Canned Peaches from Greece:

Non-Confidential

Initiation Report

TR800/R/2002/6

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Introduction

1. Heinz Wattie's Australasia (Heinz Wattie's), comprised of H J Heinz Company Australia Ltd and Heinz Wattie's Ltd, has requested that the Chief Executive of the Ministry of Economic Development initiate a review, under section 14(8) of the Dumping and Countervailing Duties Act 1988 (the Act), of the anti-dumping duty on canned peaches from Greece.

2. Heinz Wattie's states in its application that it is the only producer of canned peaches in New Zealand. The Ministry is not aware of any other producers of canned peaches in New Zealand. Heinz Wattie's was the only New Zealand producer of canned peaches at the time of the original investigation in 1998.

3. The goods currently subject to the anti-dumping duty are described as follows:

Peaches (halves, slices and pieces) packed in retail sized cans.

4. The existing anti-dumping duty will, in terms of section 14(9) of the Act, cease to be payable on 9 March 2003 unless at that date the goods are subject to a review under section 14(8) of the Act. The application is therefore a request for the continuation of the anti-dumping duties.

Background

5. Anti-dumping duties were first imposed on canned peaches from Greece on 9 March 1998.

6. On 14 April 2000 the Acting Minister of Commerce reassessed the rate of anti-dumping duty to add a new exporter in the list of suppliers and exporters found not to have been dumping. The rates of duty imposed in 1998 remained unchanged.

7. The current duties are in the form of a reference price set at the full margin of dumping for one specified exporter for 820g cans using a normal value (value for duty equivalent) (NV (VFDE)) amount established in United States dollars. For exports of other size cans by this specified exporter, duty is imposed at the full margin of dumping using an *ad valorem* percentage rate of duty. For exports by any other exporters, for all can sizes duty is imposed at the full margin of dumping using an *ad valorem* percentage.

Legal Provisions

"Sunset" Provisions

8. Sections 14(9) and (9A) of the Act provide as follows:

(9) Anti-dumping duty or countervailing duty applying to any goods shall cease to be payable on those goods from the date that is the specified period after-
(a) The date of the final determination made under section 13 of this Act in relation to those

goods; or
(b) The date of notice of any reassessment of duty given under subsection (6) of this section, following a review carried out under subsection (8) of this section,-
whichever is the later, unless, at that date, the goods are subject to review under subsection (8) of this section.
(9A) In subsection (9), specified period means,-
(a) in the case of goods of Singaporean origin, 3 years; and
(b) in the case of goods of any other origin, 5 years.

Reviews

9. Reviews are provided for in section 14(8) of the Act as follows:

(8) The [Chief Executive] may, on his or her own initiative, and shall, where requested to do so by an interested party that submits positive evidence justifying the need for a review, initiate a review of the imposition of anti-dumping duty or countervailing duty in relation to goods and shall complete that review within 180 days of its initiation.

Reassessments

10. Should a review show that there is a continued need for the imposition of anti-dumping duties, a reassessment in terms of section 14(6) of the Act may be required. Section 14(6) provides for the reassessment of anti-dumping duties as follows:

(6) The [Chief Executive] may initiate a reassessment of any rate or amount of anti-dumping or countervailing duty determined under subsection (4) of this section, including any elements of any formula used to establish such a rate or amount,-
(a) On the initiative of the [Chief Executive] ; or
(b) Where a request for a reassessment is submitted to the [Chief Executive] by an interested party who submits evidence justifying the need for a reassessment; or
(c) Following the completion of a review carried out under subsection (8) of this section-
and the Minister may determine a new rate or amount in accordance with subsection (4) of this section, and, in that event, shall give notice of the new rate or amount.

11. Where, following a review, a reassessment results in lower duty, section 14(10) of the Act provides that a refund may take effect from the date of initiation of the review. However, the Act does not provide for retrospective collection of additional duty if a reassessment results in a higher duty.

Evidence Provided

New Zealand Producers

12. As noted above, Heinz Wattie's is the only known producer of canned peaches in New Zealand and therefore constitutes the New Zealand industry as defined in section 3A of the Act.

Like Goods

13. In the Final Report on the original investigation it is noted that Heinz-Wattie's produced a range of canned peaches in various retail size cans up to a nominal size of three kilograms. The original investigation found that the canned peaches produced by Heinz-Wattie's, while not alike in all respects because of differences in can sizes, varieties of peaches used and variations in the liquid medium within which the peaches are canned, have characteristics closely resembling the imported canned peaches, and were therefore like goods to the subject goods.

14. In its application Heinz Wattie's said it considers there have been no material changes to the like goods produced in New Zealand or to the subject goods produced in Greece since the last investigation.

Importers

15. Heinz Wattie's has stated that it is unaware of any current sales of Greek canned peaches on the New Zealand retail market that are subject to the existing anti-dumping duties. Heinz Wattie's said according to its market research data, the last significant sales volume of dumped Greek canned peaches on the New Zealand retail market occurred in September 1998, with the decline in sales commencing from the imposition of duties earlier that year.

16. In its application Heinz Wattie's has listed the following importer who was identified in the original investigation: Food Marketers (NZ) Ltd

17. Heinz Wattie's said it understands that Food Marketers (NZ) Ltd and Premier Distributors of NZ Ltd continue to import and distribute food products in New Zealand. Heinz Wattie's has noted that imported canned peaches from Europe have also been sold in New Zealand under the "Contel" and "Trident" brands and said it understands that EuroPacific Foods Ltd and Hutchinsons (NZ) Ltd respectively are the current owners of these brands for preserved, dried and cooked fruits and vegetables.

18. Heinz Wattie's said it is aware that other current or potential importers of canned peaches from Greece are present in New Zealand, including Brooke Holdings Ltd, a current importer of canned peaches from South Africa, and Mediterranean Foods (Wgtn) Ltd, currently importing the Alcurnia brand of canned peaches from Spain.

19. New Zealand Customs data for the year ended 30 November 2002 shows only one company other than Heinz Wattie's as importing peaches from Greece. Because the relevant tariff item and statistical key covers a wider range of product than the subject goods, it is not known if this company has imported the subject goods, but this will be established during any review. Neither the company identified as an importer in the original investigation, nor any of the companies referred to by Heinz Wattie's above, are recorded in as importers of peaches of Greek origin in the New Zealand Customs data for the year ended 30 November 2002.

Exporters

20. Heinz Wattie's listed in its application the following exporters identified in the original investigation:

Vermion Naoussa
AL.M.ME

21. Heinz Wattie's said it understands the companies listed above continue to export canned peaches world-wide. Heinz-Wattie's has noted that **[Text deleted due to confidentiality]**. Heinz Wattie's also said that Intercomm Foods SA currently supplies Greek peaches to the New Zealand market.

22. New Zealand Customs data for the year ended 30 November 2002 shows only one company other than the company supplying Heinz Wattie's as exporting peaches from Greece. Because the relevant tariff item and statistical key covers a wider range of product than the subject goods, it is not known if this company has imported the subject goods, but this will be established during any review. None of the companies identified as exporters in the original investigation, or any of the companies referred to by Heinz Wattie's above, are recorded as exporters of peaches of Greek origin in the New Zealand Customs data for the year ended 30 November 2002.

Evidence of Dumping

Export Price

23. Heinz Wattie's said it has been unable to obtain Greek producer export price lists for the subject goods and is unable to calculate a deductive export price based on current New Zealand retail prices because the subject goods are no longer sold in New Zealand supermarkets.

24. Heinz Wattie's has therefore calculated deductive export prices from Greek export statistics. Heinz Wattie's has noted that canned peaches are recorded in metric tonnes, with the value recorded in euros at the FOB level. Heinz Wattie's said that there are five possible statistical codes in the European Union CN tariff classification under which the subject goods could fall:

2008.70.61	Containing added sugar with net pack exceeding 1kg - with a sugar content exceeding 13% by weight
2008.70.69	Containing added sugar with net content exceeding 1kg - other
2008.70.71	Containing added sugar with net pack not exceeding 1kg - with a sugar content exceeding 15% by weight
2008.70.79	Containing added sugar with net pack not exceeding 1kg - other
2008.70.99	Not containing added sugar with net pack less than 4.5kg

25. Heinz Wattie's has provided Greek export statistics for the above tariff items for 2001. Heinz Wattie's has observed that while peaches are a relatively unique tariff item, the Greek

statistics under these tariff headings will cover a range of packaging styles and sizes. Heinz Wattie's said it has therefore calculated an average ex-factory export price for the two European Union tariff classifications (2008.70.71 and 2008.70.79) that cover past exports of the subject goods to New Zealand.

26. Heinz Wattie's said it has used Greek export prices to other European Union countries in this calculation as these prices are neutral in terms of any extra subsidised trade effect that might otherwise exist, as other European Union member country peach growers also have access to the same subsidies provided to Greek producers.

27. Heinz Wattie's has provided the details of its calculation of the average FOB export price per kilogram to other European Union countries for the two tariff items referred to above, which is **[Text deleted due to confidentiality]** euros. Heinz Wattie's has deducted from this figure its estimate of the transport from factory to wharf and cost of credit, to estimate an ex-factory export price of **[Text deleted due to confidentiality]** euros per kilogram.

28. Heinz Wattie's said it was unable to obtain specific evidence of the cost of transport from factory to wharf and therefore used an estimate taken from a letter from **[Text deleted due to confidentiality]**. A copy of the letter from **[Text deleted due to confidentiality]** was provided. Heinz Wattie's advised that its estimate of the cost of credit was based on credit of 90 days using the Greek Alpha Bank prime interest rate of six percent plus spread of **[Text deleted due to confidentiality]** percent as an export risk. A copy of a document showing Alpha Bank's interest rates was provided.

Normal Value

29. Heinz Wattie's said it has obtained price information for two recent (mid October 2002) domestic retail sales of canned peaches in Greece. Heinz Wattie's has provided a copy of the label for each of the two types of canned peaches purchased and a copy of the receipt for each purchase. The products involved are a "Kyknos" brand 850g can of peaches in syrup and a "Del Monte" brand 825g can of peaches in syrup.

30. To obtain an estimated ex-factory price, Heinz Wattie's has deducted its estimate of the following costs and margins: promotional discount, VAT, supermarket margin, transportation costs, and cost of credit.

31. Heinz Wattie's advised that the supermarket margin and domestic transportation costs were based on the **[Text deleted due to confidentiality]** letter referred to above under "Export Price". Heinz Wattie's also advised that the cost of credit is based on the same letter from **[Text deleted due to confidentiality]** which states that credit on the Greek domestic market ranges from 60 to 90 days. Heinz Wattie's has used 60 days and the interest rate referred to above under "Export Price". The promotional discount, which only relates to the Del Monte product, is shown on the can label.

32. The ex-factory normal values estimated on the basis outlined above, on a per kilogram basis, are:

"Kyknos" brand	1.34 euros per kilogram
"Del Monte" brand	1.06 euros per kilogram

Comparison of Export Price and Normal Value

33. The following table shows a comparison of the export prices and normal values provided by Heinz Wattie's.

Product	Kyknos	Del Monte
Normal Value (euros/kg)	1.34	1.06
Export Price (euros/kg)	**[Text deleted due to confidentiality]**	**[Text deleted due to confidentiality]**
Dumping Margin	**[Text deleted due to confidentiality]**	**[Text deleted due to confidentiality]**
Margin as % of Export Price	215%	149%

34. Heinz Wattie's has commented that it recognises the volume of Greek sales to other countries is different from the volumes likely to be exported to New Zealand. Nevertheless, Heinz Wattie's said even if adjustments are necessary to take account of this difference, there is still substantial dumping. Heinz Wattie's also said there is no reason to believe that if Greek exports to New Zealand were resumed that they would not be dumped.

Evaluation of Evidence of Dumping

35. As noted above, Heinz Wattie's has advised that it is unaware of any current sales of the subject goods in the New Zealand retail market and that the last significant sales occurred in September 1998. It is therefore appropriate for Heinz Wattie's to provide evidence of the likelihood of dumping recurring.

36. In the absence of any actual exports of the subject goods, it is reasonable for Heinz Wattie's to estimate a deductive export price from Greek export statistics. The particular tariff items used are reasonable in light of the actual types of canned peaches previously exported to New Zealand. It is also considered reasonable to use the average prices to other European Union member countries to eliminate any distorting effects caused by subsidies.

37. Documented evidence of normal values has also been provided in the form of actual retail selling prices in Greece, from which reasonable deductions have been made to estimate an ex-factory price.

38. The dumping margins estimated on this basis are large. Even given the inherent inaccuracies in the methods used to estimate export prices and normal values, the large dumping margins involved indicate there is a likelihood of a recurrence of dumping should duties be removed.

39. It is considered the evidence that dumping may recur if the duty were to be removed is sufficient to justify a review.

Evidence of a Recurrence of Material Injury

Import Volumes

40. Heinz Wattie's has noted that canned peaches falling within the description of the goods subject to anti-dumping duty are not separately identified in the tariff and said it is not able to provide the proportion of imports that are the subject goods. Heinz Wattie's provided import data obtained from Statistics New Zealand for the tariff item and statistical key that covers the subject goods (2008.70.09 00L) for calendar years 1997 to 2001 and for the eight months to August 2002.

41. Heinz Wattie's has noted that many of the importers and exporters previously involved in exporting and importing dumped canned peaches from Greece remain active and some new importers have appeared. Heinz Wattie's said it is almost without question that these parties would use the unfair advantage of dumped export prices to resume importing substantial quantities of canned peaches from Greece. As an example of the easy availability of Greek canned peaches, Heinz Wattie's provided a printout from the web site www.foodtrader.com, which lists Greek and Spanish peaches that are available for immediate supply.

42. Heinz Wattie's said that Greece is easily the largest producer of canned peaches within the European Union and provided United States Department of Agriculture reports showing that annual exports of Greek canned peaches are around 385,000 tonnes. Heinz Wattie's has compared these exports with the entire annual New Zealand market for retail canned peaches of only **[Text deleted due to confidentiality]** tonnes. Heinz Wattie's said this means that only **[Text deleted due to confidentiality]** percent of the export volume from Greece is sufficient to completely capture the entire New Zealand retail canned peach market.

43. Heinz Wattie's has noted that 2002 was a poor year for the Greek industry with a 35 percent reduction in raw peaches for canning due to frost damage. Heinz Wattie's said, however, that the United States Department of Agriculture 2001/2002 report shows Greece as having carry over stocks of 87,000 tonnes, which is more than 13 times the size of the entire New Zealand retail canned peach market.

44. Heinz Wattie's has observed that Argentina and Brazil have notified their decisions to take action against imports of Greek canned peaches and said the United States canned peach industry also holds grave concerns about the effect of Greek canned peaches on their domestic and export markets.

Price Undercutting

45. Heinz Wattie's has calculated an estimated wholesale selling price in New Zealand of European Union canned peaches in the absence of dumping duty, starting with the average 2001 Greek FOB export price to other European Union countries. The average FOB price has been calculated for the two tariff items (2008.70.71 and 2008.70.79) used to calculate a deductive export price as above.

46. Heinz Wattie's has deducted from the average FOB price the amounts of the subsidy calculated in its concurrent application for a review of the countervailing duty on canned peaches from the European Union. The calculation therefore assumes that the countervailing duty will also be removed and the price calculated therefore also includes the estimated impact of the removal of the countervailing duty. Any review will need to differentiate between the impact of the removal of the anti-dumping duty and the removal of the countervailing duty, when considering the likely level of price undercutting. Heinz Wattie's has then added its estimate of the costs and importer's margin incurred after FOB to ex-importer's store. Heinz Wattie's said the costs used in this calculation are based on its own knowledge of sourcing and importing product while the importer's margin is based on its market understanding. On this basis Heinz Wattie's has calculated an ex-store price of NZ$**[Text deleted due to confidentiality]** per kilogram.

47. Heinz Wattie's has provided details of its average ex-factory wholesale net selling prices for the six months to October 2002 for "Wattie's", "Oak" and housebrand 410g cans. These average prices have been converted into an equivalent price per kilogram for comparison with the price of the Greek product estimated as above. The resulting price comparison and estimated margin of price undercutting is shown in the table below.

Brand	**Current Ex-factory Selling Price for 410g Can (per kg)**	**Estimated Ex-Store Selling Price for EU Product (per kg)**	**Undercutting (per kg)**	**Undercutting as % of Heinz Wattie's Price**
Wattie's	$**[Text deleted due to confi-dentiality]**	$**[Text deleted due to confi-dentiality]**	$**[Text deleted due to confi-dentiality]**	67%
Oak	$**[Text deleted due to confi-dentiality]**	$**[Text deleted due to confi-dentiality]**	$**[Text deleted due to confi-dentiality]**	54%
Housebrands	$**[Text deleted due to confi-dentiality]**	$**[Text deleted due to confi-dentiality]**	$**[Text deleted due to confi-dentiality]**	48%

Price Depression

48. Heinz Wattie's said its premium brand is the "Wattie's" brand while the "Oak" brand is **[Text deleted due to confidentiality]**. Heinz Wattie's said it maintains a price differential between the two brands, but the "Wattie's" price can only be maintained if **[Text deleted due to confidentiality]**.

49. Heinz Wattie's said that unsustainable price differences have previously occurred in the past when dumped or subsidised imports have entered the New Zealand market, resulting in such a loss of volume and market share that prices for the "Wattie's" brand were forced downwards. Once a product has suffered price depression, Heinz Wattie's said it is difficult for the price to be increased again as a price expectation is created at the low price.

50. Heinz Wattie's has noted that even with the current remedies in place, some imports of European peaches have caused some depression of selling prices. Heinz Wattie's gave an

example of a large importation from Itay in 1999 causing price depression, illustrating the effects on prices at that time with graphs based on AC Nielsen data.

51. Heinz Wattie's has claimed that a similar effect [to what occurred in 1999], although much greater in magnitude and duration, would be likely to occur should dumped peaches be imported. Heinz Wattie's said the viability of its entire canned peach operation would **[Text deleted due to confidentiality]** should dumped Greek peaches be imported into New Zealand at the prices estimated under "Price Undercutting" above. Heinz Wattie's said that in this situation it would need to reduce the price of its "Oak" brand 410g can by at least NZ$**[Text deleted due to confidentiality]** and its "Wattie's" brand 410g can by at least NZ$**[Text deleted due to confidentiality]**. Even at these depressed prices, Heinz Wattie's said the dumped imports would still substantially undercut its prices with the likely additional loss of market share.

Price Suppression

52. Heinz Wattie's said it undertook significant consumer and trade marketing activities in order to maintain market share and protect the price levels of its products when dumped or subsidised imports last appeared in significant volumes on the New Zealand retail market.

53. Heinz Wattie's said it expects that similar marketing expenses that could not be recovered in the selling price would again be required should these dumped or subsidised imports reappear in the market.

Economic Impact

Actual Financial Results

54. Heinz Wattie's has provided details of its actual financial results relating to its domestic production of canned peaches sold on the New Zealand market, for the financial years 1998/1999 to 2001/2002 and its budget for 2002/2003 (assuming duties remain in place). This data shows sales volume, gross sales revenue, net sales revenue, cost of production, gross profit, selling and administrative expenses and earnings before interest and tax (EBIT).

55. **[Text deleted due to confidentiality]**, Heinz Wattie's is not claiming that its results have been materially affected by dumped imports since duties were imposed. As noted above, Heinz Wattie's has stated that it is unaware of any current sales of Greek canned peaches on the New Zealand retail market that are subject to the existing anti-dumping duties and has noted that the last significant sales volume of dumped Greek canned peaches on the New Zealand retail market occurred in September 1998.

Market Share

56. Heinz Wattie's has claimed that if dumped Greek canned peaches returned to the market following removal of the duty, they would take at least a similar market share as occurred when these products were last on the New Zealand market. When the initial application for a dumping investigation was made, Heinz Wattie's has noted that dumped peaches were mainly restricted to the 820g can market and were not yet available in all supermarket outlets.

57. Heinz Wattie's has observed that in the supermarket key accounts where the dumped imports were available, they took a **[Text deleted due to confidentiality]** percent share. To support this, Heinz Wattie's has supplied copies of parts of its original application for a dumping investigation. If no anti-dumping duties had been applied, Heinz Wattie's has claimed that it is likely this market share would have been achieved across the full market. Heinz Wattie's has noted that as 820g cans are a much smaller segment of the market than 410g cans, the market impact [if duty was to be removed] in the smaller can size segment would be even greater than in the past.

58. According to AC Nielsen data, Heinz Wattie's said it currently has **[Text deleted due to confidentiality]** percent of the market. Heinz Wattie's said it expects its market share to **[Text deleted due to confidentiality]** over the coming months **[Text deleted due to confidentiality]**.

59. Heinz Wattie's has commented that it is difficult to predict what the effect would be on the various canned peach products currently in the market if dumped imports returned to the market. Heinz Wattie's said to some extent which products are most affected depends on **[Text deleted due to confidentiality]**.

60. Heinz Wattie's has provided three forecasts of the impact on market share:

- one on the basis that the volume of dumped imports will be the same as that imported from Greece in 1997 (**[Text deleted due to confidentiality]** tonnes);
- one on the basis that dumped imports will capture **[Text deleted due to confidentiality]** percent of the market; and
- one that assumes that the dumped imports will all be for the **[Text deleted due to confidentiality]** market and capture all of Heinz Wattie's **[Text deleted due to confidentiality]** sales.

61. In a commentary on these forecasts, Heinz Wattie's has noted that if dumped imports succeeded in taking a **[Text deleted due to confidentiality]** percent market share then it could expect to lose sales of **[Text deleted due to confidentiality]** kilograms. Heinz Wattie's has further commented that even where the volume of dumped imports is assumed to be **[Text deleted due to confidentiality]** tonnes, with the effect spread equally among all products, it would expect to lose sales of approximately **[Text deleted due to confidentiality]** kilograms.

Sales Revenue

62. Heinz Wattie's has provided a forecast of the effect on its revenue should duties be removed, based on the price depression referred to above, but on a per kilogram basis, i.e., the "Wattie's" brand will reduce by **[Text deleted due to confidentiality]** per kilogram and the "Oak" brand will reduce by **[Text deleted due to confidentiality]** per kilogram. The effect on its revenue has been calculated by Heinz Wattie's using its current annual sales volume for these two brands and shows a loss of sales revenue of **[Text deleted due to confidentiality]**.

63. Heinz Wattie's has noted these reduced prices still remain above the estimated selling price of Greek peaches, should duties be removed, of **[Text deleted due to confidentiality]** per kilogram, and assumes that a reduced price difference between the "Wattie's" and "Oak"

brands can be maintained. Heinz Wattie's has also noted that this estimated impact on sales revenue is based only on price depression and does not take account of any likely loss of market share.

64. Heinz Wattie's subsequently provided a forecast showing its estimate of the impact of the removal of duties on its actual result for the 2001/2002 financial year and the impact on its budgeted result for the 2002/2003 financial year. These forecasts are in the same format as the actual financial results provided and assume a **[Text deleted due to confidentiality]** percent decrease in volume and a **[Text deleted due to confidentiality]** percent decrease in average price. The forecasts show that if dumped imports had been present during the 2001/2002 financial year sales revenue would have declined by an estimated **[Text deleted due to confidentiality]** (a **[Text deleted due to confidentiality]** percent decline). The estimated impact on the budgeted 2002/2003 results is a decline of sales revenue of **[Text deleted due to confidentiality]** (a **[Text deleted due to confidentiality]** percent decline).

65. The forecasts provided as above are the same as those provided to support Heinz Wattie's application for a review of the countervailing duties on canned peaches from the European Union and therefore do not differentiate between the impact of the removal of the anti-dumping duties and the removal of the countervailing duties.

Sales Volume

66. The forecasts referred to above subsequently provided by Heinz Wattie's show a decline in sales volume, should duties be removed, relative to Heinz Wattie's actual results for 2001/2002 of **[Text deleted due to confidentiality]** tonnes (a decline of **[Text deleted due to confidentiality]** percent), and relative to its budgeted results for 2002/2003 of **[Text deleted due to confidentiality]** tonnes (a decline of **[Text deleted due to confidentiality]** percent).

Profits

67. Heinz Wattie's said the effect on profits is difficult to determine and is likely to be from a combination of loss of volume from market share loss, loss of sales revenue and an inability to recover increased production costs and higher marketing costs.

68. Heinz Wattie's said the clearest effect on profit is from price depression as it will not be able to immediately change its costs if the achievable revenue for each canned peach product is suddenly reduced. Heinz Wattie's has noted that price depression alone was not the effect in the original investigation and it therefore expects that its profitability would be reduced by more than just the pure price depression effect only.

69. The forecasts referred to above subsequently provided by Heinz Wattie's show a decline in EBIT, should duties be removed, relative to the 2001/2002 and 2002/2003 results respectively of **[Text deleted due to confidentiality]** (a decline of **[Text deleted due to confidentiality]** percent) and **[Text deleted due to confidentiality]** (a decline of **[Text deleted due to confidentiality]** percent).

Other Economic Effects

70. Heinz Wattie's has submitted that the loss of sales volume, sales revenue and profits from the return of dumped imports will also have significant adverse effects on its return on investments, utilisation of production capacity, cash flow, inventories, employment and growth.

71. Heinz Wattie's has commented that for the review of anti-dumping duty on canned peaches from South Africa [completed in January 2002] it provided to the Ministry confidential details about the likely impact on its achievable return on investment, utilisation of production capacity, cash flow and employment, if duties were to be removed in that case. Heinz Wattie's has claimed these same effects would also occur should the current duties under review be permitted to expire.

72. Heinz Wattie's said the most devastating effect on New Zealand peach growers from the end of duties will be the **[Text deleted due to confidentiality]**. Heinz Wattie's said it **[Text deleted due to confidentiality]** with growers to provide raw peaches **[Text deleted due to confidentiality]** to meet the company's requirements for that year. If duties are removed, Heinz Wattie's said it will **[Text deleted due to confidentiality]** at the end of the year **[Text deleted due to confidentiality]** and its forecast requirements will also be reduced. Heinz Wattie's said the result for growers will be a **[Text deleted due to confidentiality]** as **[Text deleted due to confidentiality]**. Heinz Wattie's said **[Text deleted due to confidentiality]**.

73. Heinz Wattie's has noted that it is also currently contemplating a **[Text deleted due to confidentiality]**. Heinz Wattie's said its decision in part will depend on whether it is **[Text deleted due to confidentiality]**. Heinz Wattie's said it will provide more details to the Ministry in its later submissions.

74. Heinz Wattie's subsequently expanded on its submission concerning other economic effects, should duties be removed, drawing in part on submissions made during the review of anti-dumping duties on canned peaches from South Africa. This is summarised below.

75. Heinz Watties said there will be a double impact on cash flow through a loss of revenue and through the cost of carrying unsold inventory. In relation to the cost of carrying inventory, Heinz Wattie's estimates that **[Text deleted due to confidentiality]** tonnes will remain unsold and has estimated that the impact on cash flow of carrying that inventory to be **[Text deleted due to confidentiality]**. Heinz Wattie's has estimated the storage cost of carrying this additional inventory to be **[Text deleted due to confidentiality]** per annum.

76. Heinz Wattie's has noted that during the South African review it was estimated that if sales volume declined by **[Text deleted due to confidentiality]** percent, **[Text deleted due to confidentiality]** would **[Text deleted due to confidentiality]**. Heinz Wattie's said it commented at that time that it is difficult to quantify numbers except to say that **[Text deleted due to confidentiality]**, **[Text deleted due to confidentiality]** and that there would be reduced hours for approximately **[Text deleted due to confidentiality]** staff. Heinz Wattie's said the situation of losing **[Text deleted due to confidentiality]** percent volume due to European Union imports, should duties be removed, remains similar to that described during the South African review.

77. Heinz Wattie's has quantified the impact on growers referred to above. Heinz Wattie's has estimated that in the first processing year following the introduction of imports from the

European Union, payments to growers would reduce by **[Text deleted due to confidentiality]** and thereafter by **[Text deleted due to confidentiality]** per year.

78. Heinz Wattie's said that as discussed during the South African review, it is difficult to quantify the **[Text deleted due to confidentiality]** of the return of dumped imports. Heinz Wattie's said that its business can adapt to varying harvest amounts from year to year within an acceptable range, but if low sales volumes continue it would be difficult to make a business case to retain **[Text deleted due to confidentiality]**. A reduction **[Text deleted due to confidentiality]**, Heinz Wattie's said, **[Text deleted due to confidentiality]** the business to a lower level of **[Text deleted due to confidentiality]**, further undermining **[Text deleted due to confidentiality]**.

79. Heinz Wattie's has noted that during the South African review it explained that if dumped canned peaches enter the market the cost of production will increase due to a reduction in volume, prices will be depressed and profitability will decrease. Heinz Wattie's further noted that during that review it **[Text deleted due to confidentiality]**. Heinz Wattie's also stated that it said during the South African review that **[Text deleted due to confidentiality]**.

80. Heinz Wattie's said it has made **[Text deleted due to confidentiality]**. Heinz Wattie's said that should dumped imports return, **[Text deleted due to confidentiality]**.

Other Causes of Injury

Supermarket Purchases

81. Heinz Wattie's has commented that supermarkets in New Zealand have the ability to directly influence prices and levels of supplier promotion and support. Heinz Wattie's said that the market is competitive and price is always an issue for suppliers to supermarkets. However, given a fair choice, Heinz Wattie's said supermarkets prefer to buy locally made product because it reduces the requirement to hold large inventory levels and allows the quick replenishment of stock if demand is greater than expected. Heinz Wattie's also said local supply removes the fluctuations associated with imports, with orders possible of smaller volumes and shorter lead times.

82. Heinz Wattie's has claimed that there is also a premium associated with both the "Wattie's" brand and even the cheaper "Oak" brand as both are recognised as New Zealand made with a high public profile and have a long tradition of superior quality in the New Zealand retail market.

83. Heinz Wattie's said it also provides total brand support for its products, often in conjunction with its supermarket customers, unlike many other imported products available on the New Zealand retail market. For these reasons, Heinz Wattie's said the availability and price of imported product determines the effect of supermarket influence upon it.

House Brands

84. Heinz Wattie's has noted that the growth of supermarket house brands and the negotiation of contracts to supply these products has increased price competition in New Zealand. Heinz Wattie's said sales of house brand products **[Text deleted due to confidentiality]**.

85. Heinz Wattie's has commented that the entire retail market for canned peaches has been relatively stable in terms of size in 2002 as compared with 2001. Heinz Wattie's said that its share of the house brand market is **[Text deleted due to confidentiality]**, although the non-Heinz Wattie's house brand market has **[Text deleted due to confidentiality]** due to the introduction of the **[Text deleted due to confidentiality]** supermarket chains. Heinz Wattie's said **[Text deleted due to confidentiality]**.

86. Heinz Wattie's also said its market activity **[Text deleted due to confidentiality]**. Heinz Wattie's said this situation is expected to **[Text deleted due to confidentiality]** now that it is able to **[Text deleted due to confidentiality]** arrangements. Heinz Wattie's has also noted that house brands now have two tiers in the market: premium house brands such as "Pam's" which compete with other premium brands, and other house brands such as "Budget" which are positioned as price fighters.

Evaluation of Evidence of Injury

87. Heinz Wattie's has not claimed there has been a continuation of material injury since the imposition of anti-dumping duties. In the absence of a continuation of material injury, it is appropriate for Heinz Wattie's to provide evidence of the likelihood of a recurrence of injury should duties be removed.

88. Reasonable evidence has been provided of the capacity of the Greek industry to substantially increase its exports to New Zealand and of the ability of New Zealand importers to import and distribute a significant increase in imports. Reasonable evidence has also been provided of the likely extent of price undercutting, price depression and suppression, should duties be removed. Extensive evidence has been provided of the likely economic impact should duties be removed, showing that material injury is likely to recur.

89. It is considered the evidence that injury may recur if the duty were to be removed is sufficient to justify a review.

90. However, any review will need to examine the likelihood of a recurrence of injury attributable to the removal of the anti-dumping duty alone, i.e., the likely impact of the removal of anti-dumping duties will need to be differentiated from the impact of the removal of countervailing duties from canned peaches from the European Union.

Conclusion

91. The applicant has provided sufficient positive evidence to justify the initiation of a review of the imposition of anti-dumping duty on canned peaches from Greece.

Recommendation

92. It is recommended on the basis of the conclusion reached, and in accordance with section 14(8) of the Act, and acting under your delegated authority:

a. that you formally initiate a review of the imposition of anti-dumping duty on canned peaches from Greece; and
b. that you sign the attached notice of the initiation of the review for publication in the *Gazette*.

Robin Hill
Senior Investigator, Trade Remedies Group
Regulatory and Competition Policy Branch

Agreed

Anne Corrigan
Manager
Trade Remedies Group
Regulatory and Competition Policy Branch