REPORT NO. 579

SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON GLASS FRIT ORIGINATING IN OR IMPORTED FROM BRAZIL: FINAL DETERMINATION

The International Trade Administration Commission of South Africa hereby presents its **Report No. 579: SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON GLASS FRIT ORIGINATING IN OR IMPORTED FROM BRAZIL: FINAL DETERMINATION**

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PRETORIA
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INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON GLASS FRIT ORIGINATING IN OR IMPORTED FROM BRAZIL: FINAL DETERMINATION

SYNOPSIS

On 21 July 2017, the International Trade Administration Commission of South Africa (the Commission) notified interested parties through Notice No. 546 in *Government Gazette* No. 40998, that unless a substantiated request is made indicating that the expiry of the anti-dumping duty against imports of glass frit originating in or imported from Brazil would likely lead to the continuation or recurrence of dumping and injury, the anti-dumping duty on glass frit originating in or imported from Brazil will expire on 14 February 2018.

A detailed response to the Commission's sunset review questionnaire was received from Ferro South Africa (Pty) Ltd (the Applicant), indicating that the expiry of the anti-dumping duties on the imports of glass frit from Brazil would likely lead to the continuation or recurrence of dumping and the recurrence of material injury.

On 15 December 2017, the Commission initiated a sunset review of the anti-dumping duties on glass frit originating in or imported from Brazil through Notice No. 967 of *Government Gazette* No. 41321.

The investigation was initiated after the Commission considered that the expiry of the anti-dumping duties on imports originating in or imported from Brazil would likely lead to the recurrence of dumping and recurrence of material injury.

On initiation of the investigation, the known producers/exporters of the subject product in Brazil were sent the relevant questionnaires to complete. Importers of the subject product were also sent questionnaires to complete.

No properly documented responses from any manufacturer in Brazil, or any importer of glass frit were received.

On 07 February 2018, the Commission sent out "essential facts" letters to all interested parties. The deadline to submit responses was 20 February 2018. A response to the Commission's "essential facts" letter was received from the Applicant stating that it is in agreement with the Commission's findings.

After considering all interested parties' comments, the Commission made a final determination that the expiry of the anti-dumping duty on glass frit originating in or imported from Brazil would likely lead to the recurrence of dumping and the recurrence of material injury.

The Commission therefore made a final determination to recommend to the Minister of Trade and Industry that the current residual anti-dumping duty on glass frit originating in or imported from Brazil be maintained. The Commission however decided to recommend that the individual margin for Smalticeram Do Brazil Ltda be terminated, since the exporter did not participate in the investigation and should therefore be subject to the residual anti-dumping duty for future exports.

1. APPLICATION AND PROCEDURE

1.1 Legal framework

This investigation is conducted in accordance with the International Trade Administration Act, 2002 (ITA Act), the International Trade Administration Commission Anti-Dumping Regulations (ADR) and giving due regard to the World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994 (ADA).

1.2 Applicant

The application was lodged by Ferro South Africa (Pty) Ltd, (the Applicant), the major producer of the subject product in SACU.

1.3 Investigation process

On 21 July 2017, the Commission notified interested parties through Notice No. 546 of 2017 in *Government Gazette* No. 40998, that unless a substantiated request is made indicating that the expiry of the anti-dumping duty against imports of glass frit originating in or imported from Brazil would likely lead to the continuation or recurrence of dumping and injury, the anti-dumping duty on glass frit originating in or imported from Brazil will expire on 14 February 2018.

A detailed response to the Commission's sunset review questionnaire was received from Ferro South Africa (Pty) Ltd (the Applicant), indicating that the expiry of the anti-dumping duties on the subject product originating in or imported from Brazil would likely lead to the continuation or recurrence of dumping and material injury. Verification of the information was done on 26 October 2017.

On 15 December 2017, the Commission initiated a sunset review of the anti-dumping duties on glass frit originating in or imported from Brazil through Notice No. 967 of *Government Gazette* No. 41321.

On initiation of the investigation, the known producers/exporters of the subject product in Brazil were sent the relevant questionnaires to complete. Importers of the subject product were also sent questionnaires to complete.

No properly documented responses from any manufacturer in Brazil, or any importer of glass frit were received.

On 07 February 2018, the Commission sent out "essential facts" letters to all interested parties. The deadline for comments from interested parties was 20 February 2018. On 19 February 2018, comments on the Commission's essential facts letter were received from the Applicant stating that it agrees with the commission's findings.

1.4 Investigation period

The investigation period for dumping was from 01 July 2014 to 30 June 2015, and the injury investigation involved evaluation of data for the period of 01 July 2012 to 30 June 2015, as well as an estimate should the duty expire.

1.5 Parties concerned

1.5.1 SACU industry

The application was lodged by Ferro South Africa (Pty) Ltd, (the Applicant), the major producer of the subject product in SACU.

The Commission decided that the application can be regarded as being made "by or on behalf of the domestic industry" under the provisions of the Anti-Dumping Regulations.

1.5.2 Foreign Manufacturers/Exporters

No properly documented responses were received from any manufacturer/exporter in Brazil.

1.5.3 Importers

No properly documented responses were received from any importer in the SACU.

1.6 Comments

After considering all the information available, the Commission issued "essential facts" letters indicating that it was considering making a final determination that the expiry of the anti-dumping duty on glass frit originating in or imported from Brazil would likely lead to the recurrence of dumping and the recurrence of material injury. A response to the Commission's essential facts letter was only received from the Applicant, who was in agreement with the Commission's facts under consideration.

1.7 Final determination

The Commission made a final determination that the expiry of the anti-dumping duty on glass frit originating in or imported from Brazil would likely lead to the recurrence of dumping and the recurrence of material injury. The Commission therefore made a final determination to recommend to the Minister of Trade and Industry that the current residual anti-dumping duty on glass frit originating in or imported from Brazil be maintained. The Commission however decided to recommend that the individual margin for Smalticeram Do Brazil Ltda be terminated, since the exporter did not participate in the investigation and should therefore be subject to the residual anti-dumping duty for future exports.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

2.1 Product

2.1.1 Description

The product subject to this investigation is glass frit.

2.1.2 Like product

In the original investigation, the Commission decided that the SACU product and the imported product are "like products", for purposes of comparison, in terms of Article 2.6 of the Anti-Dumping Regulations.

2.1.3 Tariff classification

The subject product is classifiable as follows:

Tariff heading	Tariff subheading	Description	Stats unit	Rate of duty			
				General	EU	EFTA	SADC
32.07		**Prepared pigments, prepared opacifiers and prepared colours, vitrifiable enamels and glazes, engobes (slips), liquid lustres and similar preparations, of a kind used in the ceramic, enamelling or glass industry; glass Frit and other glass, in the form of powder, granules or flakes:**	kg				
	3207.40	- Glass Frit and other glass, in the form of powder, granules or flakes		free	free	free	free

2.1.4 Other applicable duties

The following anti-dumping duties are applicable:

Item	Tariff Heading	Code	CD	Description	Imported from or Originating in	Rate of Anti-dumping duty
206.04	**PREPARED PIGMENTS, PREPARED OPACIFIERS AND PREPARED COLOURS, VITRIFIABLE ENAMELS AND GLAZES, ENGOBES (SLIPS), LIQUID LUSTRES AND SIMILAR PREPARATIONS, OF A KIND USED IN THE CERAMIC, ENAMELLING OR GLASS INDUSTRY; GLASS FRIT AND OTHER GLASS, IN THE FORM OF POWDER, GRANULES OR FLAKES**					
206.04	3207.40	01.06	67	Glass frit and other glass, in the form of powder, granules or flakes manufactured or exported by Smalticeram Do Brazil Ltda	Brazil	24,65%
206.04	3207.40	02.06	61	Glass frit and other glass, in the form of powder, granules or flakes (excluding that manufactured or exported by Smalticeram Do Brazil Ltda)	Brazil	50%

3. INDUSTRY STANDING

3.1 The application was lodged by Ferro South Africa (Pty) Ltd (the Applicant), being the major producer for the subject product Glass frit in the SACU.

The Commission made a final determination that the application can be regarded as being made "by or on behalf of the domestic industry" in terms of Section 7 of the Anti-Dumping Regulations.

4. CONTINUATION OR RECURRENCE OF DUMPING

The margin of dumping is calculated by subtracting the export price from the normal value of the product (after all adjustments have been made). The margin is then expressed as a percentage of the f.o.b. export price. If the margin is less than two percent, it is regarded as *de minimis* in terms of ADR 12.3 and no anti-dumping duty will be imposed.

4.1 Methodology in this investigation for Brazil

4.1.1 Normal Value

Since no properly documented responses were received from any exporter from Brazil, the Commission decided to use the best information available, being that provided by the Applicant, for purposes of its final determination.

In calculating the normal value for Brazil, the Applicant submitted information based on Brazil's exports to a third country. The normal value was calculated from Brazil's export statistics obtained from its Ministry of Industry, Foreign Trade and Services.

The Applicant provided the following reasons for the selection of Bolivia as the appropriate third country:

- *The volumes exported to Bolivia are comparable to the volumes exported to the SACU during the original anti-dumping investigation period. At the time the export volumes had reached their highest at 1 047 000 kg's.*
- *The customers in the third country are most likely comparable to customers the product would have been sold to in Brazil or the SACU market. Glass frit is mainly used in the production of glazes for the ceramic industry and Bolivia, Brazil and SACU have strong ceramic industries. Glass frit is also sold to end users for incorporation into the production of items of interest.*
- *Brazil's producers were unwilling to provide their domestic prices. Under the circumstances the best information available for normal value purposes are*

exports to a third country, as provided.

- *Bolivia has a domestic ceramics industry as well as a glass industry.*
- *Bolivia is one of only four countries to which Brazil exports the subject product, that have Boron resources. Boron is a key raw material in the production of glass frit.*
- *As glass frit production is associated with the production of ceramic products and Bolivia has a glass industry (with access to all the primary materials required to produce glass, while also having Boron resources, the Applicant believe that Bolivia has glass frit production capacity.*
- *The other three countries under consideration are Peru, Chile and Argentina.*
- *Argentina has very large ceramics and glass industries. Argentina also has Boron resources. Brazil exports very large volumes of glass frit to Argentina and to be able to be competitive in a country with Argentina's profile, Brazil appears to be selling glass frit at prices substantially lower than the prices at which Brazil exports to other countries. For this reason the Applicant excluded Argentina for purpose of determining a fair 3rd country export price in order to determine normal value.*
- *Between Peru, Chile and Bolivia, the export volumes to Bolivia closely resemble earlier export volumes to SACU and the average export price is the lowest of the three countries mentioned. Using the export price to Bolivia represents the most conservative option of the remaining three countries and the Applicant decided to use Bolivia as a 3rd country for purposes of determining normal value.*

The Commission's consideration

In order for normal value to be calculated based on exports to a third country the country selected is evaluated based on the following criteria:

(i) Volumes exported to that country are comparable to the volumes exported to SACU;

(ii) Customers exported to in that country are comparable to the customers exported to in SACU, i.e. if the company only exported to wholesalers, a country should be selected where exports were only to wholesalers, etc.

(iii) Country exported to should have a domestic manufacturing industry.

Since there were no imports of the subject product during the period of investigation, the Applicant had no option but to use Bolivia as the third country.

The Commission made a final determination and accepted Bolivia as the appropriate third country as per the reasons cited by the Applicant.

The table below shows countries to which Brazil exported the subject product during the period of investigation:

Country	Sum of Total Volume (kg's)	Sum of Total Value ($)	Average price ($)	Conversion to Rands	Volume as % of total
Argentina	4 138 135	2 502 506.00	0.60	8.22	73.12%
Bolivia	791 400	692 511.00	0.88	11.89	13.98%
Chile	11 073	10 383.00	0.94	12.74	0.20%
Colombia	159 525	378 993.00	2.38	32.29	2.82%
Costa Rica	32 500	26 062.00	0.80	10.90	0.57%
Mexico	53 000	3 770.00	0.07	0.97	0.94%
Paraguay	2 075	3 586.00	1.73	23.49	0.04%
Peru	465 050	588 788.00	1.27	17.21	8.22%
Uruguay	7 000	12 180.00	1.74	23.65	0.12%
Grand Total	5 659 758	4 218 779.00	0.75		100.00%
Average USD/Rand exchange rate for POI					R13.59

From the above table, taking Bolivia as the appropriate third country, normal value was calculated as follows:

Normal value

	$ price	Exchange rate	Unit	1 July 16 – 30 June 17
Normal Value: Glass frit	0.88	R13.59	Per kg	11.89

The average exchange rate for the period of investigation as per OANDA interbank rate was calculated to be R13.59.

Adjustments:

The Applicant stated that Brazil's export statistics are presented on an FOB basis in line with the United Nations guidelines for "International Merchandise Trade Statistics", i.e. adjustments have to be made for domestic transport costs to point of loading onto a vessel, train or road going vehicle as Bolivia shares a border with Brazil.

	Unit	
Local transport and handling to FOB point	Per kg	0.07

Local transport for road freight was calculated based on information obtained in an article published in June 2017 comparing truck freight rates in Brazil, Argentina and United State of America. The comparison is done over a distance of 204 miles and the comparative freight rate for Brazil is noted as USD 20.09 per ton for the 204 mile trip. A more appropriate distance to the closest railway station is probably 50 miles (80km) and the USD rate per km can be calculated accordingly. Transport across the border to neighbouring Bolivia is likely to be done by train. If by road there will probably not be a transport adjustment as the product will likely be collected ex-works. The calculation will be (50/204) x USD 20.09 = USD 4.92 per ton or USD 0.00492 per kg. This is then converted to Rand (ZAR) using the average USD -ZAR exchange rate during the investigation period.

The Applicant also claimed payment terms adjustments:

	Unit	
Payment terms - 90 days	Per kg	0.38

The prices provided by the Brazilian domestic producer have 90 days payment terms. The adjustment was allowed by the Commission.

The Commission made a final determination to allow the transport and payment terms adjustments in order to adjust the f.o.b price to ex-factory.

Ex-factory normal value

	Per kg
Normal value	11.89
Less: adjustments Payment terms - 90 days Local transport and handling to FOB point	 0.38 0.07
Ex-factory normal Value	11.45

4.1.2 Export Price

Since no properly documented responses were received from any exporter from Brazil, the Commission decided to use the best information available, being that provided by the Applicant, for purposes of its final determination.

The export price for Brazil was determined based on an export price from a Brazilian manufacturer of the subject product.

The ex-factory export price amounted to R8.15 per kilogram.

Export price

	Unit	1 July 16 – 30 June 17
Ex-factory export price	Per kg	8.15

4.2 Margin of Dumping

Dumping Margin

The margin of dumping was calculated as follows:

Dumping margin

Per kg	1 July 16 – 30 June 17
Normal Value	11.45
Export price	8.15
Margin of dumping	3.29
Margin of dumping as a % of export price	40.42%

4.3 Final determination: dumping

The Commission made a final determination that the expiry of the anti-dumping duty on glass frit originating in or imported from Brazil would likely lead to the recurrence of dumping.

5. CONTINUATION OR RECURRENCE OF MATERIAL INJURY

5.1 Domestic industry – Major proportion of production

The following injury analysis relates to Ferro South Africa (Pty) Ltd. As Ferro's production volume represents 99 per cent of the total SACU production, the Commission decided that this constitutes "a major proportion" of the total domestic production, in accordance with the Anti-Dumping Regulations.

5.2 Import volumes and the effect on prices

5.2.1 Import volumes

The following table shows the volume of the alleged dumped imports of the subject product obtained from SARS:

Table 5.2.1: Import volumes

Import Volumes in kg	Jul 2014 – June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimates if duties expire
Brazil	1 850	0	0	1 047 000
Other Imports	2 016 960	6 965 660	8 723 470	9 770 286
Total	2 018 810	6 965 660	8 723 470	10 817 286

5.2.2 Effect on Domestic Prices

5.2.2.1 Price undercutting

Table 5.2.2.1: Price undercutting

(Per kg)	Jul 2014 - June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Applicant's ex-factory selling price	100	108	104	106
Other SACU producers	0	0	0	0
Landed cost of imports from Brazil (per kg)	0.00	0.00	0.00	6.26
Undercutting (per kg)	No imports	No imports	No imports	0
Undercutting %	No imports	No imports	No imports	0

Table indexed due to confidentiality using 2014 as base year

The table above shows that there was no price undercutting for the period 2014 to 2017. The Applicant indicated that it is evident from the above table that due to the anti-dumping duties in place, there were no imports from Brazil during the last 3 years where there was a single shipment in 2015. There was therefore no price undercutting from Brazil, apart from the period July 2014 – June 2015. The Applicant also stated that it is likely that should the anti-dumping duties be removed imports from Brazil will re-enter the SACU market and displace its market share by reducing selling prices to close or below its prices. The Applicant further stated that should anti-dumping duties be removed it is expected that Brazil will undercut the Applicant's prices.

The Applicant stated that its ex-factory price for July 2017 – June 2018 is based on the assumption that production and sales volumes would need to be reduced (if dumped imports from Brazil re-enter the market) while selling prices increase slightly.

5.2.2.2 Price depression

The following table shows the domestic industry's selling price for the period 2014 to 2017 and an estimate in the event the duty expires:

Table 5.2.2.2: Price depression

Per kg	Jul 2014 - June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Ex-factory price per unit	100	108	104	106

Table indexed due to confidentiality using 2014 as base year

The Applicant stated that it did not experience price depression due to the anti-dumping duties in place against imports from Brazil. The Applicant also stated that the real possibility of price depression will emanate from dumped Brazilian imports re-entering the market should anti-dumping duties be removed.

The Applicant indicated that the estimate for the ex-factory price for July 2017 – June 2018 is based on the assumption that production volumes would need to be reduced (if dumped imports from Brazil re-enter the market). Consequently reduced production will result in increase in costs, which will be reflected in increasing selling prices.

5.2.2.3 Price suppression

The following table shows the Applicant's cost of production and its selling prices for the subject product for the period 2014 to 2017, and an estimate in the event the duty expires:

Table 5.2.2.3: Price suppression

Glass frit	Jul 2014 - June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Ex-factory price per kg	100	108	104	106
Total cost per kg	100	106	101	103
Cost as % of selling price	100	98	97	97

Table indexed due to confidentiality using 2014 as base year

The Applicant stated that if anti-dumping duties are removed, it is expected that imports from Brazil will increase rapidly displacing the Applicant's production and sales volumes. This will result in increased cost of production.

The Applicant also stated that cost of production will increase because of the reduction in production volumes. The cost of production will increase while selling prices will not increase at the same pace (due to pricing competition from cheaper imports) resulting in further price suppression. The Applicant further stated that although no imports came in from Brazil in the last few years, it is apparent that import volumes from other countries increased significantly. Demand for imports will likely continue especially from cheaper countries like Brazil. Pricing is an important factor taken into account by customers of the subject product.

5.2.3. Economic factors and indices having a bearing on the state of the industry

5.2.3.1 Actual and potential decline in sales volumes

The following table shows the Applicant's sales volumes of glass frit for the period 2014 to 2017, and an estimate in the event the duty expires:

Table 5.2.3.1: Sales volumes

Kg	Jul 2014 - June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Applicant's sales	100	80	97	89

Tables above indexed due to confidentiality using 2014 as base year

The above table shows that the applicant's sales volume declined by 20 index points in the period July 2015 to June 2016 and increased by 17 index points when you compare the period 2015 and 2016 financial years.

The Applicant stated that the estimate is based on the average sales volumes for the last two years of the injury investigation period (July 2015 - June 2016 and July 2016 - June 2017). The Applicant stated that imports grew by more than 10% annually. The Applicant also stated that it expects further growth of 10% plus another growth of 10% should Brazil re-enter the market. The Applicant further stated that its sales volumes would decline annually after 2018, should anti-dumping duties be removed.

The Applicant further stated that should anti-dumping duties against Brazil be removed it will lose a significant amount of sales volumes leading to a recurrence of material injury. The displaced sales volumes will lead to reduction in production volumes, which will result in an increase in production costs.

Table 5.2.3.1 (b): Sales values

Rand value	Jul 2014 – June 2015	Jul 2015 - Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Applicant's sales in SACU	100	87	101	94

Tables above indexed due to confidentiality using 2014 as base year

The Applicant stated that its sales value will decline if anti-dumping duties are removed, allowing dumped imports from Brazil to re-enter the SACU market. Should that happen the Applicant believes that material injury will occur as selling prices will be depressed in an attempt to compete with dumped imports. Even imports not currently being dumped will reduce prices in an attempt to retain market share, to the detriment of the Applicant.

5.2.3.2 Profit

The following table shows the Applicant's profit before interest and tax for the years 2014 to 2017, and an estimate in the event the duty expires:

Table 5.2.3.2: Profit

Actual and potential decline in profit	Jul 2014 - June 2015	Jul 2015 – Jun 2016	Jul 2016 - Jun 2017	Estimate if duty expires
Kg's sold	100	80	97	89
Applicant total gross profit (R)	100	96	115	105
Applicant total net profit (R)	100	87	101	84

Tables above indexed due to confidentiality using 2014 as base year

The Applicant stated that the net profit increased in the period July 2016 - June 2017 because of the absence of dumped imports and cost cutting initiatives. The Applicant also stated that should anti-dumping duties be removed its profitability will be compromised due to dumped imports from Brazil re-entering the market. The Applicant further stated that imports from other countries are already on an upward trend which will likely affect profitability in the near future. In a nutshell material injury will recur should dumped imports from Brazil re-enter the SACU market.

The Applicant indicated that gross profit has been fairly stable in the last 3 years although with modest fluctuations. Based on this, the estimate is based on the average for the last two years of the injury investigation period.

5.2.3.3 Output

The following table outlines the Applicant's domestic production volume of the subject product for the years 2014 to 2017, and an estimate in the event the duty expires:

Table 5.2.3.3: Output

kg	Jul 2014 - June 2015	Jul 2015 - Jun 2016	Jul 2016 - Jun 2017	Estimate if duty expires
Applicant's production	100	80	96	88

Tables above indexed due to confidentiality using 2014 as base year

The Applicant indicated that output decreased from its highest in July 2014 - June 2015. It is estimated that further declines in output will occur in June 2017 – July 2018 should anti-dumping duties against Brazil be removed. Output will have to be reduced to reduce inventory costs. Material injury is therefore likely to recur.

The Applicant stated that the production estimate is based on the average sales values for the last two years of the injury investigation period (July 2015 - June 2016 and July 2016 - June 2017). However, post June 2018, sales will likely drop significantly. Imports grew by more than 10% annually. The applicant expects further growth of 10% plus another growth of 10% should Brazil re-enter the market. The Applicant stated that its sales volumes are therefore estimated to decline annually after 2018, should anti-dumping duties be removed. If sales volumes decline production volumes will have to be reduced to prevent unnecessary increase in stock.

5.2.3.4 Market share

The following table shows the market share for the subject product for the period 2014 to 2017, and an estimate in the event the duty expires:

Table 5.2.3.4: Market share (Volumes)

Market share by volume (kg)	Jul 2014 - June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Applicant	100	80	97	89
Alleged dumped imports Brazil	0	0	0	100
Other imports	100	345	433	484
Total SACU market	100	150	185	206

Percentage share held by:				
Applicant	100	54	52	43
Alleged dumped imports Brazil	0	0	0	100
Other imports	100	231	234	235

Table above indexed due to confidentiality using 2014 as base year

The Applicant stated that should anti-dumping duties be removed it expects imports from Brazil to rapidly enter the market because of dumped prices, displacing both its market share and other imports' market share. The Applicant also stated that over the injury investigation period its market share dropped, which is indicative of material injury. Should anti-dumping duties be removed, further market share will be lost to dumped imports from Brazil as importers switch to lower priced suppliers.

The Applicant stated that the volume of Brazilian imports before imposition of anti-dumping duties was 1 047 000 kilograms, which is the basis of the estimate (this figure is confirmed in an extract from ITAC's final determination in 2013).

5.2.3.5 Productivity

The following table shows the Applicant's productivity for the subject product for the period 2014 to 2017, and an estimate in the event of the expiry of the duty:

Table 5.2.3.5: Productivity

kg	Jul 2014 - June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Total production volume	100	80	96	88
Number of employees (manufacturing only)	100	95	89	89
Kg per employee	100	84	107	98

Tables above indexed due to confidentiality using 2014 as base year

The above table shows that the production volume decreased by 20 index points in the period 2015 to 2016 and increased by 16 index points in the period 2016 to 2017. The Applicant stated that should dumped imports re-enter the SACU market, this will lead to the Applicant's loss of sales volumes, further leading to lost production. If no employees are retrenched, productivity will decline. The Applicant also stated that if dumped imports resume it will lose the opportunity to create additional factory jobs. Material injury is therefore likely to recur should anti-dumping duties be removed.

The Applicant further stated that the volume of Brazilian imports before imposition of anti-dumping duties were 1 047 000 kilograms, which is the basis of the estimate. It can be expected that if the anti-dumping duties are removed imports will penetrate the SACU market and, at a minimum, reach the above-mentioned volume.

5.2.3.6 Return on investment

The following table shows the Applicant's return on investment on earnings before interest and tax, and an estimate in the event the duty expires:

Table 5.2.3.6: Return on investment

Return on investment	Jul 2014 – June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Net profit (product concerned)(R)	100	87	101	84
Total net profit (all products)(R)	100	1 866	239	189
Net assets (product concerned)(R)	100	80	67	56
Total net assets (total)(R)	100	105	102	81
Return on net assets (product)	100	109	150	150
Return on net assets (total)	100	1 782	234	234

Tables above indexed due to confidentiality using 2014 as base year

The Applicant stated that the return on net assets of the subject product has generally been positive because of the absence of dumped Brazilian imports in the SACU market. The Applicant also stated that it is continuously working on strategies to make itself more competitive. The Applicant further stated that the higher than usual profit in the period July 2015 – June 2016 is because it received dividends from its subsidiaries during that period. In order for the return on net assets to remain positive anti-dumping duties against dumped imports are necessary. Should anti-dumping duties be removed sales volumes, values and profit will decline leading to little or no investment in assets of the subject product. Although this may not immediately happen, it will with time.

5.2.3.7 Utilization of production capacity

The following table provides the Applicant's capacity and production for the subject products for the period 2014 to 2017, and an estimate in the event the duty expires:

Table 5.2.3.7: Utilization of production capacity

Kg	Jul 2014 - June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Applicant's production capacity	100	100	100	100
Applicant's actual production	100	80	96	88
Capacity utilisation %	100	80	96	88

Table indexed due to confidentiality using 2014 as base year

The Applicant stated that the estimate is based on the average production volumes for the last two years of the injury investigation period (July 2015 - June 2016 and July 2016 - June 2017). The Applicant also stated that post June 2018, production is likely to drop significantly. Imports grew by more than 10% over the injury investigation period. The Applicant expects further growth of 10% plus an additional growth of 10% should Brazil re-enter the market after 2018. The Applicant stated that its sales volumes are therefore estimated to decline annually after 2018, should anti-dumping duties be removed. If sales volumes decline production volumes will have to be reduced to prevent unnecessary increase in stock.

The Applicant further indicated that from the above table its capacity utilization has not increased meaningfully and will further decline should anti-dumping duties be removed.

5.2.3.8 Actual and potential negative effects on cash flow

The following table provides the Applicant`s cash flow for the period 2014 to 2017, and an estimate in the event the duty expires:

Table 5.2.3.8: Cash flow

Cash flow	Jul 2014 – June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Product specific				
Cash flow: incoming (R)	100	87	101	94
Cash flow: outgoing (R)	100	136	113	108
Net cash flow (R)	100	-66	61	48
Company				
Cash flow: incoming (R)	100	260	138	109
Cash flow: outgoing (R)	100	43	42	33
Net cash flow (R)	Negative	Positive	Positive	Positive

Table indexed due to confidentiality using 2014 as base year

The table above shows that the cash flow declined significantly in July 2015 to June 2016. The Applicant stated that net cash flow will decline should anti-dumping duties be removed as sales will be lost to dumped imports leading to a recurrence of material injury.

5.2.3.9 Inventories

The Applicant provided the following inventory levels for 2014 to 2017 and an estimate in the event the duty expires:

Table 5.2.3.9: Inventories

	Jul 2014 – June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Volume kg	100	71	32	38
Value Rand	100	74	36	43

Table indexed due to confidentiality using 2014 as base year

The table above indicates that the Applicant's inventory levels have been decreasing. The Applicant stated that its inventory volumes declined by 39 index points between the period July 2015 - June 2016 and July 2016 - June 2017.The applicant stated that inventories will drop by the same percentage should anti-dumping duties be removed, leading to an increase in imports. The Applicant also stated that as sales volumes are expected to drop should anti-dumping duties be removed it is possible that inventory levels may actually increase significantly.

Commission's consideration

The Commission noted that the Applicant made two contradicting statements with regard to its inventory. At first it alleged that its inventory levels will decline and later it alleged that its inventory will increase as a result of dumped Brazilian imports penetrating the SACU market again. The Commission considered that this contradiction does not detract from the finding that should the anti-dumping duties be removed there's a likelihood of recurrence of material injury.

5.2.3.10 Employment

The following table shows the Applicant's employment levels for the years 2014 to 2017 and an estimate in the event the duty expires:

Table 5.2.3.10: Employment

Employment	Jul 2014 – June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Direct labour units: production	100	95	89	89
Indirect labour units: production	0	0	0	0
Total labour units: production	100	95	89	89
Labour units: Selling and administrative	100	100	100	100

Table indexed due to confidentiality using 2014 as base year

The Applicant stated that manufacturing of the subject product is capital intensive. No loss of employment is expected hence the estimated employment figures will be the same as those of July 2016 – June 2017. The Applicant further stated that should the anti-dumping duties be removed, employment losses will be unavoidable. The plant is currently running at minimum production volume and further volume losses may result in closure.

5.2.3.11 Wages

Using the production wages and employment figures sourced from the Applicant, its production wages per employee in respect of the subject product is as follows:

Table 5.2.3.11: Wages

RAND	Jul 2014 – June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Total wages Production (per annum)	100	106	126	111
Wages per employee (per annum)	100	112	141	124

Table indexed due to confidentiality using 2014 as base year

The table above indicate that the Applicant's total wages increased throughout the period of investigation. The Applicant stated that bargaining outcomes with Unions drives the wages and these are expected to increase regardless of the outcome of the investigation. The Applicant also stated that overtime also contributes to the growth in wages. However, it should be noted that production is capital-intensive rather than labour intensive. However, the increase in wages contributes to the increase in the total cost of production.

5.2.3.12 Growth

The following table provides the Applicant's growth information for the years 2014 to 2017 and an estimate in the event the duty expires:

Table 5.2.3.12: Growth

KG	Jul 2014 – June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Size of the SACU market	100	150	185	206
% growth from previous year	-	100	47	23
Applicant's sales volume (Kg)	103	83	100	91
Applicant's growth %	-	100	-105	43
Dumped imports	1 850	-	-	1 047 000
Dumped imports growth %	0%	0%	0%	7%
Other imports	2 016 960	6 965 660	8 723 470	9 770 286
Other imports growth %	-	245%	25%	12%

Table indexed due to confidentiality using 2014 as base year

The Applicant stated that dumped imports from Brazil have currently not inhibited growth, as there were no meaningful imports in the last few years. However, its sales volumes have not grown meaningfully. The Applicant also stated that should the anti-dumping duties be removed any chances of growth will be rapidly eroded as dumped imports gain market share leading to a recurrence of material injury. The plant is currently running at minimum production volume and further volume losses may result in closure.

5.2.3.13 Ability to raise capital or investments

The following table shows the Applicant's ability to raise capital and investment for the years 2014 to 2017, and an estimate in the event the duty expires:

Table 5.2.3.13: Ability to raise capital or investment

	Jul 2014 – June 2015	Jul 2015 – Jun 2016	Jul 2016 – Jun 2017	Estimate if duty expires
Total capital/ investment in subject product (R)	100	80	67	56
Capital expenditure during year on subject product (R)	100	90	71	57

Table indexed due to confidentiality using 2014 as base year

The Applicant stated that it is able to raise investment if required. Investments can be made if it is viable to do so and in this case it is viable if anti-dumping duties remain in place against dumped imports from Brazil. The removal of the current dumping duty will lead to a recurrence of material injury. The Applicant also stated that the company has access to funding from related companies in the group. Moreover, access to both long term and short term loans and overdrafts is currently not a challenge. However, the viability of the use of the funding depends on whether it is profitable. Should anti-dumping duties be removed this will lead to a recurrence of material injury.

Dumped imports from Brazil have not inhibited the ability to raise capital, as there were no meaningful imports in the last few years. The Applicant stated that it is able to raise capital investment if required. However, investments can be made if it is viable to do so and in this case it is viable if anti-dumping duties remain in place against dumped imports from Brazil, to avoid recurrence of material injury.

5.3 Final determination – recurrence of material injury

After considering all the information available, the Commission made a final determination that the expiry of the anti-dumping duty would likely lead to the recurrence of material injury to the SACU industry.

6. SUMMARY OF FINDINGS

6.1 Recurrence of dumping

The Commission made a final determination that the expiry of the anti-dumping duty would likely lead to the recurrence of dumping of the subject product originating in or imported from Brazil.

6.2 Recurrence of material injury

The Commission made a final determination that the expiry of the anti-dumping duty would likely lead to the recurrence of material injury to the SACU industry.

7. RECOMMENDATION

The Commission made a final determination that:

- the expiry of the duty would likely lead to the recurrence of dumping; and
- the expiry of the duty would likely lead to the recurrence of material injury.

The Commission therefore made a final determination to recommend to the Minister of Trade and Industry that the current residual anti-dumping duty on glass frit originating in or imported from Brazil be maintained. The Commission also decided to recommend that the individual margin for Smalticeram Do Brazil Ltda be terminated, since the exporter did not participate in the investigation and should therefore be subject to the residual anti-dumping duty for future exports.

The Commission decided to recommend that the anti-dumping duties on glass frit originating in or imported from Brazil be amended as follows:

Item	**Tariff Heading**	**Code**	**CD**	**Description**	**Imported from or Originating in**	**Rate of Anti-dumping duty**
206.04	**PREPARED PIGMENTS, PREPARED OPACIFIERS AND PREPARED COLOURS, VITRIFIABLE ENAMELS AND GLAZES, ENGOBES (SLIPS), LIQUID LUSTRES AND SIMILAR PREPARATIONS, OF A KIND USED IN THE CERAMIC, ENAMELLING OR GLASS INDUSTRY; GLASS FRIT AND OTHER GLASS, IN THE FORM OF POWDER, GRANULES OR FLAKES**					
206.04	3207.40	02.06	61	Glass frit and other glass, in the form of powder, granules or flakes	Brazil	50%