

November 7, 2017

BY HAND – PUBLIC VERSION

Jody Grantham
Senior Program Officer, Consumer Products Division,
Trade and Anti-dumping Programs Directorate
Canada Border Services Agency / Government of Canada

Dear Mr. Grantham

RE: Complaint by the Canadian Pasta Manufacturers Association (CPMA)

Please find attach a CD containing the Confidential Complaint served on behalf of the CPMA pursuant to Section 31 of the *Special Import Measures Act* (SIMA) regarding the Dumping and Subsidization of Dry Wheat Pasta Originating in or Exported from the Republic of Turkey. The CD also attaches the Appendices.

A public version of the Complaint will be served tomorrow. We will also serve hard copies of the Confidential and Public Complaints.

In addition, by letter dated October 17, 2017 you posed a number of questions. The answers are as follows:

1. Please state whether or not the Complainant is aware if Catelli and Prairie Harvest support the complaint, and the status of such support if known.

[REDACTED]

The Complainant does not know whether Prairie Harvest supports the Complaint.

2. Please ask a representative of Grisspasta to provide an indication of its support for the allegations in the complaint. Please consider using a format similar to that found in Appendices 51 and 67 for Primo and Italtasta.

A Grisspasta Witness Statement has been included as Confidential Appendix 26.

3. The following web site of the Government of Canada lists three companies other than those listed in the complaint as producers of dry pasta in Canada:
<http://www.ic.gc.ca/app/ccc/sld/cmpny.do?lang=eng&profileId=1921&naics=311823>. The names of the companies are Aliments Pasta Romana of Montreal, Jared Pacific Inc. of Mississauga (possibly just a trader not a producer), and Old Fashioned Noodle Products of Winnipeg. Please indicate if the

Complainant can identify whether any of these companies produced dry pasta for the Canadian market in 2016 or 2017.

It is believed that:

- Jared Pacific Inc. is an importer. It does not manufacture dry pasta in Canada.
- Aliments Pasta Romana produces fresh pasta. It also imports dry pasta from Italy. It does not manufacture dry pasta.
- Old Fashioned Noodle produce fresh pasta. It does not manufacture dry pasta.

Please note that the Complainant's information on this issue is based entirely on the industry knowledge of its members. The Complainant does not have a direct relationship with any of these three companies.

4. Please update all information, tables, and exhibits to include information from 2017. Information up to September 30, 2017 would be best. If certain information is only available up to an earlier point in 2017, please provide that information and explain why more recent information is not currently available to the Complainant. A list of items that should be updated include:

See revised Complaint.

5. Please ensure that all updated information is consistent throughout the complaint (e.g. On page 16, Catelli production information, including kilograms and market share percent, is not updated per the update on page 5).

All information has been updated

6. Please comment on the following draft of a potential product definition for the goods in question, including whether it would exclude anything that should be included or include anything that should not be included:

“Dry wheat-based pasta, not stuffed or otherwise prepared, and not containing more than two percent eggs, whether or not enriched or fortified or containing milk or other ingredients, excluding refrigerated, frozen or canned pasta.”

This definition has been incorporated into the Complaint.

7. Please explain how/why exports of Canadian production for [REDACTED] is more than its total annual Canadian production as listed in the draft complaint.

The information contained in the earlier draft was in Lb instead of Kg. This error has been corrected in the revised Draft.

8. Does [REDACTED] primarily export its pasta?

[REDACTED]

9. Provide volume and value of import data for each year of 2014 to 2016 and the first six and nine months of 2017 for imports of subject goods purchased each member of the CPMA supporting the complaint.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

10. Provide a breakdown of sales made by Primo, Italpasta, and Grisspasta that were sold to the Canadian market and to export markets. Categorize these sales by Canadian produced pasta sold to Canadian customers and to exported markets and imported pasta sold to Canadian customers and to exported markets.

See Paragraphs 30 and 31 of the revised Complaint.

11. Please have each the member of the CPMA that supports the complaint provide a breakdown of its annual Canadian production in each year from 2014-2016 and production in 2017 up to June 30 and up to September 30 in terms of retail, food services and industrial segments.

[REDACTED]

[REDACTED]

[REDACTED]

| | | | | |
|--|--|--|--|--|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

12. Which products, if any, sold to the retail sector compete with products in the industrial segment, and vice-versa?

See answer to question 15

13. Which products, if any, sold to the retail sector compete with products in the food services segment, and vice-versa?

See answer to question 15

14. Which products, if any, sold to the food services sector compete with products in the industrial segment, and vice-versa?

See answer to question 15

15. The complaint described the industrial segment of the Canadian market for pasta as manufacturers of processed food products that contain pasta. Since the definition of subject goods excludes pasta that is stuffed or otherwise prepared, should the entire production for the industrial sector be considered not subject/like goods?

For questions 12-15, the goods sold to retail, food services and industrial segments are identical and fully substitutable. The only difference is the end use for the subject goods.

With respect to the industrial segment, the subject goods are processed into food products. While the final processed food products are not the subject of this Complaint, the subject goods are one of the ingredients. Those subject goods are identical and substitutable to the subject goods pasta sold within the retail and foods services segments.

16. Do the sales of pasta to the food services segment as estimated in the table in paragraph 28 contain any non-subject pasta (i.e. non-like goods to the product definition)? If so, please list the types of

such non-subject pasta and provide an estimate of the amounts of such non-subject goods for each year in the table, including for 2017 in any revised table.

The information on the retail segment is from the AC Nielson data set out at Appendix 5. The Complainant does not know whether that data includes non-subject pasta. If it does, based upon general industry knowledge, the Complainant believes it would be minimal (in the range of 1%).

The food services and industrial segments were calculated by removing the retail segment (as provided by AC Nielson) from the total Canadian market (as set out in Appendix 4). No non-subject pasta would be included in the estimate of those two segments.

17. Please provide dollar values (\$) for the tables in the sections on Canadian production and the apparent Canadian market.

See Appendices 7-16

18. The text of footnotes 29 and 30 should be switched to reflect correct references.

Completed.

19. Appendix 22 shows the total quantity of semolina and flour produced is significantly less than the total wheat and vitamins used in their production. Similarly, Appendix 22 shows that “total ingredients” are less than total produced. Are these differences due to portions of the ingredients not being able to be processed into semolina or flour (for example, could it be that a portion of the raw wheat cannot be converted to semolina)?

That is correct. There is not a 1:1 ratio between the quantity of durum wheat and the quantity of Semolina produced.

20. The weight of packing in Appendix 22 is significantly higher than the weight of the “total produced” to be packaged. Is it correct that the packaging for pasta typically weighs more than the pasta inside?

Packaging does not weigh more than the pasta.

An explanation of the weight in Appendix 22 (now appendix 52) will be provided shortly.

21. Please show the equations, including the numerator and denominator with descriptions of their sources as well as any calculations used to determine the numerator and/or denominator, used to calculate the percentages for the labour component of the cost to manufacture and package pasta, excluding ingredients, for Primo and Italtasta in subparagraph 147(c).

See revised Complaint.

22. For the costs of trade spending, warehousing, distribution, G&A, selling expense and marketing in Appendix 28, is there a reason why the labour portion of such expenses has not been adjusted based on the differences in labour costs between Turkey and Canada as reflected in paragraph 139?

In both the Italtasta Model and the Primo Model, these additional costs have been adjusted. The actual adjustments for these items can be reviewed at appendices 66 and 67.

23. Why does the amount for “cost of goods” for Turkey in Appendix 28 use total cost of goods without labour deduction as a base instead of total cost of goods with labour reduction?

The “cost of goods” for Turkey has been updated to include the direct labour reduction. The adjustments can be reviewed at Appendices 64 and 65.

24. In Appendix 10, there are a number of mathematical calculation errors throughout the file. This was not updated per CBSA’s comments from the first draft. Specifically, in 2016 sales by category, under each column, the sum of each row does not total the bolded amounts. Please ensure that the totals and each individual columns are mathematically correct – by using formulas with Excel this can ensure the CBSA can follow the addition of these amounts.

Appendix 10, which is now Confidential Appendix 5, is from AC Nielson. The information in Appendix 5 includes all of the data received from AC Nielson. This is the best available information in the possession of the Complainant.

25. In Appendix 15, Durum wheat 1, 2, and 3 are listed. Please explain what the difference is between them? Could this be a difference in quality? Also please resubmit the appendix as the image is of low quality.

The Complainant believes that Durum wheat 1, 2 and 3 refer to differences in quality of the wheat.

Better quality images have also been provided.

26. Initially the complaint allocated 50% of warehouse costs, distribution costs, etc. incurred by Primo as the costs for a Turkish producer. Now the complaint allocates 100% of the costs. What was the reason for the change?

The initial Complaint included these large discounts in order to demonstrate that under the most extreme circumstances, the subject goods are being dumped in Canada. As well, the initial Complaint also did not include an express labour reduction.

In the second version of the Complaint included an express labour reduction. That reduction is based upon the best available information to the Complainant on the difference of labour costs in Turkey and Canada.

The Complainant is not aware of any information to suggest that the non-labour costs (trade spending, warehouse, distribution) would not be similar to the costs incurred by Canadian producers. The best available information to the Complainant on these other cost categories are the costs incurred by producers in Canada. It is for this reason that these cost categories have not been reduced further.

27. The complaint now includes “Trade Spending” expenses which are approximately 30% of the normal value and therefore dramatically increased the normal value. What is trade spending and why is it now included when omitted before?

“Trade spending” is used to capture costs associated with selling to a retailer. These costs can include in-store promotion, special pricing, special payment terms, annual fees, slotting fees, display fixtures, demonstrations, value-added bonuses, no-obligation gifts, coupons or rebates.

After receiving comments on the initial draft from CBSA, this issue was considered further by the Complainant. The Complainant is not aware of any evidence to suggest that Turkish suppliers would not be required by Canadian retailers to incur the same, or materially similar, trade spending imposed upon Canadian producers. It is for this reason that trade spending was included in the second draft Complaint.

28. Is it reasonable to assume trade spending by Turkish producers would be at the same level as producers in Canada?

Yes. See answer to question 27.

29. Can semolina flour be purchased in the international market?

Yes

30. From which suppliers do Canadian producers get semolina flour?

[REDACTED]

[REDACTED]

[REDACTED]

31. In addition to the normal value models presented for costs in 2016 as provided in Appendices 28 and 29.

The Complainant expects to receive shortly the Statistic Canada imports data from January until September, 2017. At that time, it will provide 2017 Primo and Italpasta models to CBSA for that period.

32. Are there any significant differences in costs per kilogram to produce different kinds of like goods (dry pasta)?

There are no significant cost differences.

33. If there are any significant differences in costs per kilogram to produce different kinds of like goods, please estimate normal values for such different kinds of like goods for 2016 and 2017.

There are no significant cost differences.

34. Further to the previous two questions, the latest draft only has one normal value for scenario 1 and 2. Normally, there are multiple normal values in an investigation per each product (e.g. distinct normal values for spaghetti, rotini, lasagna, etc. based on the costs of those products). For example, the cost to produce gluten free pasta is likely higher than non-gluten free pasta which will affect the normal value. Please provide additional normal values on a product basis. This could include the complainants' most popular benchmark pasta products.

Because there are no significant cost variations, the Complainant does not believe that it is appropriate to have difference normal values for different cuts or lines of pasta .

35. Please present estimated margins of dumping on a periodic basis (monthly or quarterly) during 2016 and through the first nine months of 2017 (or the most months in 2017 for which the complainant is able to estimate margins of dumping).

See Answer to Question 31

36. Given that there may be multiple normal values provided in the next draft, estimated export prices for the listed products will need to be provided. Based on the evidence provided in the Turkish quotes, it appears that there should be differences to the export price based on which type of pasta product is being sold.

The Complainant does not believe that there will be material differences in export prices based upon type of pasta.

37. The CBSA's understanding is that Turkey produces/exports predominantly barley-based wheat. Is this correct? Appendix 14 states that "Central Anatolia is the main grain supplier of Turkey. Of the total 5.4 MMT of wheat produced in Central Anatolia in MY 2016/17, 1.1 MMT was durum wheat. Southeast Anatolia has 260,000 ha of durum wheat. There will be about than 1.3 MMT of durum wheat production in Southeast Anatolia, assuming sufficient rain and favorable conditions until the

harvest. Of the total 18 MMT of wheat produced in Turkey in MY 2017/18, 2.4 MMT is durum wheat.”

The Complainant does not know whether Turkey produces/exports predominantly barley-based wheat. The best available information in the Complainant’s possession on this issue is attached at Appendix 14.

38. In paragraph 99, please explain the impact of higher input costs and how this relates to the subsidization of pasta.

This is no longer relevant to the subsidy claims because we are no longer claiming a flow through subsidy from durum wheat. All subsidies are to the final product—pasta—not to inputs.

39. In paragraph 102, there is mention of “excess drawback”. Is there any evidence of this to support the claim?

Despite the Complainant’s best efforts, it has been unable to obtain information on how the program is administered and whether excess duty drawbacks or deferrals are being conferred. Given the recognized importance of this program to exports of pasta, which has been listed as one of the major factors that boosted Pasta exports of Turkey in the 2000s, the substantial increases in such exports, and the very low prices of Turkish pasta imported into Canada, it is reasonable to assume that excess duty drawbacks are being provided.

40. A significant portion of the supporting footnotes for subsidy is in Turkish. Please provide translated versions of the footnotes in either English or French to allow for the CBSA to properly analyze the information.

The Complainant is relying upon the expert report, attached at Public Appendix 72, which is in English. The expert has also translated all relevant source documents, which are attached as appendices to that report.

41. In paragraph 199, please provide evidence in the retail, food and industrial markets. How do Turkish prices compare to Canadian prices?

The information provided at paragraph 199 is based upon import information provided by Statistics Canada. This information does not segregate retail, food services and industrial market segments. As such, the Complainant is not able to provide further evidence on each segment.

As set out above, the subject goods used in all three segments are identical and fully substitutable.

The Complainant has no information on Turkish domestic prices.

42. Paragraph 217 states that [REDACTED] which is “solely attributable to the Canadian market being increasingly flooded with dumped and subsidized imports of the Subject

Goods.” This statement does not have a source and may be stronger with a written statement from a company official.

This has been further addressed in the [REDACTED] witness statement.

We look forward to working further with the CBSA on this matter.

Sincerely,



Vince DeRose