

REPORT NO. 506

**SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON GARLIC
ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF
CHINA (PRC): FINAL DETERMINATION**

The International Trade Administration Commission of South Africa herewith presents its
Report No. 506 : **SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON GARLIC
ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA:
FINAL DETERMINATION**



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27/08/2015

SUNSET REVIEW OF THE ANTI-DUMPING DUTIES ON GARLIC ORIGINATING IN OR IMPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA (PRC): FINAL DETERMINATION

SYNOPSIS

The anti-dumping duties on garlic were first imposed on 20 October 2000 with retrospective effect to 24 March 2000 in Government Gazette No. 21650.

A first sunset review which was conducted led to the imposition of the anti-dumping duties on 10 March 2006 in Government Gazette No. 28583 and after an interim review, an increase in the duties on 26 March 2006 in Government Gazette No. 33042.

On 20 June 2014, the Commission notified the SACU industry through Notice No. 450 in Government Gazette No.37740 that unless a substantiated request is made by the SACU industry, indicating that the expiry of the anti-dumping duties on the subject product originating in the PRC would likely lead to the continuation and/or recurrence of dumping and material injury, the relevant anti-dumping duties on the subject product originating in or imported from the PRC would expire on 25 March 2015. A response was received from Garlic Growers Association (SAGGA) on behalf of the SACU industry in this regard, indicating the likelihood of recurrence and/or continuation of dumping and material injury to the SACU industry.

On 20 March 2015, the Commission initiated a sunset review of the anti-dumping duties on garlic originating in or imported from the People's Republic of China through Notice No. 244, published in the Government Gazette No. 38574. All known interested parties were informed and requested to respond to the relevant questionnaires and the non-confidential application.

No responses to the Commission's questionnaires from importers, foreign producers and exporters of garlic were received.

On 12 June 2015 essential facts letters were sent to the interested parties to allow comments on the Commission's considerations. One importer responded to the essential facts letter.

The dumping margin was therefore determined based on facts available which is the information supplied by the applicant and contained in the application.

1. APPLICATION AND PROCEDURE

- 1.1 This investigation was conducted in accordance with the International Trade Administration Act of 2002, the International Trade Administration Commission of South Africa Anti-Dumping Regulations (ADR) giving due regard to the World Trade Organisation Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade, 1994 (the Anti-Dumping Agreement).
- 1.2 On 20 June 2014, the Commission notified the SACU industry through Notice No. 450 in Government Gazette No.37740 that unless a substantiated request is made by the SACU industry, indicating that the expiry of the anti-dumping duties on the subject product originating in the PRC would likely lead to the continuation and/or recurrence of dumping and material injury, the relevant anti-dumping duties would expire on 25 March 2015.
- 1.3 A sunset review application was received from the South African Garlic Growers Association (SAGGA) on behalf of the SACU industry on 02 October 2014. After all the deficiencies were addressed an updated review application was received on 27 February 2015.
- 1.4 The application was lodged by the South African Garlic Growers Association which represents 73 per cent by production volumes of the SACU industry based on hectares planted and average yield achieved in 2014. The applicant alleged that the expiry of the anti-dumping duties on garlic would likely lead to the continuation and /or recurrence of dumping and material injury to the SACU industry.
- 1.5 The investigation was initiated through Notice No. 244 of 2015 published in the Government Gazette No. 38574 on 20 March 2015.
- 1.6 The initiation notice, non-confidential application and the exporters/importers questionnaires were sent to all known interested parties on 23 March 2015.
- 1.7 The investigation period for dumping as contained in this report was from 01 July

2013 to 30 June 2014 and information evaluated with regard to material injury was for the period 01 July 2011 to 30 June 2014, with estimates should the anti-dumping duties expire.

- 1.8 No foreign producer/exporter of garlic from the PRC responded to the Commission's exporter questionnaire.
- 1.9 No importers responded to the Commission's importer questionnaire except TLC Imports and Exports (Pty) Ltd indicating that it no longer imports garlic from the PRC.
- 1.10 On 12 June 2015, essential facts letters were sent to the interested parties. The deadline for comments was 26 June 2015. Comments were received from Freshmark (Pty) Ltd and the applicant. The applicant agreed with the Commission's considerations for the final determination. Freshmark provided comments on the dumping margin determination.
- 1.11 No responses to the essential facts letters from foreign producers/exporters of garlic in the PRC were received.
- 1.12 The Commission took into account all comments received in making its final determination.
- 1.13 All non-confidential submissions made by interested parties are contained in the Commission's public file for this investigation.
- 1.14 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 DUTIES

2.1 IMPORTED PRODUCT

2.1.1 Description

The subject product is described as all strains of garlic. Soft neck-garlic *Allium sativum* and hard neck *Allium ophioscorondon*. Garlic can be in the form of whole bulbs or individual cloves, unpeeled or peeled and it can also be cured, trimmed, cleaned and graded. Garlic delivered in cold storage (chilled garlic) is also considered to be "fresh garlic". Dehydrated and processed garlic are not included in the definition.

2.1.2 Country of origin/export

The subject product originates in or is imported from the People's Republic of China.

2.1.3 Tariff classification

The subject product is classifiable under the following tariff headings:

Tariff subheading	Product description	Unit	Rate of duty	Rate of duty		
				EU	EFTA	SACU
0703	Onions, Shallots, Garlic, Leeks and other Alliaceous Vegetables, Fresh or Chilled					
0703.20	Garlic	kg	325c/kg with a maximum of 37%	free	325c/kg with a maximum of 37%	free
0712.90.90	Other	kg	20%	free	20%	free

2.1.5 Possible tariff loopholes

The applicant stated that the imported product is classified under tariff sub-heading 0703.20 (Garlic). It is however possible that it can also be imported under tariff sub-heading 0712.90.90 (Other vegetables; mixtures of vegetables: Other). However, as this is a very general classification which includes many other vegetables, it is not possible to identify the volume of garlic imported under this heading. Therefore, the Commission included under the subheading 0712.90.90 "dried garlic, in the form of bulbs or cloves" in

the anti-dumping duty schedules after determining that the subject product was found to be dumped into the SACU market.

2.1.4 Anti-dumping duties

The following anti-dumping duties are applicable to the subject product:

Table: 2.1.5: Anti-dumping duties

Tariff Subheading	Description	Imported from or Originating in	Rate of duty Anti-dumping duty
07.03	EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS		
0703.20	Garlic, fresh or chilled	PRC	1037c/kg
0712.90.90	Dried Garlic, in form of bulbs or cloves	PRC	1037c/kg

2.2 SACU PRODUCT

2.2.1 Description

The subject product is described as all strains of garlic. Soft neck-garlic *Allium sativum* and hard neck *Allium ophioscorondon*. Garlic can be in the form of whole bulbs or individual cloves, unpeeled or peeled and it can also be cured, trimmed, cleaned and graded. Garlic delivered in cold storage (chilled garlic) is also considered to be “fresh garlic”. Dehydrated and processed garlic are not included in the definition.

In the original anti-dumping investigation, the Commission found that the SACU product and the imported product are “like products”, for purpose of comparison, in terms of section 1 of the Anti-Dumping Regulations. Considering the original investigation and subsequent reviews the Commission determined that the SACU product and the imported products are like products in terms of Section 1 of the anti-Dumping Regulations.

3. INDUSTRY STANDING

The application was brought by the South African Garlic Growers Association, a farmer's representative organisation for garlic which represents 73 percent of SACU production based on average hectares planted and average yield achieved in 2014.

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 the relevant provisions under the Anti-Dumping Regulations.

4. DUMPING

METHODOLOGY USED FOR ALL PRODUCERS/ EXPORTERS IN THE PRC

There were no responses received from producers/exporters in the PRC. The dumping margin was determined based on facts available in terms of section 1 of the Anti-Dumping Regulations, which is the information supplied by the applicant and contained in the application.

4.1 Normal Value

There were no responses received from producers/exporters in the PRC. The normal value was determined based on facts available. The facts available in this instance, is the information considered by the Commission for merit determination, being the information supplied by the applicant.

The Record of Understanding between the International Trade Administration Commission of South Africa (ITAC) and the Bureau of Fair Trade for Imports and Exports (BOFT) of the Ministry of Commerce of the People Republic of China (PRC) provides that the PRC be treated as a market economy for purposes of anti-dumping investigations. In instances where information on the domestic selling prices in the PRC is not reasonably available to the SACU industries, SACU industries can use alternative methods which are permitted by the World Trade Organisation in the determination of normal value for the PRC. In this investigation the applicant indicated that it could not obtain domestic prices in the PRC. Mexico was then nominated as a third country to be used for normal value determination.

The applicant provided the following reasons for the nomination of Mexico:

- (i) The Commission used Mexico as a third country in both the interim and the sunset reviews.
- (ii) The applicant regards the garlic industry in Mexico to be at a similar level of development as that of the PRC.

The applicant indicated that it did not receive co-operation from known producers/farmers of garlic in Mexico to participate in this investigation.

With regard to normal value, the applicant stated that it sourced it from what it considered a reputable source, which is an official website of the Mexican Department of Agriculture and Fisheries.

The domestic selling price of garlic during the first quarter of 2014 amounted to a minimum of 32.00 and a maximum of 35.00 Mexican Pesos per kilogram. An average of 33.50 Mexican Pesos was used and converted to 15.78 Chinese yuan and then converted to 27.05 South African Rands. The currency conversions were sourced from aonda.com for January to March 2014.

4.2 Export price

There were no responses received from producers/exporters in the PRC. The export price was determined based on facts available for the final determination. The facts available in this instance are the official import statistics from the South African Revenue Service (SARS) for July 2013 to June 2014. The fob export price was determined to be R7.80 per kilogram.

There were no adjustments made to the normal value and export price.

4.3 Margin of dumping

The margin of dumping was determined to be 247 percent as a percentage of the fob export price.

Comments by Freshmark on the essential facts letter

With regard to the determination of normal value based on garlic prices in Mexico, Freshmark indicated that it could not comment but trusted that the information at the Commission's disposal was correct.

On the determination of fob export price, Freshmark indicated that the fob price used by the Commission differed from the actual fob prices applicable to class 1 garlic, which is the only class imported to South Africa. To substantiate the alleged variances, a quotation from the alleged largest exporter of garlic in the PRC dated 15 June 2015 was provided. Freshmark indicated that if this information were to be taken into account the dumping margin should be around 73 percent.

Commission's consideration

Freshmark could not be considered a co-operating interested party at this stage of the investigation as it did not respond to the relevant questionnaire; nevertheless the Commission took into account the comments submitted. The new information on fob prices and grade of garlic could not be verified at the stage of the investigation since there were no foreign producers/exporters from the PRC that responded to this investigation. Furthermore the information provided on prices was outside the investigation period for dumping.

Conclusion

After considering all the above information, the Commission made a final determination that the expiry of the anti-dumping duties on garlic originating in or imported from the PRC would likely lead to the recurrence or continuation of dumping to the SACU industry.

5. MATERIAL INJURY

5.1 DOMESTIC INDUSTRY MAJOR PROPORTION OF PRODUCTION

The information used for the analysis of the likelihood of recurrence and/or continuation of material injury relates to Agribez Boerdery CC and Swartgoud Knoffel CC producers/farmers of the subject product and members of the South African Garlic Growers Association constituting about 30 percent of SACU production based on hectares planted and average yield achieved in 2014.

Due to the fragmented nature of the industry and small scale operations of farmers, the Commission made a final determination that the information of the two co-operating farmers constitutes "a major proportion" of the total domestic production, in accordance with Section 7 of the Anti-Dumping Regulations.

5.2 IMPORT VOLUMES AND EFFECT ON PRICES

5.2.1 Import volumes

The following table shows the import volumes of the allegedly dumped imports of the subject product as sourced from the South African Revenue Service for the period of investigation and estimates as provided by the applicant should the anti-dumping duties be withdrawn:

Table 5.2.1 Import volumes

Kilograms	2012	2013	2014	Estimates if the duties expire	Increase/decrease if the duties expire
Alleged dumped import: PRC	1 679 840	547 344	1 119 200	1 980 984	Increase
Other imports	467 824	1 057 603	983 330	589 998	Decrease
Total imports	2 147 664	1 604 947	2 102 530	2 570 982	Increase
Alleged dumped imports as % of total imports	78.22%	34.10%	53.23%	77%	Increase

It is estimated that should the anti-dumping duties be removed, the imports from other countries will lose at least 40 percent of the market. The 40 percent is based on the normal sales of the producers in the first five months of the year. The estimate for the alleged dumped imports is based on experience by the SACU industry prior to the interim review.

The information in the table above indicates that alleged dumped imports from the PRC decreased by 67 percent from 2012 to 2013, increased by 104 percent from 2013 to 2014, decreased by 33 percent during the period of investigation and is estimated to increase should the anti-dumping duty be removed. Other imports increased by 126 percent from 2012 to 2013, decreased by 7 percent from 2013 to 2014, increased by 110 percent during the period of investigation and are estimated to decrease should the anti-dumping duty be removed.

Commission's consideration

The Commission considered that the alleged dumped imports from the PRC have continued to enter SACU in substantial quantities and a decrease which occurred in 2012 was a result of the PRC having a poor crop. The alleged dumped imports still account for a substantial share of imports into SACU even with the anti-dumping duties in place. The existence of the anti-dumping duties has not deterred low priced imports from the PRC.

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 price undercutting was determined based on the ex-farm selling price and landed cost. The landed cost was based on the fob value, sea freight and insurance, customs duty and anti-dumping duty.

Table 5.2.2.1 Price undercutting based applicant's prices

(R/Kg)	2014	Estimates if the duties expire	Increase/decrease if the duties expire
Undercutting percentage	-6%	4.43%	Increase

Table 5.2.2.1 above indicates that the applicant did not experience price undercutting in 2014, and it is estimated that should the anti-dumping duties be removed the applicant will experience price undercutting. It is estimated that the landed cost of imported garlic from the PRC would decline by a rate of the current anti-dumping duty. The SACU price will have to be reduced to equal the landed cost of imported product in order to compete.

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

R/kg	2012	2013	2014	Estimates if duties expire	Increase/decrease if the duties expire
Applicant's ex-farm price	100	112	125	75	Decrease

The information in the table was indexed due to confidentiality using 2012 as a base year

Table 5.2.2.2 above indicates that the applicant's ex-farm price increased by 25 index points during the period of investigation and is estimated to decrease should the anti-dumping duties be removed. It is estimated that the landed cost of imported garlic from the PRC would decline by a rate of the current anti-dumping duty. The SACU industry would have to depress its selling prices to compete with imported garlic from the PRC and sell at the price equal to the cost of imported product.

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

R/kg	2012	2013	2014	Estimates if duties expire	Increase/decrease if the duties expire
Applicant's ex- farm price	100	112	125	75	Decrease
Applicant's cost of production	100	105	110	110	Constant
Applicant's Cost as a % of selling price	69%	64%	61%	120%	Increase

The information in the table was indexed due to confidentiality using 2012 as a base year

Table 5.2.2.3 above indicates that the applicant's cost as a percentage of selling price decreased by 8 percentage points during the period of investigation and is estimated to increase should the anti-dumping duties be removed. It is estimated that the landed cost of imported garlic from the PRC would decline by a rate of the current anti-dumping duty. The

SACU price will have to be reduced to equal to the landed cost of the imported product in order to compete and domestic producers might not be able to recover the cost of production.

Commission's consideration

With regard to prices, the Commission considered that the imported garlic from the PRC will be cheaper than the SACU industry product should the anti-dumping duty be removed and the SACU industry will experience price undercutting. Without a duty the SACU industry would have to reduce prices equal the landed cost of imported garlic from the PRC in order to compete. At reduced prices the industry is likely to experience price depression and price suppression as it would be impossible to recover the cost of production. The existence of an anti-dumping duty has ensured that the SACU industry could minimise any significant negative price effects.

5.2.3 CONSEQUENT IMPACT OF THE DUMPED IMPORTS ON THE INDUSTRY

5.2.3.1 Actual and potential decline in sales volumes

The following table shows sales volumes of garlic for the period of investigation. The volumes are based on the National Fresh Produce Markets statistics in South Africa and on the actual sales of the applicant. To determine total SACU sales volumes of the subject product, the applicant provided data of the National Fresh Produce Markets (NFPM) in South Africa as the product is mainly traded through this channel. From the sales at the NFPM, the applicant estimated that 75 percent is sold through this channel and the other 25 percent is sold directly to retailers and wholesalers to determine the total sales amount. The following table shows sales volumes of garlic based on the national fresh produce markets in South Africa, as well as those of the applicant.

Table 5.2.3.1: Actual and potential decline in sales volumes

	2012	2013	2014	Estimates if duties expire	Increase/decrease if the duties expire
NFPM sales volumes (kg)	1 964 681	1 817 236	1 466 300	879 780	Decrease
Applicant's sales volumes (kg)	100	209	393	235	Decrease

The applicant's information was indexed due to confidentiality using 2012 as a base year

Commission's consideration

The NFPM statistics were found to include imports of garlic which were excluded in the calculations by the Commission.

Table 5.2.3.1 indicates that NFPM sales volumes decreased by 25 percent during the period of investigation and is estimated to further decrease should the anti-dumping duties be removed. Table 5.2.3.1 further indicates that the applicant's sales volumes increased by 293 index points during the period of investigation and is estimated to decrease should the anti-dumping duties be removed. It is estimated that the SACU producers would likely lose at least 40 percent of sales to the dumped imports unless prices are reduced thus selling at a loss.

5.2.3.2 Actual and potential decline sales values

The following table shows SACU sales values of garlic based on the NFPM in South Africa and based on the applicant's information:

Table 5.2.3.2: Actual and potential decline in sales values

	2012	2013	2014	Estimates if duties expire	Increase/decrease if the duties expire
NFPM sales values (R)	34 590 993	35 336 728	36 767 202	9 017 745	Decrease
Applicant's sales values (R)	100	78	190	70	Decrease

The applicant information was indexed due to confidentiality using 2012 as a base year

Table 5.2.3.2 above indicates that NFPM sales values increased by 6.3 percent during the period of investigation and is estimated to decrease should the duties be removed. Table 5.2.3.2 also indicates that the applicant's sales values increased by 90 index points during the period of investigation and is estimated to decrease should the anti-dumping duties be removed. It is estimated that SACU producers would likely lose at least 40 percent of sales to the dumped imports unless prices are reduced and as a result selling at a loss and that the SACU product would have to be sold at a price which equates to landed cost of the imported product.

5.2.3.3 Profit

The following table shows the applicant's profit situation of the subject product:

Table 5.2.3.3: Profit

	2012	2013	2014	Estimates if duties expire	Increase/decrease if the duties expire
Applicant's Gross profit (R/Kg)	100	130	159	-0.93	Decrease
Applicant's Net profit (R/kg)	100	419	759	- 1096	Decrease

The information in this table was indexed due to confidentiality using 2012 as a base year

Table 5.2.3.3 above indicates that the applicant's gross profit and net profit both increased by 59 and 659 index points respectively during the period of investigation and are estimated to decrease should the anti-dumping duties be removed. It is estimated that the SACU product would have to be sold at a price which equates to landed cost of the imported product and SACU producers would likely lose at least 40 percent of sales to the dumped imports should they not decrease their prices. Producers will sell their products at reduced prices in order to compete but would not plant a new crop as the cost of production would likely exceed the selling price.

5.2.3.4 Output

The following table outlines the applicant's output:

Table 5.2.3.4: Output

	2012	2013	2014	Estimates if duties expire	Increase/decrease if the duties expire
Applicant's production volumes(Kg)	100	209	393	235	Decrease

The information in the table was indexed due to confidentiality using 2012 as a base year

Table 5.2.3.4 indicates that the applicant's output increased by 293 index points during the period of investigation and is estimated to decrease should the anti-dumping duties be removed. It is estimated that SACU producers would lose at least 40 percent of sales volumes to dumped imports unless they decrease their prices. Producers will sell their products at reduced prices in order to compete but would not plant a new crop as the cost of production would likely exceed the selling price.

5.2.3.5 Market share

The following tables show the market share of the subject product based on volumes:

Table 5.2.3.5: Market share based on volumes

Kilograms	2012	2013	2014	Estimates if duties expire	Increase/decrease if the duties expire
Applicant's sales volumes	100	209	393	235	Decrease
Other SACU sales	100	88	62	37	Decrease
PRC imports	100	32	67	118	Increase
Other imports	100	226	210	126	Decrease
Total SACU market	100	83	87	84	Decrease

The information in the table was indexed due to confidentiality using 2012 as a base year. Other SACU sales are inclusive of other members of SAGGA.

The table above indicates that the applicant's market share increased by 293 index points during the period of investigation and is estimated to decrease should the anti-dumping duties be removed. Other SACU sales decreased by 38 index points during the period of investigation and are estimated to further decrease should the anti-dumping duties be removed. The market share of alleged dumped imports from PRC decreased by 33 index points during the period of investigation and is estimated to increase should the anti-dumping duties be removed. The market share of other imports increased by 110 index points during the period of investigation and is estimated to decrease should the anti-dumping duties be removed. It is estimated that SACU producers will lose at least 40 percent of the market unless they decrease their prices. Producers will sell their products at reduced prices in order to compete but would not plant a new crop.

5.2.3.6 Productivity

Productivity was calculated as the total production divided by the number of employees involved in the subject product.

Table 5.2.3.6: Productivity

No. of employees/kg	2012	2013	2014	Estimates if duties expire	Increase/decrease if the duties expire
Applicant's no. of employees	100	100	138	90	Decrease
Applicant's production in kilograms	100	209	393	235	Decrease

Applicant's productivity per employee	100	209	284	263	Decrease
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The information in the table was indexed due to confidentiality using 2012 as a base year

Table 5.2.3.6 indicates that the applicant's productivity increased by 184 index points during the period of investigation and is estimated to decrease should the anti-dumping duties be removed. It is estimated that the SACU producers would lose at least 40 percent sales volumes to dumped imports unless prices are reduced in order to compete. The SACU industry will eventually have to sell the harvested crop at a low price however, no new crops will be planted and this would lead to job losses.

5.2.3.7 Return on investment

The applicant stated that the garlic industry is fragmented. Investment is shared and carried by many other agricultural activities. It is estimated that should the duties be revoked it will impact negatively on the return on investment of the agricultural industry as revenue and jobs will be lost without a corresponding reduction in investment.

Table 5.2.3.7: Return on investment

Rands	2012	2013	2014	Estimates if duties expire	Increase/decrease if the duties expire
*Applicant's net profit	100	766	3550	-2462	Decrease
Applicant's net assets	100	102	93	93	Constant
Applicant's return on net assets %	0.63%	5%	24%	-17%	Decrease

The information in the table was indexed due to confidentiality using 2012 as a base year. * Net profit is only for the subject product and assets for the total company

Table 5.2.3.7 indicates that the applicant's return on net assets increased during the period of investigation and an estimate that the return on assets would decrease should the anti-dumping duties be removed. It is estimated that SACU producers will lose at least 40 percent of the sales to dumped imports as producers would have to sell at a price which equates to the landed cost of the imported product in order to compete which will likely reduce revenue.

5.2.3.8 Utilisation of production capacity

The following table provides the applicant's capacity utilisation calculated based on average yield per hectare.

Table 5.2.3.8: Utilisation of production capacity

Kilograms	2012	2013	2014	Estimates if duties expire	Increase/decrease if the duties expire
Applicant's capacity (Kg)	100	100	100	100	Constant
Applicant's production	100	209	393	235	Decrease
Capacity utilisation %	12%	26%	48%	29%	Decrease

The information in the table was indexed due to confidentiality using 2012 as a base year

Table 5.2.3.8 indicates that applicant's capacity utilisation increased by 36 percent during the period of investigation and is estimated to decrease should the anti-dumping duties be removed. The estimates are based on hectares available for garlic cultivation. It is estimated that capacity will be lost as no planting will take place. Producers can increase capacity if the selling price is viable.

5.2.3.9 Factors affecting domestic prices

Sections 5.2.2.1 to 5.2.2.3 indicate that should the anti-dumping duties be removed the applicant would experience price undercutting, depression and price suppression.

5.2.3.10 The magnitude of the margin of dumping

The following margin of dumping was calculated:

Table 5.2.3.10: Margin of dumping

Tariff headings	Margin of dumping expressed as % of export price
07.30.20	247%
07.12.90.90	247%

5.2.3.11 Actual and potential negative effects on cashflow

The applicant stated that the garlic industry is fragmented. Investment is shared and carried by many other agricultural activities. It is estimated that should the duties be revoked it will impact negatively on the cashflow of the agricultural industry as revenue will

be reduced. The following table provides the applicant's net cashflow applicable to total company:

Table 5.2.3.11: Net Cashflow

Rands	2012	2013	2014	Estimates if duties expire	Increase/decrease if the duties expire
Applicant's net cash flow	100	350	1204	-261	Decrease

The information in the table was indexed due to confidentiality using 2012 as a base year

Table 5.2.3.11 indicates that the applicant's net cashflow increased by 1104 index points during the period of investigation and is estimated to decrease should the anti-dumping duties be removed. It is estimated that the SACU product producers would have to sell at a price which equates to landed cost of the imported product which will likely reduce revenue with respect to garlic sales.

5.2.3.12 Inventories

The Applicant stated that garlic is a vegetable with a limited shelf life, in the order of approximately six weeks depending on prevailing circumstances and refrigerated storage facilities. Therefore as a result of the nature of garlic as a vegetable no inventories are kept and stocks that are not sold within the relative short period after harvest must be destroyed. The exception is planting material which is kept back for planting in the next season. This is considered to be 10 percent of production.

Table 5.2.3.12: Inventories

	2012	2013	2014	Estimates if duties expire	Increase/decrease if the duties expire
Applicants inventory volumes(kg)	100	209	393	235	Decrease
Applicants inventory values(R)	100	217	453	271	Decrease

The information in the table was indexed due to confidentiality using 2012 as a base year

Table 5.2.3.12 indicates that the applicant's inventory volumes increased by 293 percent during the period of investigation and is estimated to decrease should the duties be removed. The estimates are based on production as inventories are considered 10 percent of production. It is estimated that a reduction in production will eventually reduce inventories.

5.2.3.13 Employment

The following table provides the applicant's employment figures:

Table 5.2.3.13: Employment

	2012	2013	2014	Estimates if duties expire	Increase/decrease if the duties expire
Applicant's no. of employees	100	100	138	90	Decrease

The information in the table was indexed due to confidentiality using 2012 as a base year

Table 5.2.3.13 indicates that the applicant's employment increased by 38 index points during the period of investigation and is estimated to decrease should the anti-dumping duties be removed. It is estimated that the SACU producers would lose at least 40 percent sales volumes to dumped imports unless prices are reduced and will eventually have to sell the harvested crop at a low price in order to compete. At this state no new crops will be planted and this would lead to job losses.

5.2.3.14 Wages

The following table reflects the applicant's wages situation:

Table 5.2.3.14 Wages

	2012	2013	2014	Estimates if duties expire	Increase/decrease if the duties expire
Applicant's wages	100	100	146	93	Decrease

The information in the table was indexed due to confidentiality using 2012 as a base year

Table 5.2.3.14 indicates that the applicant's wages increased by 46 index points during the period of investigation and are estimated to decrease should the anti-dumping duties be removed. It is estimated that the SACU producers would lose at least 40 percent sales volumes to dumped imports and will eventually have to sell the harvested crop at a low price. No new crops will be planted and this would lead to job losses.

5.2.3.15 Ability to raise capital or investments

The applicant stated that the garlic industry is fragmented. It has more than (350 producers) and garlic is mostly cultivated as an extra (part time) crop. Investment is shared and carried by many other agricultural activities. The applicant stated that should the duties be revoked, it

will impact negatively on investment of the agricultural industry as revenue and jobs will be lost and no new investment will take place in respect of garlic production.

5.2.3.16 Growth

The following table shows the growth of the garlic industry in SACU based on volumes:

Table 5.2.3.16: Growth

Kilograms	2012	2013	2014	Estimate if duties expire	Increase/decrease if the duties expire
Size of SACU market in kgs	100	83	87	84	Decrease
SACU market growth during POI		-17%	4%	-3%	Decrease
Applicant's sales volumes in kg	100	209	393	235	Decrease
Applicant's growth during POI		109%	88%	-40%	Decrease
Other SACU sales volume in kg	100	88	62	37	Decrease
Other SACU farmers growth during POI		-12%	-29%	-40%	Decrease
Alleged dumped imports: PRC in kg	100	70	88	118	Increase
Growth of alleged dumped imports		-67%	104%	77%	Increase
Other imports	100	226	210	126	Decrease
Growth of other imports during POI		126%	-7%	-40%	Decrease

The information in the table was indexed due to confidentiality using 2012 as a base year

The table above indicates that the size of SACU market decreased by 13 index points during the period of investigation and is estimated to decrease should the duties be removed. The table above indicates that the applicant's sales volumes increased by 293 percent during the period of investigation and is estimated to decline should the duties be removed. Other SACU sales volumes declined by 38 percent during the period of investigation and are estimated to further decline should the duties be removed. The alleged dumped imports decreased by 33 percent during the period of investigation and are estimated to grow should the duties be removed. The table above indicates that other imports increased by 110 percent during the period of investigation and are estimated to decline should the duties be removed. It is estimated that SACU producers will lose at least 40 percent of the market unless SACU reduces its prices. The applicant would have to sell

at a price which equates to the landed cost of the imported product which will reduce revenue. Reduced prices will negatively impact the garlic industry.

After the evaluation of all the material injury indicators the Commission made a final determination that the expiry of the anti-dumping duties would likely lead to the recurrence and /or continuation of material injury to the SACU Industry.

6. SUMMARY OF FINDINGS

6.1 Continuation or Recurrence of Dumping

The Commission made a final determination that the expiry of anti-dumping duties on garlic originating in or imported from the People's Republic of China would likely lead to the recurrence of dumping to SACU.

6.2 Continuation or Recurrence of Material injury

After the evaluation of the material injury information the Commission made a final determination that the expiry of the anti-dumping duties would likely lead to the recurrence of material injury to the SACU industry.

7. FINAL DETERMINATION

The Commission made a final determination that:

- The expiry of the anti-dumping duties on garlic originating in or imported from the PRC would likely lead to the continuation and/or recurrence of dumping into SACU.
- The expiry of the anti-dumping duties on garlic originating in or imported from the PRC would likely lead to the recurrence of material injury to the SACU industry.

The Commission therefore made a final determination to recommend to the Minister of Trade and Industry that the anti-dumping duties on garlic originating or imported from the People's Republic of China be increased from the existing 1037c/kg to 1925c/kg under the following tariff subheadings: 0703.20 (Garlic, fresh or chilled) and 0712.90.90 (Dried garlic, in the form of bulbs or cloves).