

**REPORT NO. 389**

**INVESTIGATION INTO THE ALLEGED DUMPING OF FROZEN MEAT OF FOWLS  
OF THE SPECIES GALLUS DOMESTICUS, WHOLE BIRD AND BONELESS  
CUTS, ORIGINATING IN OR IMPORTED FROM BRAZIL: PRELIMINARY  
DETERMINATION**

The International Trade Administration Commission of South Africa herewith presents its **Report No. 389 : INVESTIGATION INTO THE ALLEGED DUMPING OF FROZEN MEAT OF FOWLS OF THE SPECIES GALLUS DOMESTICUS, WHOLE BIRD AND BONELESS CUTS ORIGINATING IN OR IMPORTED FROM BRAZIL: PRELIMINARY DETERMINATION**



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# INTERNATIONAL TRADE ADMINISTRATION COMMISSION

## INVESTIGATION INTO THE ALLEGED DUMPING OF FROZEN MEAT OF FOWLS OF THE SPECIES GALLUS DOMESTICUS, WHOLE BIRD AND BONELESS CUTS ORIGINATING IN OR IMPORTED FROM BRAZIL: PRELIMINARY DETERMINATION

### SYNOPSIS

On 24 June 2011, the International Trade Administration Commission of South Africa (the Commission) initiated an investigation into the alleged dumping of frozen meat of fowls of the species GALLUS DOMESTICUS, whole bird and boneless cuts, originating in or imported from Brazil. Notice of initiation of the investigation was published in Notice No.404 of 2011 of *Government Gazette* No.34377 dated 24 June 2011.

The application was lodged by FC Dubbelman and Associates on behalf of the South African Poultry Association (SAPA), representing the SACU industry. SAPA represents about 80 per cent of the SACU producers of the subject products, but in this case represents Rainbow Farms (Pty) Ltd, Earlybird Farm (Pty) Ltd and County Fair Foods (Pty) Ltd.

The investigation was initiated after the Commission considered that there was *prima facie* evidence to indicate that the subject product was being imported at dumped prices, causing material injury to the SACU industry.

Upon initiation of the investigation, foreign producers and exporters' questionnaires were sent to the known producers and exporters of the subject products in Brazil to complete. The following producers/exporters responded to the Commission's exporter's questionnaire:

- Brasil foods (BRF)
- Cooperativa Central Oeste Catarinense – Aurora Alimentos (Aurora)
- C-Vale Cooperative (C-Vale)
- Seara Alimentos (Seara)

Information submitted by Seara Alimentos was found to be deficient and was therefore not considered by the Commission for purposes of its preliminary determination.

Importers of the subject product were also sent questionnaires to complete. The following SACU importers responded to the Commission's importers questionnaire:

- Federated Meats Pty Ltd (Federated Meats)
- Chester Wholesale Meat Pty Ltd (Chester)
- Eitlin International Trading Pty Ltd (Eitlin)
- Merlog Foods Pty Ltd (Merlog)
- Britos Food International Pty Ltd (Britos)
- Millennium Meat Import and Export (Pty) Ltd (Millenium Meat)
- Fercon Foods (Pty) Ltd
- Foodcorp Consumer Brands (Pie division)

Information submitted by Chester, Eitlin, Merlog, Britos, Millennium Meat and Fercon was found to be deficient and was therefore not considered by the Commission for purposes of its preliminary determination.

Comments were received from the Association of Meat Importers and Exporters (AMIE) and the Brazilian Poultry Association (UBABEF), and were considered by the Commission for purposes of its preliminary determination.

Based on this information, the Commission made a preliminary determination that dumping of the subject products imported from Brazil is taking place, the SACU industry is suffering material injury and that the material injury suffered by the SACU industry is causally linked to the dumped imports from Brazil. The Commission therefore decided to request the Commissioner for South African Revenue Service (SARS) to impose provisional payments.

## **1. APPLICATION AND PROCEDURE**

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### **1.1 APPLICANT**

The application was lodged by the Southern African Poultry Association (SAPA) on behalf of the SACU industry.

### **1.2 DATE OF ACCEPTANCE OF APPLICATION**

The application was accepted by the Commission as being properly documented in accordance with Section 21 of the Commission's Anti-Dumping Regulations (ADR 21) on 02 June 2011. The trade representative of the country concerned was advised accordingly.

### **1.3 ALLEGATIONS BY THE APPLICANT**

The Applicant alleged that imports of the subject products, originating in or imported from Brazil were being dumped into the SACU market, thereby causing material injury to the SACU industry. The basis of the alleged dumping was that subject products were being exported to SACU at prices less than their normal value in their country of origin, causing material injury to the SACU industry.

### **1.4 INVESTIGATION PROCESS**

The Commission initiated an investigation into the alleged dumping of frozen of fowls of the species *GALLUS DOMESTICUS*, whole bird and boneless cuts, originating in or imported from Brazil pursuant to Notice No. 404 of 2011, published in *Government Gazette* No. 34377 on 24 June 2011.

Prior to initiation of the investigation, the trade representative of the country concerned was notified of the Commission's intention to investigate, in terms of ADR 27. All known interested parties were informed and requested to respond to the Commission's questionnaires as well as the non-confidential version of the application.

The Commission made a preliminary determination that frozen meat of fowls of the species *GALLUS DOMESTICUS*, whole bird and boneless

cuts, originating in or imported from Brazil was being dumped into the SACU market, causing material injury to the SACU industry. The Commission therefore made a preliminary determination that provisional duties be imposed.

## **1.5 INVESTIGATION PERIOD**

The investigation period for dumping is from 1 January 2010 to 31 December 2010. The injury investigation involved evaluation of data for the period 1 January 2008 to 31 December 2010.

## **1.6 PARTIES CONCERNED**

### **1.6.1 SACU industry**

The application was lodged by FC Dubbelman and Associates on behalf of the South African Poultry Association (SAPA), representing the SACU industry. SAPA represents about 80 per cent of the SACU producers of the subject products, but in this case represents Rainbow Farms (Pty) Ltd, Earlybird Farm (Pty) Ltd and County Fair Foods (Pty) Ltd.

### **1.6.2 Exporter/foreign producer**

The following exporters of the subject products responded to the investigation:

- Brasil foods (BRF)
- Cooperativa Central Oeste Catarinense – Aurora Alimentos (Aurora)
- C-Vale Cooperative (C-Vale)
- Seara Alimentos (Seara)

Information submitted by BRF, Aurora and C-Vale was verified. Seara Alimentos submitted a deficient response. Seara was notified of the deficiencies in its response, and given opportunity to address them. The deficiencies were not addressed. Its information was therefore not verified.

### **1.6.3 Importers**

The following SACU importers responded to the Commission's importers questionnaires:

- Federated Meats Pty Ltd (Federated Meats)

- Chester Wholesale meat Pty Ltd (Chester)
- Eitlin Internation Trading Pty Ltd (Eitlin)
- Merlog Foods Pty Ltd (Merlog)
- Britos Food International Pty Ltd
- Millennium Meat Import and Export (Pty) Ltd
- Fercon Foods (Pty) Ltd

Information submitted by Federated Meats was verified. Information submitted by Chester, Eitlin, Merlog, Britos, Millennium Meat and Fercon was deficient and was not verified. The importers were notified of the deficiencies but did not address all the identified deficiencies.

## 2. PRODUCTS, TARIFF CLASSIFICATION AND DUTIES

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### 2.1 IMPORTED PRODUCTS

#### 2.1.1 Description

The imported products are described as frozen whole bird and boneless cuts of fowls of the species GALLUS DOMESTICUS.

#### 2.1.2 Tariff classification, other applicable duties and rebates

**Table 2.1.2: Tariff classification**

Tariff subheading	Description	General	Rate of duty		
			EU	EFTA	SADC
0207	Meat and edible offal, of the poultry of heading 01.05, fresh, chilled or frozen				
0207.1	Of fowls of the species GALLUS DOMESTICUS				
0207.12	- Not cut in pieces, frozen				
0207.12.90	- Other	27%	Free	27%	Free
0207.14	Cuts and offal, frozen				
0207.14.10	- Boneless cuts	5%	Free	5%	Free
0207.14.90	- other	220c/kg	Free	220c/kg	Free

#### 2.1.3 Import Statistics

The import statistics indicated that the alleged dumped imports of whole bird and boneless cuts from Brazil accounted for 44.61 per cent and 94.21 per cent respectively, of the total imports of the subject products during the period of investigation for dumping.

#### 2.1.4 Country of origin/export

The subject products originate in and are imported from Brazil.



#### **2.1.5 Application/end use**

The imported products are for human consumption.

#### **2.1.6 Production process**

The production process consists of breeding, rearing, laying, production, slaughtering and processing of broilers.

### **2.2 SACU PRODUCT**

#### **2.2.1 Description**

The SACU products are described as frozen whole bird and boneless cuts of fowls of the species GALLUS DOMESTICUS.

#### **2.2.2 Application/end use**

The SACU products are for human consumption.

#### **2.2.3 Tariff classification**

The SACU products are classified under tariff sub-headings 0207.12.90, not cut in pieces, frozen, other and 0207.14.10, boneless cuts.

#### **2.2.4 Production process**

The production process consists of breeding, rearing, laying, production, slaughtering and processing of broilers.

### **2.3 LIKE PRODUCTS**

#### **2.3.1 General**

In order to establish the existence and extent of injury to the SACU industry, it is necessary to determine at the outset whether the products produced by the SACU industry are "like products" to that originating in or imported from Brazil.

**Table 2.3.1 Like product determination**

	<b>Imported product</b>	<b>SACU product</b>
Raw materials	Broiler chickens	Broiler chickens
Physical appearance	<p><i>Whole birds:</i> consists of the whole chicken</p> <p><i>Boneless cuts</i> Certain portions of the whole bird cut up, containing no bones</p>	<p><i>Whole birds:</i> consists of the whole chicken</p> <p><i>Boneless cuts</i> Certain portions of the whole bird cut up, containing no bones</p>
Tariff classification	0207.12.90 – not cut in pieces, frozen, other 0207.14.10 – boneless cuts	0207.12.90– not cut in pieces, frozen, other 0207.14.10 – boneless cuts
Production process	<p>Breeding, rearing, laying, production, slaughtering and processing of broilers.</p> <p>Breeding: Genetic material, at the grandparent level, in the form of day-old chicks is imported and maintained locally. The import genetic material s done on a rolling basis. Depleted stock sold as live chicken or slaughtered.</p> <p>Rearing and laying: The purpose is to generate eggs for own hatcheries, from where day old chicks are obtained.</p> <p>Production: Day old chicks are placed on broiler farms and grown to a point of readiness for the abattoir.</p>	<p>Breeding, rearing, laying, production, slaughtering and processing of broilers.</p> <p>Breeding: Genetic material, at the grandparent level, in the form of day-old chicks is imported and maintained locally. The import genetic material s done on a rolling basis. Depleted stock sold as live chicken or slaughtered.</p> <p>Rearing and laying: The purpose is to generate eggs for own hatcheries, from where day old chicks are obtained.</p> <p>Production: Day old chicks are placed on broiler farms and grown to a point of readiness for the abattoir.</p>
Application or end use	Products for human consumption	Products for human consumption
Substitutability	Full substitution	Full substitution

The above table indicates the criteria used by the Commission to determine the likeness of products.

After considering all the factors of “like product” determination, the Commission concluded that the SACU and the imported products are “like products”, for purposes of comparison in this investigation, in terms of the Anti-Dumping Regulations.

### **3. SACU INDUSTRY**

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#### **3.1 INDUSTRY STANDING**

The Commission analysed the information submitted by the applicant and made a preliminary determination that the application can be regarded as being made by or on behalf of the domestic industry.

## **4. DUMPING**

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### **4.1 Coperativa Central Oeste Catarinense- Aurora Alimentos (Aurora)**

#### **4.1.1 Normal value**

The Commission found that while Aurora sold both whole bird and boneless cuts in its domestic market, it only exported boneless cuts to SACU during the period of investigation.

The Commission found that Aurora produced and sold four types of boneless cuts in its domestic market, namely whole breast, half breast, inner fillet and whole leg. Domestic sales of these products were used to determine a domestic selling price.

#### *Adjustments to normal value*

Aurora claimed the following adjustments that were allowed by the Commission:

- *Domestic tax*
- *Delivery charges*
- *Packaging*
- *Commission and rebates*

#### **4.1.2 Export sales**

An export price was based on the actual sales of the subject product in the SACU market during the period of investigation

#### *Adjustments to the export price*

The following adjustments were made to the export price:

- *Packaging costs*
- *Delivery charge*

#### **4.1.3 Margin of Dumping**

A dumping margin was based on the weighted average of the four types of boneless cuts sold by the exporter both in its domestic and in the SACU market. This margin was found to be 6.53 per cent when expressed as a percentage of the ex-factory export price.

#### **4.2 C-Vale Cooperative (C.Vale)**

The Commission found that C.Vale sold both whole bird and boneless cuts in its domestic market, and only exported boneless cuts to SACU during the period of investigation.

It was found that C.Vale sold boneless cuts in its domestic market at a loss for the entire period of investigation for dumping. When requested for its sales of the subject product to other countries, C.Vale submitted that its exports to SACU and to other markets were also made at a loss.

It was also established upon verification that the cost build-up submitted included other products that were not part of the subject product. When requested to separate the products and provide a cost build up for the subject product only, C.Vale explained that it could not separate the products in the cost build up as it did not separate such during production. As a result, a sales below cost test for C.Vale could not be performed.

Based on the above, the Commission made a preliminary determination to treat C.Vale as a non-cooperating party and not to take C.Vale's information into consideration for purposes of individual

dumping margin determination.

#### **4.3 Brasil Foods (BRF)**

BRF is a result of a merger between two largest Brazilian food companies, being Sadia and Perdigao. The merger of the two companies is still underway. For purposes of this investigation, both Perdigao and Sadia's sales information, for both domestic and SACU export markets, were submitted and verified by the investigators. BRF sold both whole bird and boneless cuts in both its domestic market and in SACU.

##### **4.3.1 Whole bird**

The Commission found that BRF produced four different categories of whole chicken as follows:

Griller – being a whole chicken sold without offals, weighing on average from 1000g to 1500g.

Broiler – being a whole chicken with offals weighing from 1700g to 2700g

Galeto – being a small chicken without offals weighing less than 900g,

Hen – being a parent stock at the end of its useful life as a parent

BRF produced and sold the four types of whole bird in its domestic market, while only “Griller” was exported to the SACU market during the period of investigation.

BRF provided a cost build-up for all four types of chickens and two types of boneless cuts that were sold in the domestic market. Upon request to provide the cost build-up for only the griller and breast which are similar to the product exported to SACU, the exporter stated that it would require a lot of time to do that. Therefore, it was not possible to determine whether the domestic selling prices reflected in

the exporter's sales schedule, for both whole chicken and boneless breast, were above the cost of production.

Construction of the normal value was also not possible in the absence of a reliable cost build-up.

The Commission made a preliminary determination that BRF be regarded as a non-cooperating party and, therefore, to disregard its dumping information for purposes of an individual dumping margin determination.

#### **4.3.2 Boneless cuts**

The Commission found that BRF produced boneless breast as well as the inner fillet. Both products were produced and sold in its domestic market and only boneless breast was exported to the SACU market during the period of investigation.

BRF provided a cost build-up for all four types of chickens and two types of boneless cuts that were sold in the domestic market. Upon request to provide the cost build-up for only the griller and breast which are similar to the products exported to SACU, the exporter stated that it would require a lot of time to do that. Therefore, it was not possible to determine whether the domestic selling prices reflected in the exporter's sales schedule, for both whole chicken and boneless breast, were above the cost of production.

Construction of the normal value was also not possible in the absence of reliable cost build-ups.

The Commission made a preliminary determination that BRF be regarded as a non-cooperating party and, therefore, to disregard its



dumping information for purposes of an individual dumping margin determination.

#### **4.4 RESIDUAL MARGIN OF DUMPING**

The residual margin of dumping for the non-cooperating exporters in Brazil was determined based on the highest verified normal value in Brazil, and the export price from the import statistics obtained from SARS. For purposes of the normal value, the Commission used the weighted average domestic sales of both whole bird and boneless cuts made by BRF during the period of investigation. Based on this information, the residual margin of dumping was determined to be 62.93 per cent for the whole bird and 46.59 per cent for boneless cuts.

#### **Conclusion**

Based on the above, the Commission made a preliminary determination that dumping of whole bird and boneless cuts, originating in or imported from Brazil is taking place.

## **5. MATERIAL INJURY**

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### **5.1 DOMESTIC INDUSTRY – MAJOR PROPORTION OF PRODUCTION**

The following injury analysis relates to the consolidated information submitted by Rainbow, Earlybird and County Fair.

The Commission made a preliminary determination that the production of the Applicant constitutes “a major proportion” of the total domestic production.

### **5.2 WHOLE BIRD**

#### **5.2.1 IMPORT VOLUMES AND EFFECT ON PRICES**

##### **5.2.1.1 Import volumes**

The following table shows the volume of imports of the subject product since 2008:

**Table 5.2.1: Import volumes**

<b>Kg</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Alleged dumped imports:			
Brazil			
Whole bird	3 280 599	12 914 776	12 954 549
Other imports:			
Whole bird	5 748 265	13 719 494	16 084 772
Total imports:			
Whole bird	9 028 864	26 634 270	29 039 320
Alleged dumped imports as a % of total imports:			
Whole bird	36.33%	48.48%	44.6%

The imports of whole bird from Brazil increased from 36.33 per cent in 2008 to 44.6 per cent in 2010.

## **5.2.2 Effect on Domestic Prices**

### **5.2.2.1 Price undercutting**

Landed cost was based on the F.O.B export price plus the applicable customs duty plus 14 per cent for clearing and wharfage cost. The following table compares the SACU industry's ex-factory prices with the landed cost of the imported product. Federated Meats, the only importer that cooperated fully in the investigation, did not import whole bird during the investigation period. A landed cost for whole bird is therefore based on information submitted by the Applicant. The Commission made a preliminary determination that the alleged dumped imports undercut the Applicant's selling prices.

### **5.2.2.2 Price depression**

Price depression takes place where the SACU industry's ex-factory selling price decreases during the investigation period.

**Table 5.2.2.2 Price depression: Consolidated**

R/Kg	2008	2009	2010
Whole bird	100	103	101

Note: this table was indexed using 2008 as base year

The Applicant did not experience price depression during the period of investigation.

### **5.2.2.3 Price suppression**

Price suppression is the extent to which increases in the cost of production of the product concerned, cannot be recovered in selling prices.

**Table 5.2.2.3: Price suppression**

<b>Whole bird</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Consolidated ex-factory selling price (R/kg)	100	103	101
Consolidated Production cost (R/kg)	100	108	93
Cost as a percentage of selling price	100%	105%	92%

Note: this table was indexed using 2008 as base year

The table above indicates that price suppression decreased from 100 per cent in 2008 to 92 per cent in 2010.

### **5.3 CONSEQUENT IMPACT OF THE DUMPED IMPORTS ON THE INDUSTRY**

The information below is consolidated for all three individual SACU manufacturers.

#### **5.3.1 Actual and potential decline in sales volume**

The following table shows the Applicant's SACU sales volume of the subject product:

**Table 5.3.1: Sales volume**

<b>Whole bird</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Consolidated sales volume (kg)	100	137	103

Note: this table was indexed using 2008 as base year

The Applicant's sales volume increased over the injury period of investigation.

#### **5.3.2 Actual and potential decline in sales values**

The following table shows the Applicant's SACU sales values of the subject product:

**Table 5.3.2: Sales values**

<b>Whole bird</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Consolidated sales value	100	141	104

Note: this table was indexed using 2008 as base year

The Applicant's sales value increased during the period of investigation.

### 5.3.3 Profit

The following table shows the Applicant's profit situation

**Table 5.3.3: Profit**

Rands	2008	2009	2010
Consolidate Kg's sold	100	137	103
Consolidate gross profit (R'000)	negative	negative	100

Note: this table was indexed using 2008 as base year

The Applicant's profit increased during the period of investigation.

### 5.3.4 Output

The following table outlines the SACU industry's domestic production volume of the subject product:

**Table 5.3.4: Output**

	2008	2009	2010
Consolidated output volume (kg)	100	148	104

Note: this table was indexed using 2008 as base year

The Applicant increased its output during the period of investigation.

### 5.3.5 Market share

The following table indicates market share of the applicant as well as that of the allegedly dumped product:

**Table 5.3.5: Market share**

Sales volume	2008	2009	2010
Applicant market share: Applicant	<b>100</b>	<b>74</b>	<b>60</b>
Rainbow	100	79	58
County Fair	100	50	50
Earlybird	100	60	80
Other SACU	<b>100</b>	<b>74</b>	<b>57</b>
Alleged dumped imports	100	<b>200</b>	<b>217</b>
Other imports	100	<b>130</b>	<b>165</b>
Total imports	100	<b>156</b>	<b>184</b>
Total SACU market	100	100	100

Note: this table was indexed using 2008 as base year

Market share of the applicant decreased by 40 percentage points.

### 5.3.6 Productivity

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

**Table 5.3.6: Productivity**

	2008	2009	2010
Total production (Kg's all products)	100	103	109
Consolidate no. of employees in production	100	102	106
Consolidated units per employee	100	101	103

Note: this table was indexed using 2008 as base year

The Applicant's productivity increased during the period of investigation.

### 5.3.7 Return on investment

Return on investment is normally regarded by the Commission as being the profit before interest and tax as a percentage of the net value of assets.

The following table shows the return on investment of the SACU industry:

**Table 5.3.7: Return on investment**

Whole bird	2008	2009	2010
Consolidated Net profit (All products) Rands	100	803	915
Consolidated Net assets(All products) Rands	100	117	132
Consolidated Return on net assets %	100	900	900

Note: this table was indexed using 2008 as base year

The Applicant's return on net assets increased during the period of investigation.

### 5.3.8 Utilisation of production capacity

The following table provides the SACU industry's capacity and production the subject product:

**Table 5.3.8: Utilisation of production capacity**

<b>Whole bird</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Consolidated capacity (kg)	100	99	106
Consolidated Actual production (kg)	100	148	104
Consolidated Capacity utilisation %	100	144	100

Note: this table was indexed using 2008 as base year

The Applicant's capacity utilization remained constant during the period of investigation.

### 5.3.9 Factors affecting domestic prices

The factor affecting domestic prices is price undercutting.

### 5.3.10 The magnitude of the margin of dumping

The following margin of dumping was calculated:

**Table 5.3.10:Residual dumping margin**

<b>Product</b>	<b>Residual M.O.D %</b>
Whole bird	62.93%

### 5.3.11 Actual and potential negative effects on cash flow

The following table reflects the SACU industry's cash flow situation:

**Table 5.3.11: Cash flow**

<b>R'000 (all products)</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Cash flow: incoming	100	125	487
Cash flow: outgoing	negative	negative	negative
Net cash flow	negative	100	266

Note: this table was indexed using 2008 as base year

The Applicant's cash flow increased during the period of investigation.

### 5.3.12 Inventories

The following table provides the SACU industry's inventories for the subject product:

**Table 5.3.12: Whole bird**

<b>Whole bird</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Consolidate inventory Volume (Kg)	100	520	128
Consolidated inventory Value	100	552	132
Consolidate inventory Value/kg	100	106	103

Note: this table was indexed using 2008 as base year

The Applicant's inventory volume and value increased during the period of investigation.

### 5.3.13 Employment

The following table provides the SACU industry's production employment figures for all products:

**Table 5.3.13: Employment**

	<b>2008</b>	<b>2009</b>	<b>2010</b>
Total labour units: production	100	102	106

Note: this table was indexed using 2008 as base year

The table above indicates an increase in employment during the investigation period for material injury.



#### 5.3.14 Wages

The following table provides the SACU industry's wages:

**Table 5.3.14: Wages**

	2008	2009	2010
Total wages: production	100	109	111
Wages per employee: production	100	107	105

Note: this table was indexed using 2008 as base year

The table above indicates an increase in wages during the injury investigation period for material injury.

#### 5.3.15 Growth

The Applicant provided the following information with regard to the growth of the market:

**Table 5.3.15: Growth**

	2008	2009	2010
Size of SACU market	100	187	172
SACU producers sales volume	100	137	103
Alleged dumped imports	3 280 599	12 914 776	12 954 549
Other imports	5 748 265	13 719 494	16 084 772

Note: this table was indexed using 2008 as base year

#### 5.3.16 Ability to raise capital or investments

The Applicant provided the following information with regard to the SACU industry's ability to raise capital or investments:

**Table 5.3.16: Ability to raise capital**

Rands	2008	2009	2010
Capital investment in subject product	100	105	113
Capital expenditure in subject product	100	70	103

Note: this table was indexed using 2008 as base year

The Applicant's capital investment increased and capital expenditure increased during the injury period of investigation.

#### 5.4 SUMMARY - MATERIAL INJURY

The information above indicates that the Applicant is suffering material injury in the form of:

- price undercutting
- market share
- growth

The Commission made a preliminary determination that the SACU industry is suffering material injury.

### 6 BONELESS CUTS

#### 6.1 IMPORT VOLUMES AND EFFECT ON PRICES

##### 6.1.1 Import volumes

The following table shows the volume of imports of the subject product during the period of investigation:

**Table 6.1.1: Import volumes**

<b>Boneless</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Alleged dumped imports: Brazil (kg)	16 599 206	24 871 681	25 358 098
Other imports (kg)	404 423	987 932	1 557 474
Total imports (kg)	17 003 629	25 859 613	26 915 572
Alleged dumped imports as a % of total imports	97.62%	96.17%	94.21%

The alleged dumped imports of boneless cuts decreased from 97.62 per cent in 2008 to 94.21 per cent in 2010.

#### 6.2 Effect on Domestic Prices

##### 6.2.1 Price undercutting

Landed cost was based on the F.O.B export price plus the applicable customs duty plus 14 per cent for clearing and wharfage cost. The Commission made a preliminary determination that the alleged

dumped imports undercut the Applicant's prices.

### 6.2.2 Price depression

Price depression takes place where the SACU industry's ex-factory selling price decreases during the investigation period.

**Table 6.2.2: Price depression: Consolidated**

Boneless	2008	2009	2010
Consolidated ex-factory selling price (R/kg)	100	108	107

Note: this table was indexed using 2008 as base year

The Applicant did not experience price depression during the period of investigation.

### 6.2.3 Price suppression

Price suppression is the extent to which increases in the cost of production of the product concerned, cannot be recovered in selling prices.

**Table 6.2.3: Price suppression: Consolidated**

<b>Boneless cuts</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Consolidated ex-factory selling price (kg)	100	108	107
Consolidated production cost (kg)	100	114	109
Cost as a percentage of selling price	100%	105%	102%

Note: this table was indexed using 2008 as base year

The table above indicates that price suppression experienced by the Applicant increased during the injury period of investigation.

## **6.3 CONSEQUENT IMPACT OF THE DUMPED IMPORTS ON THE INDUSTRY**

### **6.3.1 Actual and potential decline in sales volume**

The following table shows the Applicant's SACU sales volume of the subject product:

**Table 6.3.1: Actual and potential decline in sales volume**

<b>Boneless cuts</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Consolidated sales volume (kg)	100	107	98

Note: this table was indexed using 2008 as base year

The Applicant experienced a decrease in its sales volumes during the period of investigation for injury.

### **6.3.2 Actual and potential decline in sales values**

The following table shows the Applicant's SACU sales values of the subject product:

**Table 6.3.2: Potential decline in sales values**

<b>Boneless</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Consolidated sales value (R)	100	115	105

Note: this table was indexed using 2008 as base year

The Applicant experienced an increase in its sales value during the injury period of investigation.

### **6.3.3 Profit**

The following table shows the Applicant's profit situation:

**Table 6.3.3: Profit**

<b>Boneless</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Consolidated Kg's sold	100	107	98
Consolidate gross profit (R)	100	49	92

Note: this table was indexed using 2008 as base year

The Applicant's profit decreased during the period of investigation.

#### 6.3.4 Output

The following table outlines the SACU industry's domestic production volume of the subject product:

**Table 6.3.4: Output**

<b>Boneless cuts</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Consolidated output volume (kg)	100	109	94

Note: this table was indexed using 2008 as base year

The Applicant's output volume decreased during the injury period of investigation.

#### 6.3.5 Market share

The following table indicates market share of the applicant as well as that of the allegedly dumped product:

**Table 6.3.5: Market share**

Sales volume	2008	2009	2010
Applicant market share	<b>100</b>	<b>80</b>	<b>73</b>
Rainbow	100	75	81
County Fair	100	91	64
Earlybird	100	50	50
Other SACU	<b>100</b>	<b>80</b>	<b>73</b>
Alleged dumped imports	100	<b>113</b>	<b>117</b>
Other imports	100	<b>200</b>	<b>400</b>
Total imports	100	<b>116</b>	<b>122</b>
Total SACU market	100	100	100

Note: this table was indexed using 2008 as base year

The Applicant's market share decreased by 27 percentage points.

### 6.3.6 Productivity

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

**Table 6.3.6: Productivity**

	2008	2009	2010
Total production (Kg's all products)	100	103	109
Consolidated no. of employees(manufacturing)	100	102	106
Consolidated units per employee	100	101	103

Note: this table was indexed using 2008 as base year

The SACU industry increased its productivity during the investigation period.

### 6.3.7 Return on investment

Return on investment is normally regarded by the Commission as being the profit before interest and tax as a percentage of the net value of assets.

The following table shows the return on investment of the SACU industry:

**Table 6.3.7: Return on investment**

R'000	2008	2009	2010
Consolidated net profit (All products)	100	803	915
Consolidated net assets(All products)	100	117	132
Consolidated Return on net assets	100	900	900

Note: this table was indexed using 2008 as base year

The Applicant's return on net assets increased during the injury period of investigation.

### 6.3.8 Utilisation of production capacity

The following table provides the SACU industry's capacity and production for the subject product:

Table 6.3.8: Utilisation of capacity

Boneless cuts	2008	2009	2010
Consolidated capacity (kg)	100	98	106
Consolidated Actual production (kg)	100	109	94
Consolidated Capacity utilisation %	100	111	88

Note: this table was indexed using 2008 as base year

The SACU industry's production capacity utilisation decreased during the period of investigation.

### 6.3.9 Factors affecting domestic prices

A factor affecting domestic prices was price undercutting.

### 6.3.10 The magnitude of the margin of dumping

The following margin of dumping was calculated:

Table 6.3.10: Dumping margins

Boneless cuts	M.O.D %
Aurora	6.53
All other exporters	46.59

### 6.3.11 Actual and potential negative effects on cash flow

The following table reflects the SACU industry's cash flow situation:

Table 6.3.11: Cash flow

Net cash flow (all products R'000)	2008	2009	2010
Cash flow: incoming	100	125	487
Cash flow: outgoing	negative	negative	negative
Net cash flow	negative	100	266

Note: this table was indexed using 2008 as base year

The table above indicates an improvement of the SACU industry's

cash flow during the injury period of investigation.

### 6.3.12 Inventories

The following table provides the SACU industry's inventories for the subject product:

**Table 6.3.12: Inventories**

Boneless	2008	2009	2010
Consolidated inventory Volume	100	452	59
Consolidate inventory Value	100	510	50
Value per unit	100	113	84

Note: this table was indexed using 2008 as base year

The Applicant's inventory levels for boneless cuts decreased during the injury period of investigation.

### 6.3.13 Employment

The following table provides the SACU industry's production employment figures for all products:

**Table 6.3.13: Employment**

	2008	2009	2010
Total labour units: production	100	102	106

Note: this table was indexed using 2008 as base year

The table above indicates an increase in employment for the SACU industry during the injury period of investigation.

### 6.3.14 Wages

The following table provides the SACU industry's wages:

**Table 6.3.14: Wages**

	2008	2009	2010
Total wages: production	100	109	111
Wages per employee: production	100	107	105

Note: this table was indexed using 2008 as base year



The table above indicates an increase in wages during the injury period investigation.

#### 6.3.15 Growth

The Applicant provided the following information with regard to the growth of the market:

**Table 6.3.15: Growth: Boneless cuts**

	2008	2009	2010
Size of SACU market	100	132	132
SACU producers sales volume	100	107	98
Alleged dumped imports	16 599 206	24 871 681	25 358 098
Other imports	404 423	987 932	1 557 474

Note: this table was indexed using 2008 as base year

#### 6.3.16 Ability to raise capital or investments

The Applicant provided the following information with regard to the SACU industry's ability to raise capital or investments:

**Table 6.4.15: Ability to raise capital or investments**

	2008	2009	2010
Capital investment in subject product (R)	100	105	113
Capital expenditure in subject product (R)	100	70	103

Note: this table was indexed using 2008 as base year

The table above indicates that the Applicant's capital investment and capital expenditure increased during the injury period of investigation.

### 6.4 SUMMARY - MATERIAL INJURY

Information above indicated that the Applicant is suffering material injury in the form of:

- price undercutting

- price suppression
- sales volume
- output
- market share
- capacity utilisation
- growth

The Commission made a preliminary that the SACU industry is suffering material injury.

## 7. CAUSAL LINK

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### 7.1 GENERAL

In order for the Commission to impose provisional payments it must be satisfied that there is sufficient evidence to indicate that the material injury experienced by the SACU industry is as a result of dumping of the subject product.

### 7.2 VOLUME OF IMPORTS AND MARKET SHARE

The following table compares the market share of the SACU industry with that of the alleged dumped imports:

**Table 7.2.1: Market share (*Whole bird*)**

Sales volume	2008	2009	2010
Applicant market share	<b>100</b>	<b>74</b>	<b>60</b>
Rainbow	100	79	58
County Fair	100	50	50
Earlybird	100	60	80
Other SACU	<b>100</b>	<b>74</b>	<b>57</b>
Alleged dumped imports	100	<b>200</b>	<b>217</b>
Other imports	100	<b>130</b>	<b>165</b>
Total imports	100	<b>156</b>	<b>184</b>
Total SACU market	100	100	100

**Table 7.2.2: Market share (Boneless cuts)**

Sales volume	2008	2009	2010
Applicant market share	<b>100</b>	<b>80</b>	<b>73</b>
Rainbow	100	75	81
County Fair	100	91	64
Earlybird	100	50	50
Other SACU	<b>100</b>	<b>80</b>	<b>73</b>
Alleged dumped imports	100	<b>113</b>	<b>117</b>
Other imports	100	<b>200</b>	<b>400</b>
Total imports	100	<b>116</b>	<b>122</b>
Total SACU market	100	100	100

### 7.3 EFFECTS OF DUMPED IMPORTS ON PRICES:

#### **Whole chicken**

The information submitted by the Applicant indicated that there was undercutting.

#### **Boneless cuts**

The information submitted by the Applicant indicated that there was price undercutting and price suppression.

### 7.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

Material injury indicator	Analysis (2008 – 2010)
<b>Sales volume</b> Whole bird Boneless cuts	Increased Decreased
<b>Profit</b> Whole bird Boneless cuts	Increased Decreased
<b>Output</b> Whole bird Boneless cuts	Increased Decreased
<b>Market share (Alleged dumped)</b> Whole bird Boneless cuts	Increased Increased

<b>Material injury indicator</b>	<b>Analysis (2008 – 2010)</b>
<b>Market share (Applicant)</b> Whole bird Boneless cuts	Decreased Decreased
<b>Productivity</b> Whole bird Boneless cuts	Increased Increased
Return on investment	increased
<b>Utilisation of capacity</b> Whole bird Boneless cuts	Constant Decreased
Cash flow	increased
<b>Inventories</b> Whole bird Boneless cuts	Increased Decreased
Employment	increased
Wages	increased
<b>Growth</b> Whole bird Boneless cuts	Increased Increased
Ability to raise capital	increased

## 7.4 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

### 7.4.1 The volume and price of imports not sold at dumping prices

Table 7.4.1 (a) imports volumes: whole chicken

	<b>2008</b>	<b>2009</b>	<b>2010</b>
Alleged dumped imports (kg)	3 280 599	12 914 776	12 954 549
Other imports (kg)	5 748 265	13 719 494	16 084 772
Total imports (kg)	9 028 864	26 634 270	29 039 320
Alleged dumped imports as a % of total imports	36.33%	48.48%	44.6%

The table above indicates that imports of whole bird from Brazil increased from 36.33 per cent in 2008 to 44.6 per cent in 2010.

**Table 7.3.1 (b): Imports volumes: boneless cuts**

Boneless (Kg)	2008	2009	2010
Alleged dumped imports: Brazil	16 599 206	24 871 681	25 358 098
Other imports	404 423	987 932	1 557 474
Total imports	17 003 629	25 859 613	26 915 572
Alleged dumped imports as a % of total	97.62%	96.17%	94.21%

The table above indicates that the alleged dumped imports of boneless cuts decreased from 97.62 per cent in 2008 to 94.21 per cent in 2010.

#### **7.4.2 Developments in technology**

The Commission determined that the Applicant's technology is comparable with global technology.

#### **7.4.3 Contraction in demand or changes in the patterns of consumption**

The Applicant stated that the SACU market showed growth.

#### **7.4.4 Export performance**

The Applicant indicated that it is not traditionally export-oriented.

#### **7.4.4 Competition between foreign and domestic producers other than price**

This information was not provided.

### **7.5 SUMMARY ON CAUSAL LINK**

The Commission made a preliminary determination that there is a causal link between the alleged dumping of the subject products and the material injury suffered by the SACU industry.

## 8. SUMMARY OF FINDINGS

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### 8.1 Dumping

The subject products originating in or imported from Brazil, produced and exported by Aurora and the non-cooperating exporters in Brazil are being dumped into the SACU market.

### 8.2 Margin of dumping

The following dumping margins were calculated:

Whole bird	Dumping margin
All producers and exporters in Brazil	62.93%
Boneless cuts	Dumping margin
Aurora	6.53%
All other producers and exporters of boneless cuts in Brazil, including C. Vale and Brasil Foods	46.59%

### 8.3 Material injury

There is sufficient evidence that the SACU industry suffered material injury in the form of:

*Whole bird:*

- price undercutting
- market share
- growth

Boneless cuts

- price undercutting
- price suppression
- sales volume
- output
- market share
- capacity utilisation
- growth

The Commission made a preliminary determination that the SACU industry is suffering material injury.

#### **8.4 Causal link**

The Commission made a preliminary determination that the material injury suffered by the SACU industry is causally linked to the dumped imports from Brazil.



**9.1 Provisional payment: Whole bird**

Since there was no cooperating importer of whole bird, the Commission did not consider a lesser duty with regard to imports of whole bird from Brazil. The provisional payment for whole bird was therefore determined as follows:

**Table 9.1: Provisional payment**

Whole bird	Provisional payment
All producers and exporters in Brazil of the products classifiable under tariff subheading 0207.12.90	62.93%

**9.2 Provisional payment: Boneless cuts**

The amount of the provisional payment was concluded to be the following, being the lesser of the price disadvantage or the dumping margin:

**Table 9.2: Provisional payment**

Boneless cuts (tariff subheading 0207.14.10)	Provisional payment
Produced and exported by Cooperativa Central Oeste Catarinense – Aurora Alimentos.	6.26%
Produced and exported by all other producers and exporters of boneless cuts in Brazil.	46.59%

## 10. DETERMINATION

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The Commission made a preliminary determination that:

- dumping information submitted by C.Vale and Brasil Foods not be taken into consideration for purposes of individual dumping margin determination;
- dumping of whole bird and boneless cuts originating in or imported from Brazil is taking place;
- the Applicant and therefore the SACU industry is suffering material injury;
- the injury suffered by the applicant is causally linked to dumping of the subject products imported from Brazil.

The Commission therefore made a preliminary determination that provisional payments against Aurora Alimentos, and the non-cooperating exporters of whole bird and boneless cuts in Brazil, including C.Vale and Brasil foods, be imposed as per tables 9.1 and 9.2 of this report.

Interested parties will be invited to submit comments on the preliminary determination within the specified time periods, which the Commission will consider prior making its final determination and recommendation to the Minister of Trade and Industry.