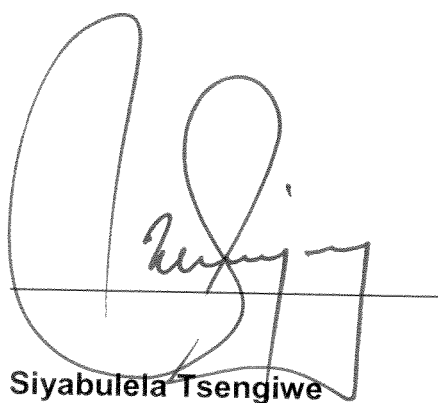


REPORT NO. 414

**INVESTIGATION INTO THE ALLEGED DUMPING OF FRIT
ORIGINATING IN OR IMPORTED FROM BRAZIL: FINAL
DETERMINATION**

The International Trade Administration Commission of South Africa herewith presents its Report No. 414: INVESTIGATION INTO THE ALLEGED DUMPING OF FRIT ORIGINATING IN OR IMPORTED FROM BRAZIL: FINAL DETERMINATION

A handwritten signature in black ink, consisting of a large, stylized 'S' followed by a series of loops and a horizontal line extending to the right.

Siyabulela Tsengiwe
CHIEF COMMISSIONER

PRETORIA

19 / 12 / 2012

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

INVESTIGATION INTO THE ALLEGED DUMPING OF FRIT ORIGINATING IN OR IMPORTED FROM BRAZIL: FINAL DETERMINATION

SYNOPSIS

On 23 September 2011, the International Trade Administration Commission of South Africa (the Commission) initiated an investigation into the alleged dumping of frit originating in or imported from Brazil. Notice of the initiation of the investigation was published in Notice No. 644 of *Government Gazette* No. 34612 dated 23 September 2011.

The application was lodged by Ferro Industrial Products (Pty) Ltd on behalf of the South African Customs Union (SACU) industry, which claimed that dumped imports were causing it material injury.

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

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

The Commission received responses and verified the information submitted by both Smalticeram Do Brasil Ltda., a manufacturer/exporter of frit and Smalticeram SA (Pty) Ltd, an importer of the subject product.

After considering all interested parties' information and comments, the Commission made a preliminary determination that the subject product was being dumped on the

SACU market, causing material injury to the SACU industry.

As the Commission considered that the SACU industry would continue to suffer material injury during the course of the investigation if provisional payments were not imposed, it requested the Commissioner for South African Revenue Service (SARS) to impose provisional payments for a period of twenty-six weeks. The provisional payments were imposed from 13 July 2012, up to and including 11 January 2013.

Comments submitted by interested parties were considered by the Commission prior to making its final determination and recommendation to the Minister of Trade and Industry.

Based on the details as contained in the Commission's preliminary report, the comments received, and the verified exporters' information, the Commission made a final determination before "essential facts" that it was considering that the subject product was being dumped on the SACU market and that, as a result, the SACU industry was suffering material injury.

The Commission therefore indicated that it was considering making a final determination to recommend to the Minister of Trade and Industry that definitive anti-dumping duties be imposed on the subject products originating in or imported from Brazil.

The Commission sent out letters to all interested parties, informing them in terms of Section 37 of the International Trade Administration Anti-Dumping Regulations and Article 6.9 of the Anti-Dumping Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, of the "essential facts" which were being considered by the Commission. The Commission invited comments from interested parties on these "essential facts" being considered by the Commission.

After considering all parties' comments received, the Commission made a final determination, that the subject product was being dumped on the SACU market and that the SACU industry was suffering material injury as a result.

The Commission, therefore, decided to recommend to the Minister of Trade and Industry that definitive anti-dumping duties be imposed on the subject product originating in or imported from Brazil.

1. APPLICATION AND PROCEDURE

1.1 LEGAL FRAMEWORK

This investigation is conducted in accordance with the International Trade Administration Act, 2002, (Act 71 of 2001) (ITA Act), and the International Trade Administration Commission Anti-Dumping Regulations (ADR) read with the WTO Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade.

1.2 APPLICANT

The applicant is Ferro Industrial Products (Pty) Ltd, being the major producer of frit in the SACU.

1.3 DATE OF ACCEPTANCE OF APPLICATION

On 13 September 2011 the application was accepted by the Commission as being properly documented in accordance with Section 21 of the Commission's Anti-Dumping Regulations.

1.4 ALLEGATIONS BY THE APPLICANT

The applicant alleged that imports of the subject product, originating in or imported from Brazil are being dumped on the SACU market, thereby causing material injury to the SACU industry. The basis of the alleged dumping is that the goods are being exported to SACU at prices less than the normal value in the country of origin.

The applicant further alleged that the dumping of the subject product from Brazil is causing the SACU industry material injury in the form of:

- Price suppression
- Price depression
- Price undercutting
- Decline in market share
- Decline in employment
- Decline in return on investment
- Decline in cash flow

- Decline in profit
- Decline in growth
- Decline in the ability to raise capital

1.5 INVESTIGATION PROCESS

The Commission initiated an investigation into the alleged dumping of frit originating in or imported from the Brazil pursuant to Notice No. 644 of 2011 which was published in *Government Gazette* No. 34612 on 23 September 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 Section 27.1 of the ADR. All known interested parties were informed and requested to respond to the questionnaires and the non-confidential version of the application.

The information submitted by Ferro Industrial Products (Pty) Ltd was verified on 25 July 2011.

1.6 INVESTIGATION PERIOD

The investigation period for dumping is from 1 May 2010 to 30 April 2011. The injury investigation involved evaluation of data for the period from 1 May 2008 to 30 April 2011.

1.7 PARTIES CONCERNED

1.7.1 SACU industry

The SACU industry consists of the following manufacturers of the subject product:

- Ferro Industrial Products (Pty) Ltd
- Glazecor CC.

Ferro Industrial Products (Pty) Ltd submitted the information contained in this report.

1.7.2 Exporter/foreign producer

The following manufacturers/exporters in Brazil were identified:

- (a) Smalticeram Do Brasil

(b) Ferro Industrial Brazil

The only exporter that responded and whose information was verified was Smalticeram Do Brasil Ltda.

1.7.3 Importer

The only SACU importer that responded to the questionnaire and whose information was verified was Smalticeram S.A (Pty) Ltd.

1.8 The Commission took all comments received from interested parties into account in making its final determination. All submissions made by interested parties are contained in the Commission's public file for this investigation. It should be noted that this report does not purport to present all comments received and considered by the Commission. However, some salient and pivotal comments received from interested parties and the Commission's considerations of these comments are specifically included in this report.

2. PRODUCTS, TARIFF CLASSIFICATION AND DUTY

2.1 IMPORTED PRODUCTS

2.1.1 Description

The subject product is frit. Frit is a water-quenched glass which is used to make the glaze which is applied to tiles, giving them a glossy appearance.

2.1.2 Raw Material used

According to the applicant, the main raw materials are zircon, boron and zinc. The specific type of frit will determine the exact mix of the above raw materials. However, the applicant stated that it cannot say with certainty what the raw material mix of the imported frit is.

The exporter stated frit is made up of natural and synthetic products such as oxides, silicates, carbonates, aluminosilicates, borates, etc. It also indicated that the majority of chemical elements in the composition of frit, link the elements in a vitreous matrix, granting it stability and behaviour as a homogenous solid.

2.1.3 Country of origin/export

The subject product is imported from Brazil.

2.1.4 Production Process

The raw materials are melted in a furnace at high temperature. The melted materials fall into water, quickly quenching the molten materials and turning it into a glassy solid insoluble material.

2.1.5 Application/end use

The subject product is used to produce glazes or engobes which provide floor or wall tiles and sanitary-ware with impervious surfaces.

2.1.6 Categories of users

Tile and sanitary-ware manufacturers.

2.1.7 Tariff classification

The tariff classification for the subject product is tariff sub-heading 3207.40.

Table 2.1.7: Tariff classification

CHAPTER 32 TANNING OR DYEING EXTRACTS; TANNINS AND THEIR DERIVATIVES; DYES, PIGMENTS AND OTHER COLOURING MATTER; PAINTS AND VARNISHES; PUTTY AND OTHER MASTICS; INKS							
Heading	Sub-Heading	Description	Statistical unit	Rate of Duty			
				General	EU	EFTA	SADC
32.07	3207.40	Prepared pigments, prepared opacifiers 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: - Glass Frit and other glass, in the form of powder, granules or flakes	kg	Free	Free	Free	Free

2.1.8 Possible tariff loopholes

The applicant indicated that it is not aware of any tariff loopholes.

2.1.9 Negligibility test

The volume of dumped imports into SACU shall be considered negligible if it accounts for less than 3 per cent of total imports of the subject product during the period of investigation for dumping. The following table shows the dumped imports as a percentage of the total imports:

Table 2.1.9: Negligibility test

	Import volumes (Kg) 1/05/2010 - 30/04/2011	Volume as % of imports
Brazil	1 047 000	36%
Other imports	1 836 899	64%
Total imports	2 883 899	100%

The information above indicates that imports of frit from Brazil account for 36 per cent of total imports.

The Commission made a final determination that imports of the subject product from Brazil are above the negligibility level.

2.2. SACU PRODUCT

2.2.1 Description

The subject product is frit. Frit is a water-quenched glass which is used to make the glaze which is applied to tiles, giving them a glossy appearance.

2.2.2 Raw Material used

According to the applicant, the main raw materials are zircon, boron and zinc. The specific type of frit will determine the exact mix of the above raw materials.

2.2.3 Production process

The raw materials which are in powder form are liquefied by means of heat into glass which is water-quenched before it is milled into slurry. The slurry is applied to the tile or sanitary-ware piece to produce the glaze.

2.2.4 Application/end-use

The subject product is used to produce glazes or engobes which provide floor or wall tiles and sanitary-ware with impervious surfaces.

2.2.5 Categories of users

Tile and sanitary-ware manufacturers.

2.3 LIKE PRODUCT ANALYSIS

Table 2.3: Like product determination

	Imported product	SACU product
Raw materials	zircon, boron and zinc.	zircon, boron and zinc.
Physical appearance	glass particles	glass particles
Tariff classification	3207.40	3207.40
Production process	The raw materials are in powder form which is then liquefied by means of heat into glass which is then water-quenched before milling into slurry. This slurry is then applied to the tile or sanitary-ware piece to produce the glaze.	The raw materials are in powder form which is then liquefied by means of heat into glass which is then water-quenched before milling into slurry. This slurry is then applied to the tile or sanitary-ware piece to produce the glaze.
Application or end use	Produce glazes or engobes which provide floor or wall tiles and sanitary-ware with impervious surfaces.	Produce glazes or engobes which provide floor or wall tiles and sanitary-ware with impervious surfaces.
Substitutability	Full substitution	Full substitution.

After considering all of the above factors, the Commission made a final determination that the SACU product and the imported product are “like products”, for purposes of comparison in this investigation, in terms of the ADR.

3. INDUSTRY STANDING

The applicant's output represented more than 90% of SACU output.

The Commission decided that the application can be regarded as being made "by or on behalf of the domestic industry".

4. DUMPING

The margin of dumping is calculated by subtracting the export price from the normal value of the subject product (after all adjustments have been made). The margin is then expressed as a percentage of the ex-factory export price. If the margin is less than 2 per cent, it is regarded as *de minimis* in terms of the Anti-Dumping Agreement, and no anti-dumping duty will be imposed.

4.1 Normal Value

The subject product has various models and is often produced in accordance with client specifications and for different markets. The exporter sold the subject product in its home country (Brazil). It was however sold as “a project” which included various other products and costs.

Seven models were exported to SACU and only one model out of the seven models was sold in Brazil. For normal value determination, sales in the Brazilian market of the model sold in SACU are used. For the other six models the constructed cost of production method is used, adding verified selling, general and administrative expenses and a reasonable profit in accordance with Section 32(2)(b)(ii)(aa) of the ITA Act.

4.1.1 Normal Value (the one model)

The actual verified sales of this model sold in the exporter's domestic market were used to determine the normal value before adjustments. The following verified adjustments were claimed to the domestic sales:

- **Commercial costs/ terms of trade**

The exporter did not sell frit in its domestic market in its original form, however they sold it as a project. This project includes the design of the required frit, technicians to advise the buyer on how to mix the components, etc. The adjustment was based on the costs incurred in the project.

Summarised comments from the importer

It stated that the sale of this model was made as a project, which included other project costs. These costs were only incurred on the Brazilian market.

Commission's consideration

The Commission noted that it made a preliminary determination not to allow this adjustment as the importer did not provide it with information requested. The importer provided information which the Commission could not use to establish certain cost information. However, the Commission noted that the adjustment claimed is valid and in line with the ADR and ADA.

The adjustment for commercial cost affected price comparability at the time of setting prices as in the Brazilian market, frit is not sold as such. At the time of setting the price, the price is for the full project. In order to compare the frit in the domestic market with the frit exported, instead of comparing the frit project sold in the domestic market and the frit exported, the Commission made a final determination to allow this adjustment.

- **Payment terms**

The exporter claimed an adjustment for payment costs. These terms varied depending on the terms negotiated for that specific client.

- **Credit guarantees**

The exporter claimed an adjustment for credit guarantees, relating to the risk that clients would not pay for their purchases. Insurance is taken in the event that domestic clients do not pay for their purchases.

- **General costs**

The exporter also claimed an adjustment for general costs, which is based on the fact that the functions that the exporter performs during its marketing and or sales activities are much more than that of Smalticeram SA.

The Commission made a final determination to allow adjustments of the normal value for commercial costs, payment terms and credit guarantees and to disallow an adjustment for general costs.

4.1.2 Normal Value for other six models

The normal values for the other six models have been constructed based on verified cost of production, plus selling, general and administrative costs and a reasonable profit. The overall company gross profit for the year ended 31 December 2010 obtained from the company's financial statements is applied to the cost of production of the six models.

4.2.1 Export price

The commission made a final determination to use actual export sales for its export price determination. The sales to SACU were in US\$. An Oanda exchange rate for the period was applied to convert Brazilian Real to US Dollars. The following verified adjustments were made to the export price:

- **Transport costs**

The exporter claimed an adjustment for transport to the SACU.

- **Payment terms**

The exporter did not claim an adjustment for payment terms. It was however found that the exporter allowed the SACU importer payment terms.

The Commission made a final determination to allow adjustments of the export price for payment terms and transport costs.

4.3 MARGIN OF DUMPING

The weighted average margin of dumping was calculated to be 26.22 per cent as a percentage of ex-factory export prices.

4.4 RESIDUAL DUMPING MARGIN FOR ALL OTHER MANUFACTURERS OR EXPORTERS FROM BRAZIL

The residual dumping margin for non-cooperating exporters was determined based on a simple average normal value for all models compared with a weighted average export price obtained from SARS statistics. The residual margin of dumping was calculated to be 51.85 per cent.

4.5 CONCLUSION – DUMPING

The Commission made a final determination that the subject product originating in or imported from Brazil was being dumped into the SACU market.

5. MATERIAL INJURY

The examination of the impact of the dumped imports on the domestic industry shall include import volumes, price effects, the relevant economic factors and any other relevant information brought before the Commission that would have a bearing on the state of the industry.

5.1 MAJOR PROPORTION - DOMESTIC INDUSTRY

The following injury analysis relates to Ferro Industrial Products (Pty) Ltd, the applicant, which holds approximately 90 per cent of the total domestic production of the subject product in SACU. The Commission made a final determination that this constitutes “a major proportion” in accordance with the ADR.

5.2 IMPORT VOLUMES AND EFFECT ON PRICES

5.2.1 Import volumes

The following table shows the volume of imports for the subject product.

Table 5.2.1: Import volumes

	2008/09	2009/10	2010/11
Dumped imports: (kg)	490 000	650 300	1 047 000
% Dumped imports:	34%	35%	36%
Other imports (kg)	944 935	1 208 918	1 836 899
% of other imports	66%	65%	64%
Total imports (kg)	1 434 935	1 859 218	2 883 899
Total import %	100%	100%	100%

Table 5.2.1 indicates that during the period of investigation, the dumped import volumes increased by 2 percentage points.

5.2.2 Effect on Domestic Prices

5.2.2.1 Price undercutting

Price undercutting is the extent to which the price of the imported product is lower than the price of the like product produced by the SACU industry.

The landed cost was calculated and it was found to be undercutting the Applicant's selling price by 56.81 per cent.

The applicant indicated that the undercutting of prices by the dumped Brazilian product has had a significant effect on the local industry, resulting in prices being driven down and jobs which should have been created not materialising.

The applicant further stated that it is unable to drop their prices any further and should the price undercutting continue, it would have to consider other options to remain competitive and these options would include a further reduction in staff or the closure of the manufacturing facility.

Summarised comments from interested parties (Smalticeram Do Brasil Ltda.)

The exporter stated that when it calculated the price undercutting, it found that the undercutting percentages range from 13 to 18 percent. It also stated Ferro's selling price should not have been compared with the landed price of the frit as the level of trade was different.

Commission's consideration

The Commission considered that the undercutting percentage calculated by the exporter was not substantiated and thus not relevant.

The level of trade between the landed cost and the applicant does not apply to the calculation of price undercutting.

5.2.2.2 Price depression

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

Table 5.2.2.2: Price depression

Ex-factory selling prices (R/kg)	2008/09	2009/10	2010/11
Applicant ex-factory price	100	96	92

This table was indexed due to confidentiality using 2008/09 as the base year.

The pricing information in table 5.2.2.2 shows that the applicant experienced price depression during the investigation period. The applicant stated that the only factor driving down its prices has been the dumped Brazilian frit. The Commission noted that the dumped imports from Brazil are depressing the applicant's prices.

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 from the selling price. It takes place where the cost-to-price-ratio of the SACU industry increases, or where the SACU industry sells at a loss during the POI or part thereof.

Table 5.2.2.3: Price suppression

	2008/09	2009/10	2010/11
Ex-factory price (R/kg)	100	96	92
Cost of production (R/kg)	100	96	94
Gross profit (R/kg)	100	112	86
Gross profit %	100	117	93
Cost as a % of selling price	100	101	102

This table was indexed due to confidentiality using 2008/09 as the base year.

The information in table 5.2.2.3 indicates that the SACU industry experienced price suppression during the investigation period. The Commission noted that the SACU industry's prices were suppressed during the period of investigation.

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 SACU sales volume of the subject product:

Table 5.2.3.1: Total SACU sales volume

	2008/9	2009/10	2010/11
Sales volume (Kg)	100	128	133

This table was indexed due to confidentiality using 2008/09 as the base year.

Table 5.2.3.1 shows an increase of the applicant's sales volume during the investigation period.

The applicant stated that the sales volume was increasing, in accordance with increased production utilisation by the tile and sanitary ware producers. The applicant further stated that it has to maintain capacity utilisation of more than 90 per cent to optimise production efficiency and competitiveness. However, should the volumes drop, the whole production facility would be threatened, hence the need to keep lowering prices. The Commission noted that the information provided above shows that the sales volumes of the applicant increased and it thus did not suffer injury in this regard.

5.2.3.2 Sales value

The following table shows the applicant's SACU sales value of the subject product:

Table 5.2.3.2: Total SACU sales value

	2008/09	2009/10	2010/11
Sales Value (Rand)	100	122	123

This table was indexed due to confidentiality using 2008/09 as the base year.

The above table 5.2.3.2 shows that the applicant's sales value increased by 23 index points during the investigation period. The Commission noted that the information provided above shows that the applicant sales value increased and it thus did not suffer injury in this regard.

5.2.3.3 Profit

The following table shows the applicant's profit situation for the entire company as depicted in their financial statements:

Table 5.2.3.3: Profit

Ferro Industrial Product's (Pty) Ltd	2008/09	2009/10	2010/11
Sales Value (R)	100	101	103
Gross profit: (R)	100	124	126

This table was indexed due to confidentiality using 2008/09 as the base year.

Table 5.2.3.3 above shows an increase in gross profit of 26 index points during the period of investigation.

The Commission found that frit sales constitute 4.5 per cent of the company's total sales. The profit situation of the company is not a clear material injury indicator on which the Commission could rely.

5.2.3.4 Production (output)

The following table outlines the applicant's production volume of the subject product:

Table 5.2.3.4: Output

Kg	2008/09	2009/10	2010/11
Applicant's production: Frit	100	129	141

This table was indexed due to confidentiality using 2008/09 as the base year.

Table 5.2.3.4 above shows an increase in the applicant's production during the period of investigation.

The applicant attributes the increase in output to export sales to Nigeria. The applicant stated that production volumes have been slowly increasing over the last 3 years. However, this trend will reverse if the dumping of frit from Brazil continues ultimately leading to the plant closing down.

Notwithstanding exports to Nigeria, the Commission found that output volumes have been increasing.

5.2.3.5 Market share

The following table shows the SACU industry's market share for the subject product:

Table 5.2.3.5: Market share

Description	2008/09	2009/10	2010/11
Applicant's (Kg)	100	127	133
% of applicant's	100	100	87
Other SACU producer's (Kg)	100	100	100
% of other SACU producers	100	83	67
Dumped imports (kg)	100	133	214
% of Dumped imports	100	103	140
Other imports (Kg)	100	128	194
% of other imports	100	100	127
Total Market share (Kg)	100	128	153
Total market share %	100	100	100

This table was indexed due to confidentiality using 2008/09 as the base year. *Other SACU producer's market share is estimated by the Applicant.

Table 5.2.3.5 above shows that the applicant's market share decreased by 13 index points during the investigation period.

The applicant stated that it has been losing market share, even though their sales volumes have increased each year, and that the volume increases each year have come at the cost of a drop in prices. Still it is losing market share. The Commission noted that the applicant's market share decreased as a percentage of the SACU total market share.

5.2.3.6 Productivity

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

Table 5.2.3.6: Productivity

	2008/09	2009/10	2010/11
Total production volume (Kg)	100	128	141
Number of employees (manufacturing only)	100	129	100
Units per employee (Kg)	100	99	141

This table was indexed due to confidentiality using 2008/09 as the base year.

Table 5.2.3.6 above indicates that productivity (units per employee) increased by 41 index points during the investigation period.

The number of employees went up in 2009/10, then returned to 2008/09 levels in 2010/11. According to the applicant this drop is attributed to the Brazilian dumped frit entering the market. The applicant further stated that the dumped frit resulted in the loss of jobs created in 2009/10 and also an opportunity to create more jobs in 2010/11. The applicant also stated that more staff members will have to be retrenched in 2011/2012 in order to compete with dumped frit from Brazil.

The Commission considered that the analysis is done for each injury indicator over the period of investigation, and the number of employees remained did not decrease during the period of investigation.

5.2.3.7 Return on investment

The following table provides the applicant's return on investment:

Table 5.2.3.7: Return on investment

	2008/09	2009/10	2010/11
Net profit (subject product) (R)	100	85	75
Net Assets (subject product) (R)	100	102	94
Return on investment (subject product)	100	83	81

This table was indexed due to confidentiality using 2008/09 as the base year.

Table 5.2.3.7 above shows that return on investment of the subject product decreased 19 index points during the investigation period.

The applicant stated that the return on net assets has diminished remarkably since the introduction of frit imported from Brazil into the SACU market at dumped prices since 2008/09. The applicant further stated that it has resorted to various initiatives to be more competitive, but the current situation cannot be fixed by further increasing productivity as the imported product is priced below the applicant's raw material price. The applicant noted that loss in sales will result in loss of profits and that it will have to disinvest from capital assets.

5.2.3.8 Utilisation of production capacity

The following table provides the Applicant's production capacity for the subject product:

Table 5.2.3.8: Capacity utilisation

	2008/09	2009/10	2010/11
Applicant's Capacity (Kg)	100	100	100
Applicant's actual production (Kg)	100	128	141
Capacity utilisation %	100	128	141

This table was indexed due to confidentiality using 2008/09 as the base year.

Table 5.2.3.8 above shows an increase in capacity utilisation of 41 index points during the investigation period.

The applicant stated that for it to be competitive, it needs to maintain significant production volumes and also invest in up-to-date capital equipment in order to achieve the required efficiencies that will allow them to compete with product imported from Brazil at dumped prices. The applicant further stated that in 2011, more money will be invested for automation of the batching plant as it will be an essential investment in order to attempt to remain competitive with the dumped imports from Brazil. It will also upgrade combustion systems, incorporating oxygen, saving up to 20 per cent on energy costs on the smelter. However, the applicant noted that this will have the unfortunate effect of replacing staff. The applicant also stated that the equipment used to manufacture the subject product is exclusively used for this purpose.

5.2.3.9 Factors affecting domestic prices

The applicant stated that there are no other known factors that could affect domestic prices negatively.

5.2.3.10 The magnitude of the margin of dumping

The following margin of dumping was calculated:

Table 5.2.3.10: Magnitude of the margins of dumping

Margin of dumping for Smalticeram Do Brasil Ltda.	26.22%
Margin of dumping for all other exporters	51.85%

5.2.3.11 Actual and potential negative effects on cash flow

The following table provides the applicant's cash flow of the subject product:

Table 5.2.3.11 Actual and potential negative effects on cash flow

Subject product	2008/09	2009/10	2010/11
Cash flow: incoming (R)	100	122	123
Cash flow: outgoing (R)	100	129	130
Net cash flow (R)	100	87	79

This table was indexed due to confidentiality using 2008/09 as the base year.

Table 5.2.3.11 above shows a decrease in net cash flow of 21 index points during the period of investigation.

5.2.3.12 Inventories

The applicant supplied the following levels of inventories for 2008/09 to 2010/11:

Table 5.2.3.12: Inventories

Subject product	2008/09	2009/10	2010/11
Inventory volume (Kg)	100	110	138
Inventory Value (R)	100	94	85

This table was indexed due to confidentiality using 2008/09 as the base year.

Table 5.2.3.12 above shows that the inventory levels increased by 38 index points during the period of investigation. However the inventory value decreased by 15 index points. The applicant stated that the fluctuation in the inventory levels of frit is unrelated to the dumped imports, and therefore did not cause the applicant injury. The applicant further stated that the Commission should not consider inventory in its injury analysis.

During verification, the Commission found that the inventory levels and value could not be accurately verified.

5.2.3.13 Employment

The following table shows the applicant's employment level:

Table 5.2.3.13: Employment

Frit	2008/09	2009/10	2010/11
Direct labour units : production	100	132	105
Indirect labour units : production	100	100	50
Total labour units : production	100	129	100

This table was indexed due to confidentiality using 2008/09 as the base year.

Table 5.2.3.13 above shows that employment remained constant during the period of investigation. The applicant stated that the effect on employment is clear as the jobs created in 2009/10 were lost in 2010/11 and more jobs will be lost in 2011/2012 in an attempt to cut back on costs in order to compete with the dumped frit from Brazil.

The Commission analyses each injury indicator over the period of investigation. While employment increased in 2009/10, the employment figure during the investigation period remained constant.

5.2.3.14 Wages

The following table shows the applicant's wages in producing the subject product:

Table 5.2.3.14

Frit	2008/09	2009/10	2010/11
Total wages: Production (R)	100	129	147
Indirect Wages: Selling, general administration (R)	100	161	172

This table was indexed due to confidentiality using 2008/09 as the base year.

Table 5.2.3.14 above shows an increase in production wages of 47 index points during the period of investigation. The applicant stated that wages are driven by the centralized bargaining unit. This resulted in an increase in 2011, but a lower total wage bill because of overtime reduction.

5.2.3.15 Growth

The following table shows the applicant's growth levels:

Table 5.2.3.15: Growth

Frit	2008/09	2009/10	2010/11
Size of the SACU market (Kg)	100	128	153
Growth of SACU market during POI	53%		
Applicant's sales volume (Kg)	100	129	133
Applicant's growth during the POI	33%		
Total SACU volume	100	100	100
Total SACU growth during the POI	0%		
Dumped imports volumes (kg)	100	133	214
Growth of dumped imports during POI	114%		
Other import volumes (Kg)	100	128	194
Growth of other imports during the POI	94.4%		

This table was indexed due to confidentiality using 2008/09 as the base year.

The SACU market grew by 53 per cent during the period of investigation, whilst dumped imports grew by 114 per cent. However, the applicant's growth is recorded as being 33 per cent during the period of investigation. The Commission noted that the growth of the entire SACU market and that of the dumped imports exceeded the growth of the applicant during the period of investigation.

5.2.3.16 Ability to raise capital (capital investments on subject product)

The following table shows the applicant's ability to raise capital or investments:

Table 5.2.3.16: Ability to raise capital (capital investments on subject product)

	2008/09	2009/10	2010/11
Total capital/investment in subject product	100	84	78

This table was indexed due to confidentiality using 2008/09 as the base year.

The above table shows that investment in the subject product decreased 22 index points during the period of investigation. According to the applicant, no significant investment is planned around frit, but Ferro Industrial Products (Pty) Ltd as a holding company is able to raise investment if required.

5.3 SUMMARY - MATERIAL INJURY

The above information shows that the applicant suffered material injury in the form of an increase in dumped import volumes, while the effects on prices were evident in price undercutting, price suppression and price depression. Declines in other economic

factors and indices having a bearing on the industry were evident in loss of market share, decline in cash flow, growth, return on investment and ability to raise capital (capital investment in subject product).

After considering all relevant factors and taking all comments into account, the Commission made a final determination that the applicant suffered injury in the form of:

- Price depression
- Price undercutting
- Decline in return on investment
- Decline in cash flow
- Decline in growth
- Decline in the ability to raise capital (capital investment in subject product)

The Commission holistically analyses and considers all injury indicators to determine if there is evidence of material injury suffered by the applicant during the investigation period for injury. It should be noted that although the Commission analyses each injury indicator individually, the determination on material injury is based on a holistic analysis of all injury indicators. The Commission concluded that the information analysed indicates that the applicant is suffering material injury.

6. CAUSAL LINK

6.1 GENERAL

In order for the Commission to initiate an investigation, 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 the dumping of the subject product.

6.2 VOLUME OF IMPORTS AND MARKET SHARE

An indication of causality is the extent of the increase in import volumes and the extent to which the market share of the domestic industry has decreased since the commencement of injury, with a corresponding increase in the market share of the dumped product.

The market share table in paragraph 5.2.1 of this report shows the market share for the subject product since 2008/09. The information with regard to volume of imports also shows that there was a corresponding increase in dumped imports, from 10.1 per cent to 14.1 percent.

The information with regard to the volume of imports table in paragraph 5.2.1 of this report shows that there was an increase in dumped imports. The dumped imports increased from 490 000kg to 1 047 000kg during the period of investigation. With this increase it was found that the dumped imports constitute 36 percent of the SACU market.

The Commission therefore found that there was a causal link between the material injury suffered by the SACU industry and the dumped imports as the volume of the dumped imports increased during the period of investigation.

6.3 EFFECT OF DUMPED IMPORTS ON PRICES

It has already been shown in section 5 of this report that the applicant suffered price suppression, price undercutting and price depression.

The SACU industry was unable to increase prices in line with the increase in costs, as the imported product is undercutting its prices by 56.81 per cent. The applicant stated that the only factor driving down its prices is the dumped imports from Brazil and this is evident from table 5.2.2.2 of paragraph 5.2.2.

The effect on price suppression is evident from table 5.2.2.3 as their costs increased, while their ex-factory selling prices decreased.

6.4 CONSEQUENT IMPACT OF DUMPED IMPORTS

The Commission found that there was a causal link between the dumped imports and the injury suffered by the SACU industry in the form of price suppression, price depression, price undercutting, decline in return on investment, decline in cash flow, decline in growth and a decline in the ability to raise capital.

6.5 FACTORS OTHER THAN THE DUMPING CAUSING INJURY

6.5.1 The volume of imports not sold at dumped prices

The following table shows the volume and price of alleged dumped imports and imports from other countries:

Table 6.2.1: Import volumes

	2008/09	2009/10	2010/11
Dumped imports: (kg)	490 000	650 300	1 047 000
Other imports (kg)	944 935	1 208 918	1 836 899
Total imports (kg)	1 434 935	1 859 218	2 883 899

The information in the table indicates that the imports from other countries also increased during the investigation period. Prices of the un-dumped imports decreased from R11.65/kg in 2008/09 period to R8.38/kg in 2010/11 period.

6.5.2 Contraction in demand or changes in patterns of consumption

The applicant stated that the demand of frit has been steadily growing in accordance with tile and sanitary ware production, but has leveled off the last year as the building industry slowed down.

6.5.3 Trade-restrictive practices of foreign domestic producers

There were no such practices uncovered.

6.5.4 Export performance of domestic industry

The applicant stated it started exporting small volumes in 2010 and that it is working on growing this market, but for now it does not have a material impact on their business.

6.5.5 Productivity of domestic industry

The applicant stated that it has been continuously working on improving productivity and will continue to do so. However, the small gains made in improvements to productivity do not really make an impact in offsetting the “devastating effect of the massive price undercutting of the dumped imports.”

6.6 SUMMARY ON CAUSAL LINK

After considering all the above factors, the Commission made a final determination that there was a causal link between the dumped imports from Brazil and the injury suffered by the applicant and that there were no other factors sufficiently detracting from the causal link.

7. SUMMARY OF FINDINGS

7.1. Dumping

The Commission found that the subject product originating in or imported from Brazil was dumped in the SACU market with the following margins:

Table 7.1

Product: Glass frit and other glass, in the form of powder, granules or flakes	Margin of dumping
Smalticeram Do Brasil Ltda	26.22%
All other exporters in Brazil of glass frit and other glass, in the form of powder, granules or flakes	51.85%

7.2 Material injury

The Commission found that the SACU industry experienced material injury in the form of price suppression, price depression, price undercutting, decline in return on investment, decline in cash flow, decline in growth and a decline in the ability to raise capital.

7.3 Causal link

The Commission found that there was a causal link between the dumped frit and the material injury experienced by the SACU industry.

8. FINAL ANTI-DUMPING DUTIES

8.1 Calculation of duty

The Commission found that all requirements for the imposition of final anti-dumping duties have been fulfilled.

8.2 Amount of duties

The amounts of duties to be imposed on frit classifiable under tariff sub-heading 3207.40, originating in or exported from Brazil were concluded to be the following, being the lesser of the price disadvantage or dumping margin:

Table 8.2

PRODUCT	Exporter/manufacturer	Final anti-dumping duty
Glass frit and other glass, in the form of powder, granules or flakes classifiable under tariff sub-heading 3207.40	Smalticeram Do Brasil Ltda.	24.65%
	All other exporters in Brazil	50%

9. DETERMINATION

The Commission made a final determination that:

- dumping of frit originating in or imported from Brazil is taking place;
- the Applicant and therefore the SACU industry is experiencing material injury; and that
- the injury suffered by the SACU industry is causally linked to the dumping of the subject product.

The Commission made a final determination to recommend to the Minister of Trade and Industry to impose final anti-dumping duties on glass frit and other glass, in the form of powder, granules or flakes, classifiable under tariff sub-heading 3207.40 originating in or imported from Brazil, to the extent as contained in table 8.2 above.