

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- loss of market share
- price undercutting;
- price depression; and
- price suppression,

resulting in:

- a decline in sales,
- a decline in market share,
- a decline in profits,
- adverse effects upon inventories, employment, and growth.

The consequential effects would have a detrimental economic impact on the Hawkes Bay growers along with the supporting horticultural industry.

In support of these claims HWL tenders this application and evidence as justification for an investigation into the (alleged) dumping of preserved peaches from China which has caused significant material injury to the New Zealand industry.

Exporters

HWL currently has no knowledge of which companies in China are exporting to New Zealand. Interested parties who are importers would be able to provide this information in the investigation. Information on all importers is available from Custom's confidential data base which the Ministry has access to.

The names of the producers and exporters identified and used in the 2017 sunset review and 2019 reconsideration were:

- (a) Linyi City Kangfa Foodstuff Drinkable Company Limited.;
- (b) Qingdao Countree Food Company Limited;
- (c) Lianyungang Tianle Food Company Limited.;
- (d) Chic Foods Company Limited.

It is noted that in the 2017 sunset review and 2019 reconsideration a total of 16 manufacturers and exporters were identified

3. The Goods

The imported subject goods are described as:

'Peaches in preserving liquid, in containers up to and including 5.0kg'

In previous applications and customs instructions the subject goods have been described as *'Peaches in preserving liquid, in containers up to and including 4.0kg'*. However HWL is aware that there is the manufacturing capability for can sizes above 4.0kg and less than 5.0kg which would directly compete with HWL like goods on a value per kilogram basis at the ex-wharf cost versus HWL wholesale price.

These subject goods are sold through retail and foodservice sales channels in New Zealand with retail being business to consumer (B2C) and foodservice being business to business (B2B) with final consumption of the preserved peach through a hospitality outlet such as a hotel for example.

The subject goods are currently classified under Tariff Item No. 2008.70.09 and Statistical Key 00L defined as *'Fruit; peaches, including nectarines, prepared or preserved in ways n.e.c. in heading no. 2007 and 2008, whether or not containing added sugar, other sweetening matter or spirit'*.

The normal duty rate for the subject goods for China is 0%.

Like Goods Considerations

HWL produces, as part of its product range, a range of styles of preserved peaches (halves, slices and dices), packed in various media (such as syrup, fruit juice and lite) in various can sizes. These preserved peaches produced by HWL constitute the like goods for the purpose of the application.

In identifying like goods, the applicant has used the Ministry's framework in order to determine what goods produced in New Zealand are like goods to the allegedly dumped subject goods.

- (a) Physical characteristics. This covers appearance, size and dimensions, composition, production methods and technology.
- (b) Function / usage. This covers consumer perceptions / expectations, end uses, and will lead to any conclusions on the issue of substitutability where relevant.
- (c) Pricing structures.
- (d) Marketing. This covers distribution channels, customers and advertising.
- (e) Other. This can include tariff classification if applicable, and any other matters which could be applicable in the circumstances.

Physical Characteristics

The applicant produces the like goods being preserved peaches either in the form of halves, slices or pieces. The peaches are packed in cans with a preserving liquid. These preserved peaches are very similar, if not identical, to the subject goods imported from China which are exported from China to New Zealand in increasing volume.

Function and Usage

The applicant produces the like goods being preserved peaches for retail and food service sale in New Zealand. These preserved peaches have the same function and application as the imported subject goods. That being, for consumption from a retail purchase or consumed through a hospitality channel such as a hotel as an example.

Pricing

The like goods produced by the applicant compete at the same price point as the imported subject goods. This level of competition is HWL wholesale price versus the imported ex-wharf cost of the subject goods as has been established in previous investigations.

Marketing Issues

The distribution channels, customers and means of advertising are similar for the New Zealand like goods and imported subject goods from China. Both the like goods and subject goods are sold via retail or foodservice sales channels. For clarity a sale through a retail channel is business to consumer (B2C) and a sale through a foodservice channel is business to business (B2B).

Other

The like goods produced by HWL, if imported into New Zealand, would be classified under Tariff Item No. 2008.70.09 and Statistical Key 00L.

Conclusions Relating to Like Goods

In summary, the like goods manufactured in New Zealand by the applicant have the same or very similar physical characteristics, method of manufacture, function and usage, pricing, marketing and tariff classification. There is sufficient evidence for the purposes of review that the like goods produced by HWL have characteristics that very closely resemble the subject goods, and therefore are like goods to the subject goods.

HWL is the only New Zealand manufacturer of the like goods, being preserved peaches in cans. With the positive evidence provided in this application the requirements of Section 10 of the Act have been met.

HWL understands that many of the importers previously and currently involved in importing preserved peaches to New Zealand remain active. If anti-dumping duties are not imposed on the subject goods it is almost without question that these parties will continue to use the unfair advantage of dumped prices to increase imports of canned peaches into New Zealand from China.

Anti-dumping duties are in place currently for Greece, Spain and South Africa to prevent dumping and material injury to the New Zealand industry.

5. NEW ZEALAND MARKET

The New Zealand retail market for preserved peaches is made up of New Zealand production and imports as set out in Table 2. The IRI scan data used to construct this is available in Appendix 10.1.

Table 2: Market Share by Brand

Brand	Tonnes	Share
WATTIE'S	xxx	xxx
PAMS	xxx	xxx
WOOLWORTHS	xxx	xxx
OAK	xxx	xxx
HOME BRAND	xxx	xxx
ESSENTIALS	xxx	xxx
VALUE FS	xxx	xxx
DELPHI	xxx	xxx
WEIGHT WATCHERS (KRAFT HEINZ)	xxx	xxx
ALCURNIA	xxx	xxx
Total	xxx	

Source: Confidential Appendix 10.1: IRI scan data MAT 27th July 2022 [Confidential IRI retail sales scan data (IRI). The release of this information would have a significant adverse effect on the submitter]

As sales closely follow production and / or imports, no allowance has been made for stock in trade.

The total New Zealand preserved peach market also includes the Foodservice channel where there is limited data available to be able to calculate its size, growth and share by brand. One method to estimate its size is to look at total imports over a 12 month period, add on sales of the New Zealand industry, then subtract imports by the New Zealand industry to get a total New Zealand preserved peach market and then subtract total retail sales. This analysis is in Table 3 below.

Table 3: Estimated Total New Zealand Preserved Peach Market

	Year End June 2018	Year End June 2019	Year End June 2020	Year End June 2021	Year End June 2022
Total Market (T)	xxx	xxx	xxx	xxx	xxx
Retail Market (T)	xxx	xxx	xxx	xxx	xxx
Foodservice Market (T)	xxx	xxx	xxx	xxx	xxx

Source: Confidential Appendix 10.1: IRI scan data, Infoshare Statistics New Zealand, HWL [Confidential IRI retail sales scan data. The redacted information resulted from an analytical process that included Infoshare data as well as confidential HWL and IRI proprietary data. The release of this information would have a significant adverse effect on the submitter]

This estimation should be treated with caution due to the effects of the Covid-19 pandemic on each respective sales channel, stock in trade and timing of imports.

The New Zealand wholesale market for the supply of preserved peaches to distributors and retailers is highly competitive. There are no long-term supply contracts in place for customers and house brand supply contracts are up for constant tender. All supermarkets and foodservice distributors stock brands of preserved peaches other than those supplied from HWL. HWL therefore has no exclusive customers with the market always open to new sources of supply.

Because of the different levels of trade (CIF, FOB, ex-factory) an estimate of the wholesale market value has not been made. A more accurate indication of the wholesale market will be available when importers' sales values are obtained.

There are 3 distinct levels of trade:

- ex manufacturer, eg HWL
- ex importer direct to customer
- direct to supermarket

6. Evidence Of Dumping

Export Prices

HWL obtained data through Infoshare for imports of preserved peaches from China to New Zealand by month for year end May 2022. From this data an estimated export price has been able to be calculated in Table 4 below.

Table 4: Infoshare Export Price May 2022

Value for duty (VFD)		2,853,272
Volume (KG)		1,379,729
VFD/KG		2.07
Currency Conversion (Yuan)	4.42	9.14
Freight to port	1%	0.09
ex-Factory Yuan/KG		9.05

Source: Appendix 10.2 Statistics NZ (Infoshare), Appendix 10.7

The exchange rate has been found from www.x-rates.com for the year ending May 2022 and is available as Appendix 10.7.

An allowance of 1% has been made for freight to port. This allowance has been made xx. This is a very short transit compared to the likely transit of the like goods in China and is most likely significantly understated due to this. *[Basis for allowance. The release of this information would have a significant adverse effect on the submitter]*

Additionally, HWL has been able to obtain export volumes and value from China to other global markets. The source of this data is TradeData International Pty Ltd. This data summarises all peach exports from China. The data is in USD and an average exchange rate has been found from www.x-rates.com for the period June 2021 through May 2022. Using this data gives an export price as below in Table 5.

Table 5: Global Export Price Year End May 2022

Value (USD)		xxxxxxxxxxxxx
Volume (KG)		xxxxxxxxxxxxx
USD/KG		1.29
Currency Conversion (Yuan)	6.43	8.29
Freight to port	1%	0.08
ex-Factory Yuan/KG		8.21

Source: Appendix 10.3 TradeData, Appendix 10.7 *[Confidential Appendix 10.3 TradeData International Pty. Ltd. Export Data. The release of this information would have a significant adverse effect on the submitter]*

In previous reviews HWL has argued that it only takes a relatively small volume of exports to cause injury as evidenced in the original China 2006 and Spain 2011 investigations. Subsequently, in these reviews, MBIE analysed exports to all countries of a similar export

market size to New Zealand. An analysis of the export price for various export market prices is provided below.

Table 6: Various Market Size Export Prices Year End May 2022

Market Size		0-300T	20-300T	100-300T	500-1500T
Value (USD)		xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx
Volume (KG)		xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx
VFD/KG		1.10	1.10	1.08	1.20
Currency Conversion (Yuan)	6.43	7.07	7.06	6.96	7.69
Freight to port	1%	0.07	0.07	0.07	0.08
ex-Factory Yuan/KG		7.00	6.99	6.89	7.62

Source: Appendix 10.3 [Confidential Appendix 10.3 TradeData International Pty. Ltd. Export Data. The release of this information would have a significant adverse effect on the submitter]

What this analysis shows is that the smaller markets have a lower export price than more established export markets.

There are 9 export markets included in the export analysis of export market sizes similar to New Zealand in the 500-1500 tonne range. Individual export prices for these markets are shown below in Table 7.

Table 7: Individual Market Export Prices Year End May 2022

Market	Value for duty (VFD)	Volume (KG)	VFD/KG	Currency Conversion (Yuan)	Freight to port	ex-Factory Yuan/KG
				6.43	1%	
PANAMA	xxxxxxx	xxxxxxx	1.02	6.58	0.07	6.51
PHILIPPINES	xxxxxxx	xxxxxxx	1.06	6.80	0.07	6.73
COSTA RICA	xxxxxxx	xxxxxxx	1.05	6.75	0.07	6.68
SAUDI ARABIA	xxxxxxx	xxxxxxx	1.12	7.22	0.07	7.15
SPAIN	xxxxxxx	xxxxxxx	1.64	10.58	0.11	10.47
NEW ZEALAND	xxxxxxx	xxxxxxx	1.33	8.59	0.09	8.50
KOREA REP	xxxxxxx	xxxxxxx	1.16	7.48	0.07	7.40
PERU	xxxxxxx	xxxxxxx	1.12	7.22	0.07	7.15
UNITED KINGDOM	xxxxxxx	xxxxxxx	1.15	7.41	0.07	7.34

Source: Appendix 10.3 [Confidential Appendix 10.3 TradeData International Pty. Ltd. Export Data. The release of this information would have a significant adverse effect on the submitter]

This shows that even for more mature markets there is a wide range of export prices with the export price ranging from 6.51 to 10.47 Yuan/KG. This is most likely due to product mix with, for instance, plastic peach fruit cups having a significantly higher export price than canned peaches.

Where this application differs from the China 2006 and Spain 2011 applications is that the material injury is being caused by all the exports to New Zealand and is not specifically a

brand of canned peaches in a particular retailer and region of New Zealand. However, what the analysis above does show is that there is a threat to HWL that the current dumping margin could be greater than current exports to New Zealand.

It is also noted that the export price for New Zealand calculated from TradeData is significantly lower at 8.50 Yuan/KG versus the price calculated from Infoshare at 9.05 Yuan/KG.

Normal Value

HWL has sourced market prices for preserved yellow peaches in China from May 2022. This information is available as confidential Appendix 10.4.

In previous reviews a notional normal value has been calculated as an average of all retail prices. The notional normal value calculation is shown below in Table 8 for a manufacturer selling directly to the retailer.

Table 8: Notional Normal Value May 2022

Retail Price Yuan/KG		xxxx
excl. VAT	0.0%	xxxx
excl. Retailers Margin	xxxx	xxxx
Freight to Customer	xxxx	xxxx
ex-Factory Wholesale/KG		17.79

Source: Confidential Appendix 10.4, HWL [*Confidential HWL financial data. The release would give a significant competitive advantage to a competitor of the submitter of confidential information*]

The xx% retail margin has been based on HWL's knowledge of the margin and distribution of preserved peaches in New Zealand.

There is a VAT of 13%. Note that there is also an export VAT rebate of 13%¹ which neutralises the VAT and therefore VAT is 0%.

An allowance of x% has been made for freight to customer. This allowance has been made on HWL's understanding of local freight charges.

Additionally in the 2019 China Reconsideration a distributor\wholesaler supply chain model was analysed. Using the highest margins from this source gives a normal value as in Table 9 below.

¹ [HS code 2008701000 of China Tariff tax rates,import duty of HS code 2008701000; Peaches\(including nectarine\), in airtight containers \(transcustoms.com\)](https://www.transcustoms.com)

Table 9: Normal Value May 2022 Distributor\Wholesaler

Retail Price Yuan/KG		xxxx
excl. VAT	0.0%	xxxx
excl. Retailers Margin	25.0%	xxxx
excl. Distributor Margin	45.0%	xxxx
Freight to Customer	xxxx	xxxx
ex-Factory Wholesale/KG		11.13

Source: Appendix 10.4, 2019 Reconsideration [*Confidential HWL financial data. The release would give a significant competitive advantage to a competitor of the submitter of confidential information*]

Dumping

A comparison of the notional export price globally from Table 5 and notional normal value, direct to retailer as per Table 8 is shown below in Table 10. Comparing the export price and normal value gives a dumping margin of 9.58 Yuan/KG or 117%.

Table 10: Dumping Margin Global Export Price Year End May2022

Normal Value (Yuan)		17.79
Export Price (Yuan)		8.21
Dumping Margin		9.58
Dumping Margin as % Export Price		117%

Source: Table 5, Table 8

Dumping margins using both the Inforshare and TradeData for exports to New Zealand show high dumping margins where manufacturers sell direct to retailer as per Tables 11 and 12 below.

Table 11: Dumping Margin Inforshare May 2022

Normal Value (Yuan)		17.79
Export Price (Yuan)		9.05
Dumping Margin		8.74
Dumping Margin as % Export Price		97%

Source: Table 4, Table 8

Table 12: Dumping Margin TradeData May2022

Normal Value (Yuan)		17.79
Export Price (Yuan)		8.50
Dumping Margin		9.29
Dumping Margin as % Export Price		109%

Source: Table 7, Table 8

Further, an analysis using the most conservative export price and the most extreme margins in the wholesaler\distributor supply chain model still shows significant dumping as per Table 13 below.

Table 13: Dumping Margin TradeData May2022

Normal Value (Yuan)		11.13
Export Price (Yuan)		9.05
Dumping Margin		2.08
Dumping Margin as % Export Price		23%

Source: Table 4, Table 9

A summary of the various dumping margins whether manufacturers sell direct to retailer or through a wholesaler\distrbutor is shown below as Table 14.

Table 14: Dumping Margin Summary

Data Source	Infoshare NZ	TradeData NZ	TradeData Global	TradeData 0-300T	TradeData 20-300T	TradeData 100-300T	TradeData 500-1500T
Direct to retailer	97%	109%	117%	154%	155%	158%	134%
Via Wholesaler\Distributor	23%	31%	36%	59%	59%	62%	46%

Source: Tables 3 through 8

This dumping analysis demonstrates that there are significant dumping margins. The evidence supports the argument that if anti-dumping duties on exports of preserved peaches from China to New Zealand are not put in place that the New Zealand industry will continue to suffer material injury.

7. Evidence of Recurrence Of Material Injury

Loss of market share

In previous investigations, it has been shown that the entry of dumped peaches has resulted in a loss of market share for HWL branded peaches. Evidence of this market share loss has been presented in the last two initiation investigations; China 2006 where the Delish brand grew to xx% share in Pak n Save South Island over 4 weeks and likewise for the Spain 2011 investigation where the Cinderella brand grew to xx% share in Pak n Save Wellington over 4 weeks. It should be reiterated that in these cases the volume was in the region of 100-300 tonnes, a volume that is relatively small for a country the size of China. *[Market shares based on HWL proprietary data and industry insights. The release of this information would give a significant competitive advantage to a competitor.]*

In this case it has not been a specific brand in an account\region of New Zealand where HWL has lost share but rather overall since the removal of duties and conclusion of the 2019 China Rensideration. In Table 15 below is a summary of market share for HWL and for preserved peaches sourced from China.

Table 15: HWL and China Market Share

	Year End June 2018	Year End June 2019	Year End June 2020	Year End June 2021	Year End June 2022
Market Share China	xxx	xxx	xxx	xxx	xxx
Market Share HWL	xxx	xxx	xxx	xxx	xxx

Source: Infoshare, HWL *[The redacted information resulted from an analytical process that included Infoshare data as well as confidential HWL financial data.. The release of this information would have a significant adverse effect on the submitter]*

The data used to construct this was to look at HWL sales and also total imports, net of HWL imports to construct the total market and then divide HWL and China sales into this total market. The China Reconsideration of 2019 was released in November 2019 so conceivably for exporters and importers to take advantage of the new market conditions with leadtimes it is most likely these effects were not seen until later in 2020 and therefore it makes sense to compare market share before mid 2020 and post mid 2020. For the 3 years prior to mid 2020 HWL market share averaged xx%. In the 2 years since the average has been xx%, a loss of xx% share points or xx% and xx% in 2 years to mid 2020, a net gain of xx% share points, the majority at the expense of HWL market share. *[Market shares based on HWL proprietary data and industry insights. The release of this information would give a significant competitive advantage to a competitor.]*

In Appendix 10.6 is a forecast of what the performance of HWL canned peach business should have been without the injurious effects of dumped canned peaches from China. Included as part of this forecast is HWL maintaining market share. This equated to a loss of volume of xx tonnes in the year end June 2021 and xx tonnes in the year end June 2022. *[Market shares based on HWL proprietary data and industry insights. The release of this information would give a significant competitive advantage to a competitor.]*

Note that this analysis makes the period of review (dumping) the 24 months July 2020 through June 2022.

Price Undercutting

In Table 16 below HWL net sales value minus freight to customer to get to an ex-warehouse cost has been compared with the ex-wharf import cost from Infoshare to calculate the level of price undercutting for the last 12 months for the Wattie's and Oak brands.

Table 16: Price Undercutting Year End June 2022 NZD

HWL Brand	Net Sales Value/KG	Import Cost/KG	Undercutting/KG	Undercutting %/KG
Wattie's	xxxx	\$ 2.36	xxxx	xxxx
Oak	xxxx	\$ 2.36	xxxx	xxxx

Source: Appendix 10.2, Confidential Appendix 10.5 [Confidential HWL financial data. The release of this information would have a significant adverse effect on the submitter]

This margin of undercutting is significant and explains why canned peaches from China have been able to increase their market share. To further explain this we can analyse the level of price undercutting over the last 5 years in Table 17 below.

Table 17: Price Undercutting Year End June 2022 NZD

	Year End June 2018	Year End June 2019	Year End June 2020	Year End June 2021	Year End June 2022
HWL Net Sales Value/KG	xxxx	xxxx	xxxx	xxxx	xxxx
China Import Cost/KG	2.23	2.32	2.11	2.01	2.36
Undercutting/KG	xxxx	xxxx	xxxx	xxxx	xxxx
Undercutting %/KG	xxxx	xxxx	xxxx	xxxx	xxxx

Source: HWL, Infoshare [Confidential HWL financial data and analysis. The release of this information would have a significant adverse effect on the submitter.]

As explained under the Loss of Market Share section it is important to consider what has happened prior to mid 2020 and post mid 2020. As can be seen from the table above the level of price undercutting prior to mid 2020 averaged xx% and since then the average has been xx%. This increase in price undercutting goes some way to explain the loss of market share HWL has realised. [Confidential HWL financial data and analysis. The release of this information would have a significant adverse effect on the submitter.]

HWL net sales value per kilogram has increased in the last 2 years to offset input cost increases rising from an average of xx%/KG to xx%/KG, a xx or xx% increase. Meanwhile the import price from China has decreased from \$2.22/KG to \$2.19/KG, a \$0.03 or 1% decrease. Commercially this does not make sense given both the New Zealand and Chinese industries are exposed to the same input commodity cost increases, in particular

Price Suppression

The effects of the dumped preserved peaches from China in the NZ market with increased price undercutting causing price depression means that price suppression does exist with HWL being unable to offset the difference in price undercutting by means of cost savings and price increases elsewhere. The effects of this have been exacerbated by the loss of market share.

The level of price suppression is as mentioned in the price depression analysis the difference in the level of price undercutting prior to June 2020 versus that post, or xx%. A forecast of what the financial performance should have been in the absence of dumped Chinese preserved peaches is available as Appendix 10.6. . *[Confidential HWL financial data and analysis. The release of this information would have a significant adverse effect on the submitter.]*

Loss of sales revenue

The loss of sales revenue is directly attributable to the two injury indicators already mentioned, namely:

1. Loss of market share
2. Price undercutting leading to price depression

A summary of this loss of sales revenue is available in Table 18 below.

Table 18: Forecast Loss of Sales Revenue

Years end June	2018	2019	2020	2021	2022	2023	2024
Sales with dumping (\$,000)	xxxx						
Sales without dumping (\$,000)	xxxx						
Loss of sales revenue (\$,000)	xxxx						
% loss of sales revenue	xxxx						

Source: Confidential Appendix 10.5 & 10.6 [. *Confidential HWL financial data and analysis. The release of this information would have a significant adverse effect on the submitter.*]

This loss of sales revenue is significant. A forecast reflecting this loss is available in Confidential Appendix 10.6. In Confidential Appendix 10.5 is a forecast with dumping as a comparison. Note for years end 2021 and 2022 this is significant material injury. Years end 2023 and 2024 are forecast injury.

Profits

The loss in sales revenue directly impacts profit. A summary of this loss in profit is available in Table 19 below.

Table 19: Forecast Impact on Profits

Years end June	2018	2019	2020	2021	2022	2023	2024
EBIT with dumping (\$,000)	xxxx						
EBIT without dumping (\$,000)	xxxx						
Loss of EBIT (\$,000)	xxxx						
% loss of EBIT	xxxx						

Source: Confidential Appendix 10.5 & 10.6 [. *Confidential HWL financial data and analysis. The release of this information would have a significant adverse effect on the submitter.*]

Such a loss in profit is significant material injury and reflects the fact that a remedy in the form of an anti-dumping duty is urgently required to prevent further material injury to the New Zealand industry.

Imports from China

China is a significant exporter of canned peaches. In the year ending May 2022 China exported just over xxxxxx tonnes of preserved peaches globally. *Confidential Appendix 10.3 TradeData International Pty. Ltd. Export Data. The release of this information would have a significant adverse effect on the submitter.*

Exports to New Zealand from China have been increasing since the removal of duties and conclusion of the reconsideration in 2019. Relative to all imports, China averaged 34% of total imports prior to June 2020. Since June 2020 imports from China have averaged 44% of total imports. This reinforces the point made earlier that importers are now taking advantage of dumped preserved peaches from China in increasing volumes. A summary of this is available in Table 18 below.

Table 18: Imports of Preserved Peaches

	Year End May 2018	Year End May 2019	Year End May 2020	Year End May 2021	Year End May 2022
China Imports (T)	1,299	1,256	1,379	1,766	1,380
Other Imports (T)	2,478	2,728	2,501	2,132	1,920
Total Imports (T)	3,778	3,984	3,880	3,899	3,300
China % of Total	34%	32%	36%	45%	42%

Source: Infoshare Statistics New Zealand

Further, with this share of imports increasing there appears to be ample product available through websites such as Alibaba. Links to available product ex-Alibaba:

- https://www.alibaba.com/product-detail/2022-New-Crop-Season-820g-425g_11000003256601.html?spm=a2700.pc_countrysearch.main07.1.2411645cqOQcGN
- https://www.alibaba.com/product-detail/Zhenxin-Famous-Canned-Yellow-Peach-Fruit_60713345159.html?spm=a2700.pc_countrysearch.main07.38.2411645cqOQcGN
- https://www.alibaba.com/product-detail/Zhenxin-Canned-Fresh-Yellow-Peach-in_60700170522.html?spm=a2700.pc_countrysearch.main07.110.3af1645cxwt7C1

Productivity

Currently, imports of preserved peaches from China are not having an injurious affect on HWL productivity. This is due to the fact that HWL sources all of the peach raw material available for processing in Hawkes Bay and converts this into canned preserved peaches.

Presently, HWL has commitments to contracted growers to take their crop for 2023 through 2025.

Return on Investments

HWL views the industry positively and continues to invest in its canned peach processing operation and installed a new colour sorter at a cost of \$xx million for the 2022 season. HWL is also replacing all its peach pitters with new equipment, which while leased, will incur an installation cost to HWL of \$xx - \$xx million. This investment is a reflection of the level playing field created with existing remedies on other global producers and the previous success HWL has had in applying for a remedy on dumped preserved peaches from China. *[Confidential HWL financial investment in NZ industry. The release of this information would have a significant adverse effect on the submitter.]*

Production Capacity

HWL's production capacity is constrained by the crop its contracted orchardists can deliver. As previously mentioned HWL sources all the raw material the orchardists can deliver for conversion into preserved canned peaches.

Other economic effects

It can be argued that the dumped canned preserved peaches from China have had an adverse effect on inventories. With the loss of market share HWL inventories have been higher than they otherwise would have been if HWL had maintained share.

As can be seen in Graph 1 below, HWL inventories of canned peaches have not been below xxx tonnes over the period of dumping. This indicates that HWL could have supplied the volume it lost through loss of market share.

Graph 1: HWL Canned Peach Inventory Tonnes

[Confidential graph showing HWL inventories and analysis to derive figure above. The release of this information would have a significant adverse effect on the submitter.]

Source: HWL

As has been agreed in previous investigations, cash flow is not a good indicator of injury due to the shared resources common to both canned preserved peaches and other products HWL manufactures.

The dumped preserved peaches from China are not currently having adverse effects on employment and wages due to that fact that HWL sources the entire peach crop and converts all of this to canned preserved peaches.

In terms of HWL's ability to raise capital and investment in the industry, HWL has invested significant capital in 2022 due to its favourable view of the industry moving forward. Underpinning this view is to use trade remedies to defend the local industry when it comes under attack from dumped imports and while this defence removes the injurious effects of dumped imports HWL will continue to invest in the industry.

Causal Link

This application has established a direct causal link between dumped imports of preserved peaches from China and material injury to the New Zealand industry.

Evidence of this causal link is the:

- Increase in market share of imports of preserved peaches from China to the detriment of the New Zealand industries market share
- Significant price undercutting of preserved peaches from China depressing the New Zealand industries sale prices leading to a loss of sales revenue and profits.

HWL submits that an investigation into the dumping of canned peaches from China is required urgently with provisional measures imposed to prevent further material injury to the New Zealand industry.

8. Other Factors Affecting the Industry

Volume and Prices of Goods not Sold at Dumped Prices

HWL is not aware of any material injury being caused through fairly traded competitor branded products.

Contraction in Demand or Changes in the Patterns of Consumption

There does not appear to be any contraction in demand or changes in the patterns of consumption.

Restrictive Trade Practices of; and Competition Between, Overseas and New Zealand Producers

HWL is not aware of any further restrictive trade practices that is currently affecting the New Zealand industry.

Developments in Technology

HWL does not believe that there is any evidence of a technology development relevant to the consideration of material injury.

HWL is of the understanding that its method of processing peaches is very similar to that of other processors.

Export Performance and Productivity of the New Zealand Producer

HWL exports a small volume of preserved peaches to the Pacific Islands and Australia. These exports are negligible representing less than x% of HWL's canned peach sales. *[Confidential HWL financial analysis. The release of this information would have a significant adverse effect on the submitter.]*

9. Confirmation of Application

I apply, on behalf of Heinz Wattie's Limited, for the initiation of an investigation into the dumping of *Peaches in preserving liquid, in containers up to and including 5.0kg* from China.

In support of this application I attach positive evidence of :

- i. Dumping;
- ii. Material injury
- iii. The causal link between dumped goods and the material injury to the New Zealand industry.

Heinz Wattie's Limited makes this application as the New Zealand industry producing, for domestic consumption, like goods to those subject to the application.

Signed

Name Simon Crampton

Date 31st August 2022

10. APPENDICES

1. *Confidential IRI Retail Market Sales Scan Data. The release of this information would have a significant adverse effect on the submitter.*
2. Statistics New Zealand Infoshare Data
3. *Confidential TradeData International Pty. Ltd. Export Data. The release of this information would have a significant adverse effect on the submitter.*
4. China Domestic Peach Prices
5. *Confidential Heinz Wattie's Financials – Actuals and Forecast with Dumping. The release of this information would have a significant adverse effect on the submitter.*
6. *Confidential Heinz Wattie's Financials - Actuals and Forecast without Dumping. The release of this information would have a significant adverse effect on the submitter.*
7. Exchange Rates

Appendix 10.1 – IRI Retail Data

Refer to confidential workbook 'China Application Tables', worksheet '5_Year4_Weekly_Data_Dump_Cann' and also worksheet 'Pivot IRI'.

Appendix 10.2 – Statistics NZ Infoshare Data

China, People's Republic of				
Fruit; peaches, including nectarines, prepared or preserved in ways n.e.c. in heading no. 2007 and 2008, whether or not containing added sugar, other sweetening matter or spirit				
	Quantity	Cost including insurance and freight	Value for duty	
2016M01	119,951	342,577	331,680	
2016M02	122,950	302,663	292,161	
2016M03	128,959	271,209	264,342	
2016M04	92,981	219,121	211,360	
2016M05	103,241	247,324	239,617	
2016M06	90,123	211,951	204,765	
2016M07	122,399	260,637	253,877	
2016M08	64,568	158,504	153,257	
2016M09	16,093	44,979	43,785	
2016M10	84,119	186,870	178,826	
2016M11	122,649	280,170	272,318	
2016M12	121,814	261,507	253,645	
2017M01	105,836	246,265	239,311	
2017M02	131,708	255,343	244,896	
2017M03	119,649	252,566	243,170	
2017M04	82,342	162,664	157,489	
2017M05	83,687	185,851	179,889	
2017M06	137,911	294,639	283,924	
2017M07	68,724	148,439	143,826	
2017M08	108,529	234,907	225,915	
2017M09	63,082	195,124	186,557	
2017M10	159,234	302,747	289,969	
2017M11	164,217	331,301	316,828	
2017M12	103,440	273,449	262,107	
2018M01	137,652	316,382	301,762	
2018M02	64,655	134,587	129,295	
2018M03	106,314	230,182	217,420	
2018M04	89,005	212,171	204,733	2.13
2018M05	96,650	221,152	211,685	2.23
2018M06	140,831	345,808	330,947	
2018M07	57,236	165,241	148,669	
2018M08	89,751	231,438	221,639	
2018M09	119,234	246,776	236,598	
2018M10	69,461	189,458	181,556	
2018M11	112,795	255,147	243,183	
2018M12	113,099	250,617	238,427	
2019M01	120,865	267,960	253,608	
2019M02	77,737	171,429	163,481	
2019M03	29,728	69,995	66,084	
2019M04	169,267	376,569	357,750	2.21
2019M05	155,984	344,806	328,162	2.32
2019M06	97,756	235,682	224,898	
2019M07	91,809	240,629	229,583	
2019M08	114,478	236,008	225,923	
2019M09	160,937	342,535	325,377	
2019M10	184,990	391,338	374,289	
2019M11	117,686	205,379	195,321	
2019M12	44,917	84,495	80,325	
2020M01	144,779	284,573	268,253	
2020M02	100,069	187,505	178,756	
2020M03	129,521	251,678	235,582	
2020M04	136,319	326,433	308,605	2.00
2020M05	55,940	120,910	116,166	2.11
2020M06	68,934	153,260	146,931	
2020M07	127,189	282,376	267,641	
2020M08	58,060	138,625	133,842	
2020M09	158,820	310,722	294,837	
2020M10	203,941	387,880	372,139	
2020M11	245,578	449,172	429,215	
2020M12	109,271	213,760	205,890	
2021M01	242,107	519,046	483,850	
2021M02	127,996	242,828	226,726	
2021M03	134,086	275,381	263,798	
2021M04	67,413	127,277	120,650	1.90
2021M05	223,050	453,106	411,058	2.01
2021M06	168,588	345,850	305,005	
2021M07	61,794	136,655	124,656	
2021M08	57,347	146,254	117,659	
2021M09	164,821	390,035	353,410	
2021M10	103,672	236,673	207,183	
2021M11	95,682	220,363	204,286	
2021M12	179,841	421,801	378,390	
2022M01	112,207	281,793	233,237	
2022M02	86,260	222,328	196,709	
2022M03	23,610	46,532	35,435	
2022M04	91,216	240,609	215,372	2.07
2022M05	234,691	571,297	481,930	2.36

Appendix 10.3 – TradeData International Data

Refer to confidential workbook 'China Export_200870_202225'

Appendix 10.4 – China Domestic Peach Prices

Refer to confidential workbook 'China Prices' for further detail.

		FX Rate: NZ/CNY = 4.3	
B2C platform	SKU Description	Size(KG)	NZ\$/KG
Taobao	Banbian Peach halves drained 820g x 2	1.64	3.09
Taobao	Banbian Peach halves drained 3kg x 6	18	1.98
Taobao	Baicaowei Peach halves drained 312g x 3	0.936	6.68
Taobao	Tangshan Peach halves drained 425g x 6	2.55	2.45
JD	Zhenxin Peach halves drained 425g x 4	1.7	9.30
JD	Taoguan Peach halves drained 425g x 6	2.55	3.70
JD	Yaoxiaotao Peach halves drained 300g x 6	1.8	7.78
JD	Linjiapuzi Peach halves drained 425g x 6	2.55	3.74
JD	Baicaowei Peach halves drained 312g x 5	1.56	5.95
JD	Linjiapuzi Peach halves drained 200g x 4	0.8	5.12
JD	Tangshan Peach halves drained 820g x 24	19.68	4.16
			4.90
			21.09

Appendix 10.5 – HWL Actuals and Forecast with Dumping

Refer to confidential workbook 'China Application Tables', worksheet 'Forecasts with dumping'.

Appendix 10.6 - HWL Forecast without Anti-Dumping Duty

Refer to confidential workbook 'China Application Tables', worksheet 'Forecasts without dumping'.

Appendix 10.7 – Exchange Rates

Month	NZD:Yuan	USD:Yuan
Jun-21	4.564	6.423
Jul-21	4.526	6.476
Aug-21	4.517	6.479
Sep-21	4.562	6.458
Oct-21	4.526	6.424
Nov-21	4.485	6.391
Dec-21	4.323	6.37
Jan-22	4.289	6.356
Feb-22	4.231	6.345
Mar-22	4.357	6.344
Apr-22	4.343	6.42
May-22	4.298	6.696
Jun-22	4.26	6.694
	4.42	6.43

HWL Application: Additional Information provided on 8 November 2022

Subject	References to the Act	Request for clarification / further information	HWL Response
Subject goods and like goods	<p>Section 10(1)(d): Subject goods</p> <p>Section 3:</p> <p><i>Like goods, in relation to any goods, means—</i></p> <ol style="list-style-type: none"> 1. <i>other goods that are like those goods in all respects; or</i> 2. <i>in the absence of goods referred to in paragraph (a), goods which have characteristics closely resembling those goods</i> 	<p>With regards to the inclusion of containers “up to 5.0 kg”, please:</p> <ol style="list-style-type: none"> 1. Clarify whether HWL produces preserved peaches in containers over 4.0kg and if so provide details of those products. 2. Provide further information on the basis for why HWL considers that imported preserved peaches from China in containers over 4.0 kg would (directly) compete with like goods. 3. Provide further clarification on what is meant by competition on “a value per kilogram basis”. 4. Clarify whether, in making the submission that there is competition on “a value per kilogram basis”, HWL has considered the possible effects of any difference in the costs of production/shipping/handling across the two size categories (i.e., up to 4.0kg and over 4.0kg). 5. Provide further information on whether HWL would be willing to: <ul style="list-style-type: none"> o More precisely define the subject goods to reflect the products which the industry produces (e.g. only preserved peaches in cans), with consideration of whether HWL’s canned peaches are “like goods” to preserved peaches in pottles, glass jars etc. o Specify any exclusions to the subject goods definition (e.g. preserved peaches in plastic sleeves) 	<ol style="list-style-type: none"> 1. No HWL does not produce preserved peaches in containers over 4.0kg 2. As has been demonstrated in the past at verification visits once the peaches have been decanted from their container and are in a bowl at a breakfast buffet in a hospitality situation for instance, the container they were packed in becomes irrelevant to the consumer. China produces preserved peaches >4.0 kg and in a hospitality situation where pack size and brand is irrelevant to the consumer, the decanted peaches directly compete with the NZ industry produced goods. 3. Regardless of pack size, in the hospitality environment especially, customers who are the hospitality provider are looking for best price on a value per kilogram basis to minimise serving cost per serve to consumer, the user of the hospitality services. 4. Producers over 4.0kg would be able to provide comments in regards to production specifically. However it would be expected that the cost difference per kilogram would not be as great as HWL 410g\820g can size versus 3kg. Shipping and handling per kg would typically be very similar given the individual container and shipping cost per container does not change. 5. The argument HWL has put forward in earlier responses in this section leads to the

			<p>conclusion that HWL is not supportive of a more refined definition. Regardless of pack size and pack material the preserved peaches compete with HWL preserved peaches, especially in the hospitality environment where brand, pack size and pack material is not even seen by the consumer which means the hospitality provider has the luxury of buying on price alone, hence HWL comments in regards to competition on a value per kilogram basis.</p>
Material Injury	Section 8(1)(b): The effect of the dumped goods on prices in NZ for like goods		
	<p><u>Section 8(2)(b):</u></p> <p><i>The extent to which the prices of the dumped...goods represent significant price undercutting in relation to prices in NZ (at the relevant level of trade) for like goods of NZ producers</i></p>	<p>Please:</p> <ol style="list-style-type: none"> 1. Provide source information supporting the import cost calculations used in HWL’s price undercutting calculations. It could be helpful to provide invoices to support the figures used. 2. There appears to be an inconsistency between the calculations in the HWL’s price undercutting spreadsheet and the following quote – please can you explain the apparent differences in these two sets of numbers: <u>“HWL net sales value per kilogram has increased in the last 2 years to offset input cost increases rising from an average of \$xxx/KG to \$xxx/KG, a \$xxx or xx% increase. Meanwhile the import price from China has decreased from \$2.22/KG to \$2.19/KG, a \$0.03 or 1% decrease. Commercially this does not make sense given both the New Zealand and Chinese industries are exposed to the same input commodity cost increases, in particular cans. [figures]</u> 	<ol style="list-style-type: none"> 1. The source information is provided in workbook ‘China Application Tables, sheet Infoshare Import Data’. Infoshare is the extraction tool from Statistics NZ. Invoices are not available as HWL do not purchase preserved peaches from China. 2. This could have been clearer. The difference is due to the ‘from’ numbers being the average of the 3 years to year end June 2020 and the ‘to’ numbers are the average of years ending June 2021 and 2022, the period of injury. 3. For the first paragraph in (2) the level of trade is HWL ex-warehouse compared with China ex-wharf. The second paragraph is some commentary in relation to China free on board prices exclusive of freight given freight has fluctuated over this period. 4. Cans, which are a significant percentage of the product cost, are explicitly mentioned in

Further, in these inflationary times, exclusive of freight the value for duty or free on board China price has decreased from \$2.11/KG to \$1.98/KG, a decrease of \$0.13/KG or 6%. This is even more surprising given the cost increases of commodity type inputs such as cans and reinforces the argument that the export price has decreased and dumping is now occurring.

3. Provide further information on how comparable the products forming the basis for the above commentary are. For example, with reference to the level of trade at which HWL has made the comparison (e.g. ex-factory to ex-factory) and the product mix that has been compared.
4. Provide further information on components of HWL's costs of production (including trends in these costs since 2017 and HWL's expected reasons for any fluctuations).

application as having increased. Further detail would normally happen as part of a more thorough verification visit where detail to a product and component level can be discussed, requested and provided?

Section 8(2)(c):

The extent to which the effect of the dumped...goods is or is likely significantly to depress prices for like goods of NZ producers or significantly to prevent price increases for those goods that otherwise would have been likely to have occurred.

Please provide further evidence:

1. To support the assumptions set out in HWL's "Forecasts with dumping" and "Forecasts without dumping" spreadsheets, i.e., evidence on the basis on which HWL has arrived at the following values:

Assumption	Value
	xx%
Market Growth	-xx%
NZD Unit	0.001
Price Undercutting	-xx%
Share Impact	xx%

[figures]

1. Assumptions as follows

- a. Input cost growth. This was historically NZ CPI increase. In this case it could be calculated from base financial cost data where from year end June 2018 through 2022 the increase is xx%. This should be used in forecasts. [figure]
- b. Market growth is the decline in the total market size from year end June 2018 through year end June 2022 from workbook 'China Application Tables – sheet Market Share', cell E14 which drives market volume projected over 5 years in cell F14 which needs to be comparable with cell F10

		<p>2. To support the statement that price depression has resulted in price suppression.</p> <p>3. To support the statement that level of price suppression is the difference in the level of price undercutting prior to June 2020 compared to after June 2020.</p> <p>4. On whether (and how) HWL considered other factors that may have contributed to price suppression in making claim referred to in question 3 above.</p>	<p>c. NZD Unit is simply a conversion</p> <p>d. Price Undercutting is the xx% referred to in last paragraph under section Price Depression in the application. <i>[figure]</i></p> <p>e. Share Impact from ‘China Application Tables – sheet Market Share’. The average share from year and June 2018 through June 2020 compared with average share for years ending June 2021 and June 2022. Explanation paragraph under Table 15 in application.</p> <p>2. We are not clear what the further request here is. What has been provided is as per previous investigations where HWL has evidence of price depression which has meant that HWL’s price depression has not been able to offset total cost increases at the same time and therefore price suppression exists. In a normal competitive market without dumped preserved peaches from China, HWL would have lifted its prices further to offset these cost increases which would mean there would be no price depression or suppression. However due to the existence of dumped preserved peaches from China, HWL has been unable to do this.</p> <p>3. We are also not clear what the further request here is. In the application we have identified a period prior to June 2020 where there had been a remedy and uncertainty in place and post this with the removal of uncertainty the period of injury where the</p>
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			<p>numbers clearly show decreased prices from China relative to prior</p> <p>4. The Ministries template for application outlines these considerations and HWL responded to each in the application in 'Section 8 – Other factors affecting the industry'. The only other significant source for preserved peaches supplying NZ is South Africa where a remedy already exists to remove injurious effects.</p>
Section 8(1)(c): The consequent impact of the dumped...goods on the relevant NZ industry			
	<p><u>Section 8(2)(d):</u></p> <p><i>The economic impact of the dumped...goods on the industry, including—</i></p> <p><i>(i) actual and potential decline in output, sales, market share, profits, productivity, ROIs, and utilisation of production capacity; and</i></p> <p><i>(ii) factors affecting domestic prices; and</i></p> <p><i>(iii) the magnitude of the margin of dumping; and</i></p> <p><i>(iv) actual and potential negative effects on cash flow, inventories, employment, wages, growth, ability to raise capital, and investments</i></p>	<p>Please:</p> <ol style="list-style-type: none"> 1. Provide information on how HWL identified the causal relationship between declines in output, market share and profits and the presence of dumped imports. 2. Provide underlying data on changes in inventory levels since Q3/2017. 3. Confirm that HWL does not consider the alleged dumping injuriously impacts its ROI (noting its application states that there have been declines in sales and profits, alongside increases in capital expenditure). To the extent possible, please ensure that the evidence provided is closely attributable to the production of preserved peaches. 	<ol style="list-style-type: none"> 1. In the NZ market HWL competes with imports from China. In such a commoditised category as preserved peaches the price of imports from China is used as leverage from customers to drive a lower price from HWL leading to injury. Typically these negotiations are face to face with the customer. Further, as already mentioned the other significant source of supply, South Africa, has a remedy in place to prevent injury. 2. See workbook 'Peach Inventory Data' 3. With the decline in profits it does negatively impact return on investment. However due to the significant number of shared resources with other products it is too difficult to provide any meaningful data. This has been the case in the past and this still remains the case. An example would the labelling production lines which are used across all canned products.

	<p><u>Section 8(2)I:</u></p> <p><i>Factors other than the dumped...goods that have injured, or are injuring, the industry, including—</i></p> <p>(v) <i>the volume and prices of goods that are not sold at dumped prices...; and</i></p> <p>(ii) <i>contraction in demand or changes in the patterns of consumption; and</i></p> <p>(iii) <i>restrictive trade practices of, and competition between, overseas and NZ producers; and</i></p> <p>(iv) <i>developments in technology; and</i></p> <p>(v) <i>the export performance and productivity of the NZ producers</i></p>	<ol style="list-style-type: none"> 1. Please provide information on any effects HWL considers the impacts of COVID-19 have had on the preserved peach industry during the proposed period of investigation. 2. Please provide information on any other factors HWL considers have had an impact on the preserved peach industry during the proposed period of investigation. 	<ol style="list-style-type: none"> 1. Comments were made in the prior Spain review. Please refer to final report paragraphs 411 through 415. 2. The Ministries template for an application outlines these considerations and HWL responded to each in the application in Section 8 – Other factors affecting the industry. HWL has nothing further to add at this time.
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