

Trade (Dumping and Countervailing Duties) Act 1988

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

December 2024

Contents

1. Introduction
2. Interested Parties
3. Like Goods
4. Imports of Preserved Peaches
5. New Zealand Market
6. Evidence of Dumping
7. Evidence of Material Injury
8. Other Factors Affecting the Industry
9. Confirmation of the Application
10. Appendices

1. Introduction

Executive Summary

This application concerns the dumping of preserved peaches originating from China and the material injury currently being incurred by the New Zealand industry from these dumped imports.

Heinz Wattie's Limited ("HWL") is the only producer of preserved peaches in New Zealand under the brand names Wattie's and Oak.

Anti-dumping duties have previously been imposed on imports of preserved peaches from China. Anti-dumping duties were first imposed on imports of preserved peaches from China on 21st August 2006. On the 14th July 2017 MBIE initiated the second sunset review of the anti-dumping duties. In February 2018 MBIE released the final report of this review and concluded dumping causing injury is not currently occurring while duties are in place and is not likely to recur if duties expire, MBIE concluded that anti-dumping duties should be terminated. HWL challenged this conclusion through judicial review and subsequently MBIE undertook a reconsideration of this conclusion and in November 2019 released the final report of the reconsideration. In considering the likelihood of the continuation or recurrence of dumping, MBIE concluded that imports in the POR(D) were not being dumped, and it is not likely that there will be a recurrence of dumping. In September 2022, HWL submitted a new application for an investigation into alleged dumping of preserved peaches from China. MBIE initiated this investigation November 2022 and in June 2023 concluded that while dumping was occurring that the dumping of preserved peaches from China has not caused material injury to the New Zealand industry.

Based on further new evidence available to HWL, HWL believes dumping continues to recur which has caused and continues to cause significant material injury to the New Zealand industry.

This material injury caused to HWL from dumped imports from China is in the form of loss of market share, price undercutting and price suppression. The economic effects are a decline in sales, profits and xx
xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx and the supporting horticultural industry. The existential effects would impact other fruit growers who produce fruit as an ingredient for fruit salad for instance as well as suppliers of other materials and services. [HWL business strategy. The release of this information would give a significant competitive advantage to a competitor]

Due to the magnitude of the material injury, HWL is requesting provisional anti-dumping duties be applied as soon as possible to prevent this ongoing material injury to HWL.

Grounds for Application

HWL applies for the initiation of an investigation into the dumping of preserved peaches from China pursuant to Section 10 of the Trade (Dumping and Countervailing Duties) Act 1988 (the “Act”).

This application is made on the grounds that preserved peach imports from China are being dumped causing significant material injury and that if not addressed through an anti dumping duty will cause further material injury to the New Zealand preserved peach industry represented by HWL through:

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

resulting in:

- a decline in sales,
- a decline in market share,
- a decline in profits,

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.

2. Interested Parties

The Applicant

The applicant is Heinz Wattie's Limited ("HWL") which is the only producer of preserved peaches in New Zealand, under the brand names Wattie's and Oak.

The application is made on behalf of the sole New Zealand producer of preserved peaches.

Heinz Wattie's Limited
Private Bag 99920
Newmarket
Auckland

Telephone: 09 308 5000

Contact: xxx

Email: XXXXXXXXXXXXXXXXXXXXXXXXXXXX

[Confidential personal information. The release of which would have a significant adverse effect on the submitter.]

Heinz Wattie's Limited is a subsidiary of the Kraft Heinz Company, USA.

Any queries in regard to this application should be directed to Simon Crampton. For the purposes of the investigation, Heinz Wattie's Limited is being represented by Simon Crampton, an independent consultant.

e-simoncrampton@xtra.co.nz
p-021730384

Importers

Based on product labels HWL is aware of the following importers:

- Foodstuffs New Zealand
- Woolworths New Zealand

In the prior investigations the following importers were identified:

- HWL.
- Foodstuffs New Zealand
- Bidfood Limited
- Kidscan Charitable Trust

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 in the 2022 investigation were:

- (a) Linyi City Kangfa Foodstuff Drinkable Company Limited;
- (b) Qingdao Countree Food Company Limited;
- (c) Lianyungang Tianle Food Company Limited;
- (d) Acroyali Holdings Qingdao Co Ltd;
- (e) Dalian Luxe Foods International Sales Co Ltd;
- (f) Shandong Tiantong Food Ltd.

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.

4. Imports of Preserved Peaches

Preserved peaches with the description of the subject goods are not separately identified in the Tariff of New Zealand. HWL is unable to provide the proportion of the import figures that are the subject goods of the relevant statistical key due to other imports. The Ministry has access to the customs database to answer this question.

The import figures in Table 1 below have been compiled from Statistics New Zealand (Infoshare) data.

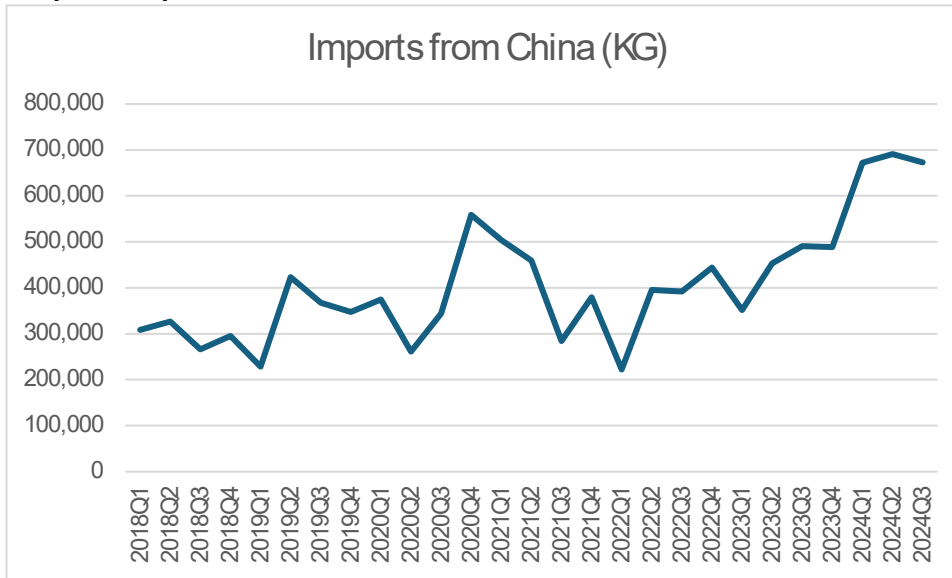
Table 1: Imports under Tariff Item 2008.70.09.00 Year End September 2024

| | Quantity (KG) | Cost including insurance and freight | Value for duty (VFD) | VFD/KG |
|-----------------|---------------|--------------------------------------|----------------------|--------|
| Australia | 201,360 | 754,689 | 734,530 | 3.65 |
| Canada | 1,089 | 3,480 | 3,480 | 3.20 |
| China | 2,524,937 | 6,179,664 | 5,927,026 | 2.35 |
| Greece | 61,355 | 195,735 | 177,898 | 2.90 |
| Italy | 242 | 2,552 | 2,368 | 9.79 |
| Japan | 16 | 293 | 286 | 17.88 |
| Korea | 595 | 3,170 | 3,083 | 5.18 |
| North Macedonia | 696 | 3,979 | 3,705 | 5.32 |
| South Africa | 2,700,998 | 9,386,125 | 9,163,659 | 3.39 |
| Spain | 82,694 | 304,429 | 284,843 | 3.44 |
| Taiwan | 12,278 | 98,542 | 95,627 | 7.79 |
| Total | 5,586,260 | 16,932,658 | 16,396,505 | 2.94 |

Source: Statistics New Zealand Infoshare Data

Of note is the significant increase in imports from China since the last application for an investigation against China where annual imports have increased from 1,380 tonnes to 2,525 tonnes, an 83% increase since 2022. This increase in 2024 has been significant as shown in Graph 1 below where the increase last three quarters can clearly be seen. This significant increase has caused material injury to HWL.

Graph 1: Imports of 200870 Preserved Peaches from China



Source: Infoshare Statistics NZ

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/Best-Price-Canned-Fruit-Yellow-Peaches_1601272331953.html?spm=a2700.7724857.0.0.2560NfJuNfJuSK
https://www.alibaba.com/product-detail/Custom-410g-820g-3000g-Best-Can_1600920361635.html?spm=a2700.7724857.0.0.2560NfJuNfJuSK

HWL endeavours to source New Zealand grown fruit for its preserved peach operation with the strategy xx
xxxxxxxxxxxxxxxxxxxxxxxxxxx. Any surplus is packed off under the Oak brand. In times of short supply, HWL is compelled to import preserved peaches which may be subject to trade remedies. [HWL business strategy. The release of this information would have a significant adverse effect on the submitter.]

HWL preserved peach imports, apart from country of origin declarations, are labelled the same as the New Zealand products and are sold at the same regular price. The sale of these products in the New Zealand market protects the market share, shelf space and consumer goodwill for New Zealand preserved peaches in a time of shortage and does not cause injury to HWL.

Clearly with this significant increase in imports, importers past and current 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 preserved 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: Retail Channel Market Share by Brand

| Brand | Tonnes | Share |
|------------|--------|-------|
| Alcurnia | xxx | xxx |
| Budget | xxx | xxx |
| Delphi | xxx | xxx |
| Essentials | xxx | xxx |
| Homebrand | xxx | xxx |
| Oak | xxx | xxx |
| Pams | xxx | xxx |
| SPC | xxx | xxx |
| Value | xxx | xxx |
| Wattie's | xxx | xxx |
| Woolworths | xxx | xxx |
| Total | xxx | |

Source: Confidential Appendix 10.1 - IRI New Zealand retail scan data MAT 27/10/2024
[Confidential IRI retail sales scan data (IRI). The release of this information would have a significant adverse effect on the submitter]

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 stock brands of preserved peaches other than those supplied from Heinz Wattie's. HWL therefore has no exclusive customers with the market always open to new sources of supply.

There are 3 distinct levels of trade:

- ex manufacturer, e.g. 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 September 2024. From this data an estimated export price has been able to be calculated in Table 3 below.

Table 3: Infoshare Export Price Year End September 2024

| | | |
|----------------------------|-------|-----------|
| Value for duty (VFD - NZD) | | 5,927,026 |
| Volume (KG) | | 2,524,937 |
| VFD/KG | | 2.35 |
| Currency Conversion (Yuan) | 4.376 | 10.27 |
| Freight to port | 1% | 0.10 |
| ex-Factory Yuan/KG | | 10.17 |

Source: Appendix 10.2 Statistics NZ (Infoshare), Appendix 10.3

The exchange rate has been found from www.x-rates.com for the year ending September 2024 and is available as Appendix 10.3.

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. *[The release of this information would have a significant adverse effect on the submitter]*

Additionally, HWL has been able to obtain an export price from China from HWL's own imports from China. This export price is calculated in Table 4 below. Due to the fact that HWL knows this product is preserved peaches from China and not distorted by items that fall outside of the like goods description under tariff code 200870 this will be used in the dumping analysis.

Table 4: HWL Export Price August 2024

| | | |
|---------------------------|-------|---------|
| Value for duty (VFD) | | xxxxxxx |
| Volume (KG) | | xxxxxxx |
| VFD/KG | | xxx |
| Currency Conversion (USD) | 7.151 | xxx |
| Freight to port | 1% | xxx |
| ex-Factory Rand/KG | | xxx |

Source: Appendix 10.3, HWL *[Confidential HWL Purchase Data. The release of this information would have a significant adverse effect on the submitter]*

Normal Value

HWL has sourced market prices for preserved yellow peaches in China from November 2024. 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 5 for a manufacturer selling directly to the retailer.

Table 5: Notional Normal Value November 2024

| | | |
|-------------------------|------|-------|
| Retail Price Yuan/KG | | xxx |
| excl. VAT | 0.0% | xxx |
| excl. Retail Margin | xxx | xxx |
| Freight to Customer | xxx | xxx |
| ex-Factory Wholesale/KG | | 19.30 |

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 xx% has been made for freight to customer. This allowance has been made on HWL's understanding of local freight charges in New Zealand.

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 6 below.

Table 6: Normal Value December 2024 Distributor\Wholesaler

| | | |
|--------------------------|-------|-------|
| Retail Price Yuan/KG | | xxx |
| excl. VAT | 0.0% | xxx |
| excl. Retailers Margin | 25.0% | xxx |
| excl. Distributor Margin | 45.0% | xxx |
| Freight to Customer | xxx | xxx |
| ex-Factory Wholesale/KG | | 12.95 |

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]*

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

Dumping

A comparison of the export price from Table 4 and notional normal value direct to retailer as per Table 5 is shown below in Table 7. Comparing the export price and normal value gives a dumping margin of 10.33 Yuan/KG or 115%.

Table 7: Notional Dumping Margin

| | | |
|-------------------------------------|--|-------|
| Normal Value (Yuan) | | 19.30 |
| Export Price (Yuan) | | 8.97 |
| Dumping Margin (Yuan) | | 10.33 |
| Dumping Margin as % of Export Price | | 115% |

Source: Table 4, Table 5

Dumping margins using normal value calculated for the distributor\wholesaler model is calculated in Table 8 below. Comparing the export price and normal value gives a dumping margin of 3.98 Yuan/KG or 44%.

Table 8: Distributor\Wholesaler Dumping Margin

| | | |
|-------------------------------------|--|-------|
| Normal Value (Yuan) | | 12.95 |
| Export Price (Yuan) | | 8.97 |
| Dumping Margin (Yuan) | | 3.98 |
| Dumping Margin as % of Export Price | | 44% |

Source: Table 4, Table 6

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.]

An analysis of the dynamics of market share movements has been used to determine if there has been a loss of market share over time. Graph 2 below shows the movement in HWL market share over time. During this period there have been two distinct weather events that has impacted HWL production of canned preserved peaches and therefore HWL NZ produced market share, cyclone Dovi in February 2022 and the more disastrous cyclone Gabrielle of February 2023.

Graph 2: HWL Retail Brand Share

Graph 2

Source: IRI Scan Data *[Market shares since 2020 based on HWL proprietary data and industry insights. The release of this information would give a significant competitive advantage to a competitor.]*

What this shows is that post cyclone Gabrielle HWL was able to continue to sell NZ produced Wattie branded canned preserved peaches for a time until such carryover stocks and 2023 production was exhausted. At the same time HWL managed to import limited quantities of Oak branded product to protect the shelf space and supply retailers and consumers with canned preserved peaches. Post the 2024 harvest and production season of NZ canned preserved peaches, HWL share increased to pre-cyclone levels reaching xx% in quarter ending June 2024. Since then, HWL share has decreased to be xx% quarter to date November 2024. This recent loss in share is attributable to product from China. For instance, the Pams Value branded product has increased in share from xx% to xx% latest MAT. Also, the Essentials brand has increased from xx% to xx% latest MAT. Woolworths products are a mixture of Product of China and Product of South Africa. HWL is unable to tell when or if supply has changed source but the Ministry with access to detailed customs data will be able to analyse imports and any share movements by source. *[Market shares based on HWL proprietary data and industry insights. The release of this information would give a significant competitive advantage to a competitor.]*

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 9 below.

Table 9: Estimated Total New Zealand Preserved Peach Market

| | Year End October 2021 | Year End October 2022 | Year End October 2023 | Year End October 2024 |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Total Market (T) | xxx | xxx | xxx | xxx |
| Retail Market (T) | xxx | xxx | xxx | xxx |
| Retail Index T.Market | xxx | xxx | xxx | xxx |
| HML Retail (T) | xxx | xxx | xxx | xxx |
| HML Retail Share | xxx | xxx | xxx | xxx |
| Foodservice Market (T) | xxx | xxx | xxx | xxx |
| Foodservice Index T.Market | xxx | xxx | xxx | xxx |
| HML Foodservice (T) | xxx | xxx | xxx | xxx |
| HML Foodservice Share | 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]

What this shows is that while HWL share decreased in 2023 it has continued to decline in the Foodservice channel as a direct result of having to compete with alleged dumped preserved peaches from China. This is particularly difficult in the Foodservice channel as brand does not play as important a role as it does in Retail channel. The final consumer seldom gets a chance to see the brand, let alone the country of origin on pack, due to the nature in which preserved peaches are used in the Foodservice channel.

In this case it has not been a specific brand in an account\region of New Zealand where HWL has lost share but rather across all channels as demonstrated. What Table 9 demonstrates is that HWL has lost significant market share since 2021 in both retail and foodservice channels.

HWL is making a claim of significant material injury for market share loss.

Price Undercutting

In Table 10 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. An allowance of x% has been deducted for freight to customer based on HWL knowledge of New Zealand distribution costs.

Table 10: Price Undercutting Year End September 2024 NZD

| HML Brand | Net Sales Value/KG | Import Cost/KG | Undercutting/KG | Undercutting %/KG |
|-----------|--------------------|----------------|-----------------|-------------------|
| Wattie's | xxx | \$ 2.45 | xxx | xxx |
| Oak | xxx | \$ 2.45 | xxx | xxx |

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 preserved peaches from China have been able to increase their market share.

HWL is making a claim of significant price undercutting.

Price Depression

In Table 12 below HWL average net sales value for the past four years has been compared to analyse price depression. What this shows is that even though net sales value per kilogram for Wattie's has decreased in the last year which is from the effects of cyclone Gabrielle where less promotions were in place for year end September 2023, overall from year end September 2021 to year end September 2024 average net price has increased for both brands and therefore HWL is not making an injury claim in regards price depression.

Table 12: Price Depression Year End September 2024 NZD

| | Year End September 2021 | Year End September 2022 | Year End September 2023 | Year End September 2024 |
|-----------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Wattie's NSV/KG | xxx | xxx | xxx | xxx |
| Oak NSV/KG | xxx | xxx | xxx | xxx |

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

Graph 3 below shows the trend in NSV/KG over the past four years.

Graph 3: Price Depression

Graph 3

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

Given a general increase in NSV/KG over time HWL is not making a claim in terms of price depression.

Price Suppression

The effects of the dumped preserved peaches from China in the NZ market with price undercutting has caused price suppression with HWL being unable to offset cost increases by means of cost savings and price increases elsewhere.

Table 13 below shows an analysis of gross margin and cost of production for the last four years. What this shows is declining gross margin in the face of increasing costs where HWL has not been able to increase prices to maintain gross margin in the face of dumped preserved peach imports from China.

Table 13: HWL Gross Margin and Cost of Production

| | | Year End September 2021 | Year End September 2022 | Year End September 2023 | Year End September 2024 |
|----------|-------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Wattie's | Gross Margin | xxxx | xxxx | xxxx | xxxx |
| | Costs as % of Net Sales | xxxx | xxxx | xxxx | xxxx |
| Oak | Gross Margin | xxxx | xxxx | xxxx | xxxx |
| | Costs as % of Net Sales | xxxx | xxxx | xxxx | xxxx |

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

This is particularly evident in the latest 12 months. This clearly shows that HWL has been unable to increase prices to offset these cost increases which is caused by the dumped preserved peaches from China.

Graph 4 below shows cost of production and gross margin plotted with trendlines. This clearly shows a trend of increasing cost of production against a backdrop of a trend of declining gross margin. What is significant is the rapid deterioration in the past 12 month period.

Graph 4: Price Suppression

Graph 4

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

Given this price suppression analysis HWL is making a claim of significant material injury in terms of price suppression.

Loss of sales revenue

Sales revenue has declined which is attributable to the dumping. In the analysis of market share it was shown that market share did recover in the retail market post cyclone Gabrielle but has since declined due to the significant increase in preserved peach imports from China. However, the market share analysis did also show significant loss of market share in the Foodservice channel over the past two years.

Table 14 below shows sales revenue for the Wattie's and Oak brands for the past four years which clearly shows a significant loss of sales revenue in past year.

Table 14: Net Sales Revenue

| (\$,000) | Year End September | Year End September 2022 | Year End September 2023 | Year End September 2024 |
|----------|-----------------------|----------------------------|----------------------------|----------------------------|
| Wattie's | xxx | xxx | xxx | xxx |
| Oak | xxx | xxx | xxx | xxx |

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

Graph 5 below shows this decline in sales revenue as a trend. While the sales decline in 2023 is partly attributable to the impact of cyclone Gabrielle, the fact that retail channel market share recovered in the early part of 2024 demonstrates that the significant contributor loss of sales revenue this year has been the increase in volume of preserved peaches from China.

Graph 5: Sales Revenue

Graph 5

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

Part of this sales loss in last 12 months is attributable to cyclone Gabrielle but what is evident when looking at the quarterly view is that sales since the 2024 production season have been significantly lower in terms of volume and value compared to previous years quarters which shows that HWL has had a net sales loss due to the dumped preserved peaches from China. In terms of volume for 2024 quarters two and three, volume sales are only xx% of 2022 and xx% of 2021 demonstrating that there has been significant loss of sales attributable to the dumped preserved peaches from China. This nets off the effect of cyclone Gabrielle.

This loss of sales revenue is significant. HWL is making a claim of significant material injury in the form of loss of sales revenue due to the dumped preserved peaches from China

Profits

The loss in sales revenue directly coupled with the effects of price suppression has had a significant impact on profits as can be seen in Table 15 below.

Table 15: HWL EBIT

| | | September 2021 | Year End September 2022 | Year End September 2023 | Year End September 2024 |
|----------|---------------|-------------------|----------------------------|----------------------------|----------------------------|
| Wattie's | EBIT (\$,000) | xxxx | xxxx | xxxx | xxxx |
| | EBIT/KG | xxxx | xxxx | xxxx | xxxx |
| Oak | EBIT (\$,000) | xxxx | xxxx | xxxx | xxxx |
| | EBIT/KG | xxxx | xxxx | xxxx | xxxx |
| Total | EBIT (\$,000) | xxxx | xxxx | xxxx | xxxx |
| | EBIT/KG | xxxx | xxxx | xxxx | xxxx |

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

This clearly shows significant material injury in the last 12 months, particularly the last 6 months since the 2024 production season where HWL has been unable to lift prices to offset rising costs.. Due to this HWL is making a claim of significant material injury for of a loss of profit due to dumped preserved peaches from China.

Graph 6 below shows declining EBIT as a trendline.

Graph 6: EBIT

Graph 6

Source: Confidential Appendix 10.5 *[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 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.

Productivity

Currently, imports of preserved peaches from China are not having an injurious effect 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 2025 through 2026.

Return on Investments

HWL views the industry positively and continues to invest in its canned preserved peach processing operation and installed a new colour sorter at a cost of \$xx million for the 2022 season. HWL has also replaced all its peach pitters with new equipment since the last investigation. *[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 canned preserved peaches.

Other economic effects

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.

HWL is not making claim of injury in relation to inventories of canned preserved peaches HWL currently has warehoused.

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 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:

- Significant recent increase in volume of imports of preserved peaches from China
- Increase in market share of imports of preserved peaches from China to the detriment of the New Zealand industries market share
- Significant price undercutting and price suppression with HWL being unable to lift prices to offset rising costs leading to a loss of sales revenue and profits.

HWL submits that an investigation into the dumping of preserved 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 preserved 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 2nd December 2024

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. Exchange Rates
4. China Domestic Peach Prices
5. *Confidential Heinz Wattie's Financials. The release of this information would have a significant adverse effect on the submitter.*

Appendix 10.1 – IRI Retail Data

Appendix 10.2 – Statistics NZ Infoshare Data

| Harmonised Trade - Imports (Monthly) | | | |
|--|---|--------------------------------------|----------------|
| | 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 |
| 2023M10 | 180,911 | 420,965 | 405,510 |
| 2023M11 | 115,287 | 263,309 | 255,504 |
| 2023M12 | 192,349 | 483,256 | 464,767 |
| 2024M01 | 356,410 | 872,748 | 835,184 |
| 2024M02 | 202,691 | 494,388 | 476,671 |
| 2024M03 | 113,028 | 302,789 | 289,869 |
| 2024M04 | 310,766 | 758,385 | 717,837 |
| 2024M05 | 224,772 | 559,568 | 542,710 |
| 2024M06 | 155,680 | 402,816 | 383,946 |
| 2024M07 | 123,502 | 312,738 | 302,638 |
| 2024M08 | 243,264 | 585,563 | 560,250 |
| 2024M09 | 306,277 | 723,139 | 692,140 |
| | 2,524,937 | 6,179,664 | 5,927,026 |
| | | | |
| | | | |
| Table information: | | | |
| Units: | | | |
| Cost including insurance and freight: Dollars, Magnitude = Units (in 1s) | | | |
| Quantity: Number, Magnitude = Units (in 1s) | | | |
| Value for duty: Dollars, Magnitude = Units (in 1s) | | | |
| | | | |
| Footnotes: | | | |
| | | | |
| Quantity unit: | | | |
| Code 2008700900: Kgms | | | |

Appendix 10.3: Exchange Rates

| Month | NZD:Yuan | NZD:USD | USD:Yuan Avg. Rate |
|--------|----------|---------|-----------------------|
| Aug-23 | 4.335 | | |
| Sep-23 | 4.315 | | |
| Oct-23 | 4.293 | | |
| Nov-23 | 4.32 | | |
| Dec-23 | 4.434 | | |
| Jan-24 | 4.408 | 0.618 | 7.133 |
| Feb-24 | 4.404 | 0.613 | 7.186 |
| Mar-24 | 4.377 | 0.608 | 7.202 |
| Apr-24 | 4.311 | 0.596 | 7.237 |
| May-24 | 4.384 | 0.606 | 7.233 |
| Jun-24 | 4.45 | 0.614 | 7.253 |
| Jul-24 | 4.384 | 0.604 | 7.263 |
| Aug-24 | 4.344 | 0.607 | 7.151 |
| Sep-24 | 4.403 | 0.622 | 7.076 |
| | 4.31 | 0.609 | |
| | | | |
| | 4.376 | | |
| | | | |
| Dec-24 | 4.183 | | |

Appendix 10.4: China Domestic Prices

| B2C platform | SKU Description | Size(KG) | Yuan | Yuan/ KG |
|--------------|---|----------|-----------------|----------|
| Taobao | Yangshan Peach halves 425gx6 | 2.55 | 26.50 | 10.39 |
| Taobao | Yangshan Peach halves 425gx6 | 2.55 | 29.90 | 11.73 |
| Taobao | Fresh Peach Jar | 0.51 | 8.10 | 15.88 |
| Taobao | Fresh Peach Jar | 0.51 | 12.63 | 24.76 |
| Taobao | Fresh Peach Jar | 0.51 | 37.00 | 72.55 |
| Taobao | Fresh Peach Jar | 0.39 | 17.80 | 45.64 |
| Taobao | Diced Peach | 3 | 28.80 | 9.60 |
| JD | Halves Peach Jar 880g x1 | 0.88 | 18.00 | 20.45 |
| JD | Linjiapuzi Peach halves drained 360g x6 | 2.16 | 79.90 | 36.99 |
| JD | Manyibao Peach Halves 425gx12 | 5.1 | 88.90 | 17.43 |
| JD | Canned Peach in Syrup 425gx8 | 3.4 | 61.89 | 18.20 |
| JD | Large can Peach | 18 | 322.85 | 17.94 |
| Costco CN | Canned Peach in Syrup 425gx8 | 3.4 | 44.90 | 13.21 |
| | | | Average Yuan/KG | 24.21 |
| | | | NZD | 5.79 |

Appendix 10.5: HWL Financial Summary