

**DISCLOSURE OF ESSENTIAL FACTS**  
**ANTI-DUMPING INVESTIGATION ON IMPORTS OF WHEAT FLOUR**  
**ORIGINATING OR EXPORTED FROM INDIA, SRI LANKA, AND TURKEY**

**A. INTRODUCTION**

**I. Background**

1. KADI conduct investigation on imports of wheat flour originating or exported from India, Sri Lanka, and Turkey, based on application filed by APTINDO on behalf of its members namely PT. Eastern Pearl Flour Mills (EPFM), PT. Indofood Sukses Makmur (Bogasari Flour Mills), and PT. Pundi Kencana (Pundi), hereinafter referred to as Domestic Industry (IDN) which is part of domestic industry producer of wheat flour. Domestic industry supporting the investigation are PT. Berkas Indah gemilang (BIG), PT. Lumbung Nasional Flour Mills (Lumbung), and PT. Panganmas Inti Persada.
2. In accordance with Article 6.9 WTO Anti-Dumping Agreement (ADA), KADI issued the disclosure of essential facts which will serve as basis for the final recommendation of KADI.

**II. PROCEDURE**

3. On 23 July 2014, KADI determined that the Petitioner have fulfilled the requirement of prima facie evidence of dumping and injury suffered by IDN, and causal link between dumping and injury.
4. In accordance with Article 5.5 ADA, on 23 July 2014 KADI informed the representative of the alleged countries on the acceptance of application from IDN.
5. Known exporter/producer and importer in this investigation are as follows:
  - a. India
    - Chandrashekhar Exports Pvt. Ltd.
    - Mamta Hygiene Products Pvt. Ltd.
    - Rika Global Impex Limited
    - Sita Shree Food Products Ltd
  - b. Sri Lanka
    - Prima Ceylon (Pvt) Limited
    - Serendib Flour Mills (Pvt) Ltd.
  - c. Turkey
    - Daysan Un San Ve Tic As Alsansack Mah
    - Doruk Marmara Un Sanayiciligi A.S.
    - Dost Gida Sanayi Ve Tic As.
    - Eksun Gida Tarim San Ve Tic A.S.

- Eris Un
- Erisler Gıda Sanayi ve Ticaret A.Ş.
- Kale Madencilik San. ve Tic. A.Ş.
- Mersin Un San. Ve Tic. Ltd. Şti.
- Murat Un Sanayii A.Ş.
- Nihoruz Gıda Sanayii Ve Tic. A.Ş.
- Tekinak Gıda Sanayi Ve Ticaret A.Ş.
- Ulas Gıda Un Tekstil Nakliye Ticaret Ve Sanayi A.Ş.
- Ulusoy Un Sanayi Ve Ticaret A.Ş.
- Yuksel Tezcan Gıda San. Ve Tic. Ltd. Şti.
- Bafra Eris Un Yem Gıda San. Ve, Tic. A.Ş.

6. Known importers in this investigation are as follows:

- CV Hitado
- PT Central Pangan Pertiwi
- PT Central Pertiwi Bahari
- PT Central Proteinaprima
- PT Exindokarsa Agung
- PT Intraco Agroindustry
- PT Kifa Citra Sejati
- PT Sari Gandum Sukses Abadi
- PT Interindo Kharisma
- PT Karunia Alam Segar
- PT Lestari Alam Segar
- PT Pangan Lestari Sentosa
- PT Prakarsa Alam Segar
- PT Sriwijaya Alam Segar
- PT Charoen Pokphand Indonesia, Tbk.
- PT Gold Coin Indonesia

7. On 27 August 2014, KADI announced the initiation of anti-dumping investigation in Bisnis Indonesia daily newspaper. On the same day, KADI also provided official notification to the interested parties along with questionnaire to IDN, exporter/producer, and known importer. KADI provided 40 days to respond to the questionnaire starting since the date of delivery, or at the latest by 6 October 2014. KADI also provided opportunity to submit written comments and request for hearing.
8. The investigation period for dumping is 1 January 2013 – 31 December 2013.
9. Based on request from interested parties, KADI extended the deadline to submit questionnaire response until 20 October 2014.
10. On 14 November 2014, KADI issued deficiency letters to IDN and exporter/producer, and provided deadline until 25 November 2014.

11. After initial assessment on the questionnaire response made by interested parties, KADI issued second deficiency letters on 5 December 2014 and provided deadline until 19 December 2014. Next, for further in-depth examination, KADI issued third deficiency letters on 30 December 2014 and provided deadline until 6 January 2015, which upon request by interested parties was extended until 26 January 2015.
12. KADI conducted on-spot verification to the premises of:
  - a. IDN: 14-17 January 2015 and 21-23 January 2015;
  - b. Exporter/producer in Turkey (5 companies): 18 April – 1 May 2015.
13. On 6 August 2015, KADI informed the extension of investigation by 3 months to the interested parties.

### III. LEVEL OF COOPERATION

14. Level of cooperation is determined based on the comparison between export volume data received from cooperative companies with import volume of the respective country obtained from Statistics Bureau (BPS). If the level of cooperation is high, the residual dumping margin is determined based on highest margin of the cooperative company of the respective country. If the level of cooperation is low, residual dumping margin is determined based on highest normal value compared with lowest export price of cooperating company of the respective country. Meanwhile, for non-cooperating country, dumping margin is determined based on highest dumping margin in this investigation. KADI has provided sufficient time to interested parties to provide information and response in this investigation.
15. Interested parties which submitted questionnaire response are as follows:
  - a. India: Mamta Hygiene Products Pvt. Ltd.
  - b. Sri Lanka: Prima Ceylon (Pvt) Limited
  - c. Turkey: Doruk Marmara Un Sanayiciligi A.S.; Erisler Gida Sanayi ve Ticaret A.S.; Kale Madencilik San. ve Tic A.S.; Tekinak Gida Sanayi Ve Ticaret A.S.; Ulas Gida Un Tekstil; Nakliye Ticaret Ve Sanayi A.S; Ulusoy Un Sanayi Ve Ticaret A.S.; Unay Un San Tic A.S.; and Yuksel Tezcan Gida San Ve Tic AS.
16. On 4 September 2014, Eksun Gida Tarim San Ve Tic AS submitted statement letter declaring that its company has never shipped or sold wheat four to Indonesia during the investigation period. On 8 September 2014, through KADI letter No. 713/KADI/IX/2014 informed that since the respective company did not export to Indonesia in the IP then it does not included as the investigated exporter/producer.  
  
Other than such company, there is another company namely Yuksel Tezcan Gida San ve Tic AS, which based on its questionnaire response it is known that the company did not export into Indonesia during the investigation period.  
  
Since both companies did not export into Indonesia during the investigation period, then they are not included as investigated exporter/producer. If based on the investigation result import of Turkey will be subject to imposition of AD Duty, then

those 2 companies may file for New Shipper Review as regulated under Article 9.5 ADA, if they plan to export into Indonesia.

17. Based on the comparison between export volume from response of cooperating companies and import volume from BPS, the level of cooperation of Turkey was 97.5%, Sri Lanka 86.5%, while India only have one cooperative independent trader and no cooperative exporter producer.
18. Based on the above recital 17, it is concluded that the companies in Sri Lanka and Turkey show high level of cooperation. Thus, the residual dumping margin for Sri Lanka and Turkey is determined based on highest dumping margin from cooperating companies of each countries. As for India, due to no cooperating exporter producer, then KADI constructed the residual dumping margin based on information from cooperating independent trader.

## **B. INVESTIGATION**

### **I. SUBJECT MERCHANDISE AND LIKE PRODUCT**

19. Subject merchandise is wheat flour originating in India, Sri Lanka, and Turkey with description of fortified or non-fortified wheat flour under HS Code 1101.00.10.10 and 1101.00.10.90.
20. Wheat flour produced by IDN is like product, whether identical or closely resembling with wheat flour imported from alleged countries due to similarities in among others raw material, production process, physical and technical characteristics, and usage.
21. Fortified WF under HS Code 1101.00.10.10 is wheat flour used as food material with SNI No. 3751-2009. Wheat flour as food material is made of triticum aestivum club wheat and/or triticum compactum host or mixture of both, with additions of fe, zn, vitamin b1, vitamin b2, and folat acid as fortificant. One of the requirement in SNI is minimum protein composition (b/b) of 7.0%.
22. KADI's investigation result proved that imported wheat flour from Sri Lanka and Turkey have protein composition which falls into that range or not. There is no information on the protein composition on imported wheat flour from India. Based on import data from BPS, it is known that imported wheat flour from India falls under HS Code 1101.00.10.90 which is non-fortified wheat flour.

## **II. DOMESTIC INDUSTRY**

### **STANDING PETITIONER**

23. In the initiation stage, APTINDO represented 6 of its members namely BIG, Bogasari, EPFM, Lumbung, Panganmas, and Pundi, hereinafter collectively referred as IDN. In the investigation stage, based on APTINDO letter No. 33/RSL.MRP/XII/2014 dated 19 December 2014, APTINDO informed that 3 of its members namely BIG, Lumbung, and Panganmas resigned as Petitioner. BIG

resigned since the company has ceased production, caused by its inability to compete with dumped imports. The other 2 companies resigned due to technical problem. Those 3 companies remain supportive of the investigation and submitted support letter to KADI and injury data covering domestic sales volume and value, domestic selling price, COGS, operating profit/loss, production, installed capacity, and utilized capacity.

24. KADI recalculated the sufficiency of production and support requirement using the verified data of each company. KADI determined that EPFM, Bogasari, and Pundi as Petitioner and the recalculation show that IDN production was 70.7% of total national production, thus it fulfilled the standing petitioner requirement, as seen in the following table:

Table 1. Domestic Production

Standing Petitioner	Production Volume (MT)	%
IDN	<b>XXX</b>	<b>70,7</b>
a. Bogasari Flour Mills	XXX	XXX
b. Eastern Pearl Flour Mills	XXX	XXX
c. Pundi Kencana	XXX	XXX
Support	<b>XXX</b>	<b>5,5</b>
a. Berkat Indah Gemilang	XXX	XXX
b. Panganmas Inti Persada	XXX	XXX
c. Lumbung Nasional Flour Mill	XXX	XXX
Others	<b>XXX</b>	<b>23,8</b>
Total Domestic Production	<b>XXX</b>	<b>100,0</b>

source : IDN and Other , year 2013

25. Based on the above table, it is seen that:
- Total production of IDN is 70.7% of total national production;
  - Total production of IDN and supporting party is 76.2% of total national production;
  - There is no domestic industry company rejected the investigation.

Thus IDN has met the requirement of Article 5.4 ADA to represent domestic industry producer of like product.

### Production Process

26. Several stages of production process of wheat flour are preparation and milling stages. Preparation stage covers cleaning, dampening, and conditioning.

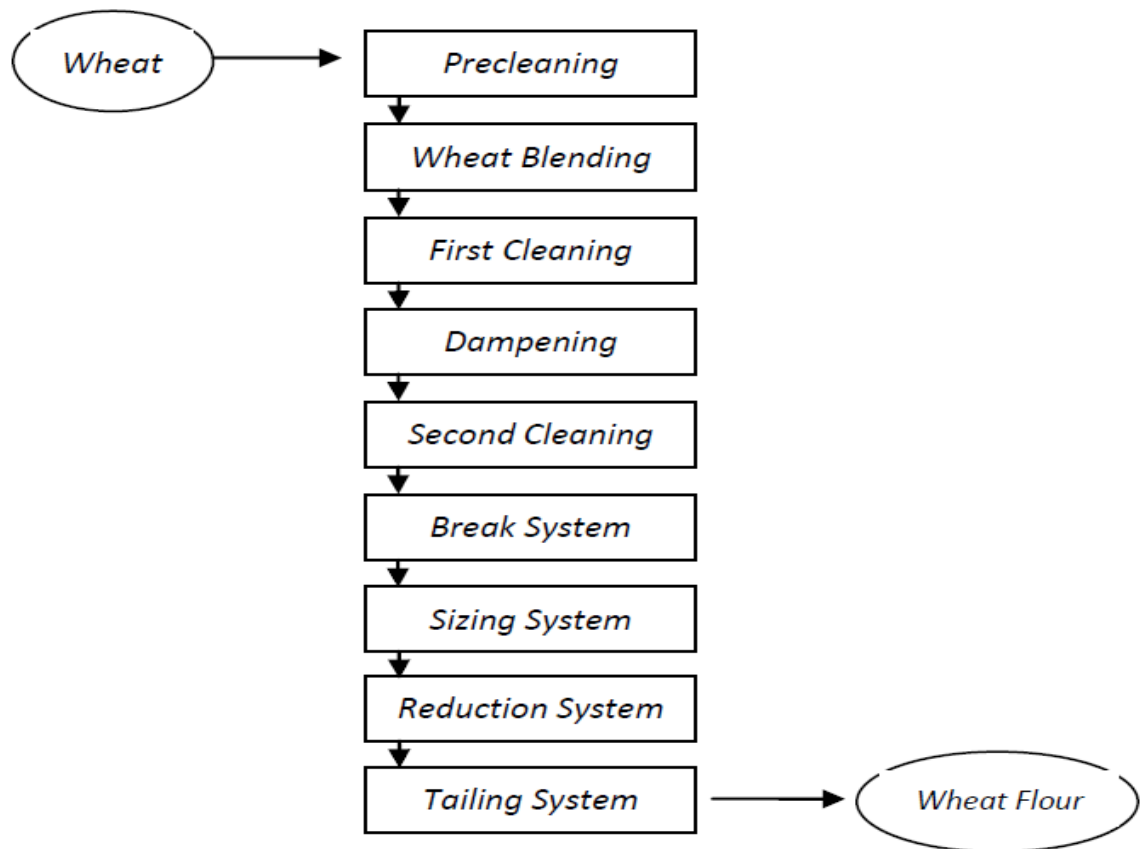
- 1) In the cleaning stage, wheat is cleaned from dirt such as dust, other seeds (corn or soybean), wheat crust, rod, stones, metal, and others. Such contaminants should be separated from wheat before the milling process. The use of rough strainer and magnet can separate foreign objects and metal substance in the wheat. Tiny contaminants may require specific treatment to separate from wheat.
- 2) Cleaned wheat shall go through further process of dampening and conditioning. Dampening process is adding water so the mixture may have the desired water composition. Dampening process depends on the water composition of wheat, density and hardness of the seed. Water may be added using the following mathematical formula:

$$W = (M2 - M1) / (100 - M2) \times Q$$

W is the amount of added water (Kg), M2 is the desired water composition (%), M1 is the original water composition (%), and Q is the weight of the wheat.

- 3) After dampening the next process is conditioning by adding water to the wheat and let the water to be absorbed. This stage aims to make the peel become more loamy so it will not crumble during the milling process and may reach the desired water composition and to ease the release of peel endosperm.
- 4) The next stage is the milling stage which covers breaking, reduction, sizing, and tailing.
- 5) The next stage is reduction stage, where crumbled endosperm is further reduced into wheat flour and next strained to be separated from bran and pollard.

**Picture 1. Wheat Flour Production Process**



### Domestic Market of Subject Merchandise

27. Based on the BTKI, MFN Import Duty rate for wheat flour for 2013 is 5%.

**Table 2. IDN sales, Sales Support, Other Domestic Sales and Import**

INDICATOR	2010		2011		2012		2013	
	MT	%	MT	%	MT	%	MT	%
Domestic sales IDN	100	100	107	99	116	102	124	103
Domestic sales Support	100	100	133	122	168	146	157	130
Other Domestic sales	100	100	130	121	157	137	208	174
Dumping Import								
a. Turkey	100	100	85	79	51	44	13	11
b. Sri Langka	100	100	124	115	105	92	34	28
c. India	0	0	100	100	1356	1276	9971	8950
<b>Total Dumping import</b>	100	100	96	89	67	58	28	24
Other Country Import	100	100	55	51	42	37	19	16
<b>Domestic Consumption</b>	100	100	108	100	114	100	120	100

source : IDN, BPS, processed

28. From the above table 2, during the 2010-2013 period, IDN domestic market share was at the range of 99 – 124 indices, sales of supporting party was relatively stable at 100 – 146 indices, sales of other domestic industry was 100 – 174, dumped imports 24 – 100, and imports from other countries 16 – 100. National consumption show increasing trend during 2010-2013, while the share of IDN and supporting was relatively stable. Other IDN market share increased since the company conduct loss selling in order to maintain its market share and compete with dumped imports, as explained in recital 59. Other than that, the establishment of new companies such as Wilmar FM, Mayora FM, and others have contributed in increased sales by other IDN.
29. Declined import volume was caused by a series of event causing distorted domestic market during the 2010-2013 period. The actual market condition was reflected in 2013 by per-semester analysis, whereas in 2013 (S1) Indonesia imposed provisional SG measure which ended in S2 2013.

**Table 3. IDN sales, Sales Support, Other Domestic Sales and Import year 2013**

INDICATOR	2013		2013 (S1)		2013 (S2)	
	MT	%	MT	%	MT	%
Domestic sales IDN	124	103	100	100	100	100
Domestic sales Support	157	130	100	100	100	100
Other Domestic sales	208	174	100	100	105	105
Dumping Import						
a. Turkey	13	11	100	100	941	941
b. Sri Langka	34	28	100	100	28	28
c. India	9971	8950	100	100	196	196
<b>Total Dumping import</b>	28	24	100	100	151	151
Other Country Import	19	16	100	100	139	139
Total Import	26	22	100	100	149	149
<b>Domestic Consumption</b>	120	100	100	100	103	103

source : IDN, BPS, processed

30. From the above table 3 it is seen that national consumption increased by XXX MT compared to S1 2013. Meanwhile IDN domestic sales in S2 2013 only increased by XXX MT (or XXX%). Domestic sales of supporter was stable while other IDN for S2 2013 increased by XXX MT. However, domestic market share steadily declined. Imports from other countries in S2 2013 increased by XXX MT compared with S1 2013 which was only XXX MT, with slightly increased share from XXX in S1 into XXX in X2. Dumped import in S2 2013 increased by XXX MT (or XXX%) if compared to S1 2013, and its share in S1 increased from XXX% into XXX% in S2. This shows that increased national consumption in S2 of XXX% was capitalized by imports.



### **III. DUMPING MARGIN**

31. In calculating dumping margin, KADI used data from questionnaire response and verification result of the investigated exporter producer. Dumping margin is generally calculated based on the margin between normal value and export price on the same level of trade.

#### **Profitability Test and Cost of Goods Sold (COGS)**

32. KADI generally accept COGS allocation done by exporter producer, provided that such allocation reflected actual COP, marketing and sales expenses and supported by actual data such as financial statement, ledger, and invoices. If the allocation is considered not to have reflected actual expenses, then KADI made reasonable adjustments. Such adjustment will be informed to the respective exporter producer.
33. Dumping margin calculation for cooperating exporter producer is provided separately to each respective exporter producer.

#### **Normal Value**

34. Normal Value is calculated based on sales data from questionnaire response. Exporter's selling price can be used in calculating the normal value if meets the requirement of ordinary course of trade. Comparison between normal value and export price was made at ex-factory level.
35. Allowances claimed by exporter producer which can be accepted are related to direct selling expense, and can be traced in the company data related to sales of the respective product. Generally, allowance can be accepted if it is a part of selling expense of the subject merchandise (SG&A).
36. In calculating normal value, sales data of exporter producer can be used if the total domestic sales volume is more than 5% of total export sales into Indonesia, and if profitable sales level is minimum 20%. If such requirements are not made, normal value is constructed based on selling expense, SG&A, and reasonable profit.
37. If there is export sales for certain PCN with no domestic sales, then normal value was constructed based on the COP for certain PCN, selling expense, SG&A, and reasonable profit.

#### **Export Price**

38. Export price is calculated based on weighted average of all export transaction to Indonesia during the IP.
39. Allowances claimed by exporter producer which can be accepted are related to direct selling expense, and can be traced in the company data related to sales of the

respective product. Generally, allowance can be accepted if it is a part of selling expense of the subject merchandise (SG&A).

### **Dumping Margin Calculation**

40. Dumping margin calculation from the alleged countries are as follows:

#### **a. India**

##### **All exporter/producer**

Since there is no cooperating exporter producer from India, KADI constructed the dumping margin. Normal value is constructed based on the cost of production of Mamta Hygiene Products Pvt. Ltd. (Mamta) added with SGA and administration and profit, in accordance with Article 2.2. COP used purchasing price of Mamta as raw material price added with 8.8% marketing and administrative expense, 2.7% financing charges obtained from [www.sitashri.com](http://www.sitashri.com) and profit margin of 3% refer to actual data on the average profit level of wheat flour company sourced from the NCC. Export price used average export price of Mamta to Indonesia, to arrive at dumping margin of 14.9%.

#### **b. Sri Lanka**

##### **1) Prima Ceylon (Pvt) Limited (PCL)**

##### **Normal Value**

PCL domestic sales is more than 5% of export sales to Indonesia, then domestic sales is used in calculating the normal value. Normal value is calculated using data from questionnaire response. Like product used in calculating normal value is own produced and like product with export sales to Indonesia.

There are 26 PCN sold in domestic market. No identical PCN with the ones exported to Indonesia, thus normal value is constructed. Based on supplementary response on 5 December 2014, PCL explained that despite no identical PCN exported to Indonesia, but since there are similarities in specification particularly protein composition, there are 2 domestic PCN which closely resembling with PCN exported to Indonesia. PCL's explanation could not be accepted, since the characteristic difference in wheat flour is not only based on protein, but more on the raw material (wheat), thus for 2 PCN the normal value was constructed. PCL stated that there is VAT XXX% for domestic sales as adjustment. KADI did not include VAT in constructed normal value as it was not COP component. Constructed value for exported PCN with no domestic sales was made by adding COGS in the INDCOGSOE added with weighted average OE in DMCOGSOE and reasonable profit level in domestic sales.

### **Export Price**

For export price, weighted average CIF export value deducted by claimed allowances in sales transaction during the IP, arriving at ex-factory export price.

### **Dumping Margin**

Dumping Margin is calculated by comparing weighted average normal value and weighted average export price, arriving at dumping margin of 7.5%.

#### **2) Other exporter producer**

Dumping margin for other exporter producer is based on highest margin of cooperating producer, which is 7.5%.

### **c. Turkey**

Several cooperating companies of Turkey claimed adjustment for export price due to the implementation of Inward Processing regime (IPR) in Turkey, which provides duty drawback facility for import of wheat processed into wheat flour for export sales.

Based on on-spot verification on several Turkish companies, KADI determined that IPR scheme can be accepted, provided that the respective companies submitted supporting evidence among others the IPR certificate, wheat import realization report, wheat flour export realization report, IPR clearance declaration from local government, IPR warranty payment receipt, and sample of wheat import document.

In accepting the IPR scheme, KADI conducted cost test to made adjustment on the duty drawback. Cost test was done by comparing between direct material cost of identical PCN in domestic and export market. If the test result show that direct material cost of domestic market is higher than export, then KADI made duty drawback adjustment in calculating normal value, which simulates that normal value enjoy the benefit of IPR as in the case of export price.

#### **1) Doruk**

Doruk submitted to KADI in the verified questionnaire response that there is no identical PCN between domestic sales and export to Indonesia. Thus, normal value is constructed. Since KADI viewed Doruk's request on the difference between price of wheat obtained in domestic market was higher compared to wheat for export market due to implementation of IPR can be accepted, then in calculating the normal value, KADI made adjustment on Doruk's COGSOE.

Normal Value

There is no identical PCN between domestic market and export to Indonesia thus normal value is constructed. Doruk stated that there are price difference between wheat used in producing domestic wheat flour and export to Indonesia thus KADI calculated the adjustment for the price difference. Thus, normal value is calculated using average domestic INDCOGS + OE added with average profit from domestic sales, where the raw material price in COGS have included the adjustment for price difference as mentioned above.

#### Export Price

For export price calculation weighted average CIF export price is deducted with allowance claimed in sales transaction during the IP to arrive at ex-factory export price.

#### Dumping Margin

Dumping Margin is calculated by comparing weighted average normal value and weighted average export price, arriving at dumping margin of 13.8%.

### 2) Erisler

Erisler submitted to KADI in the verified questionnaire response that there is no identical PCN between domestic sales and export to Indonesia. Thus, normal value is constructed. Since KADI viewed Erisler's request on the difference between price of wheat obtained in domestic market was higher compared to wheat for export market due to implementation of IPR can be accepted, then in calculating the normal value, KADI made adjustment on Erisler's COGSOE.

#### Normal Value

There is no identical PCN between domestic market and export to Indonesia thus normal value is constructed. Thus, normal value is calculated using average domestic INDCOGS + OE added with average profit from domestic sales, where the raw material price in COGS have included the adjustment for price difference as mentioned above.

#### Export Price

For export price calculation weighted average CIF export price is deducted with allowance claimed in sales transaction during the IP to arrive at ex-factory export price.

#### Dumping Margin

Dumping Margin is calculated by comparing weighted average normal value and weighted average export price, arriving at dumping margin of 29.4%.

### 3) Kale

In the investigation Kale submitted incomplete questionnaire response for section D.2.2 DMSALES. Kale did not provide its domestic sales on T/T basis, only providing samples of several transaction. Thus, KADI constructed the dumping margin for Kale.

#### Normal Value

There is no identical PCN between domestic sales and export to Indonesia thus normal value is constructed based on average export COGS to Indonesia added with average OE and average profit of domestic sales. Since Kale did not provide complete domestic sales for IP, and based on the submitted data it is known that Kale was selling at loss, then in calculating the normal value, KADI used profit level from Turkish company deemed to have similar trade scale with Kale, arriving at figure of 9.1%.

#### Export Price

For export price calculation weighted average CIF export price is deducted with allowance claimed in sales transaction during the IP to arrive at ex-factory export price.

#### Dumping Margin

Dumping Margin is calculated by comparing weighted average normal value and weighted average export price, arriving at dumping margin of 29.1%.

### 4) Ulas

Ulas exported 2 types (PCN) of WF to Indonesia. There is one identical PCN between domestic and export to Indonesia. In calculating the margin, KADI used data from questionnaire response.

#### Normal Value

Normal value for identical PCN is calculated using the domestic sales date for the respective type by deducting accepted allowance and duty drawback adjustment.

Normal value calculation for non-identical PCN is constructed by using COP of feed type sold to Indonesia, average cost of operating expense in domestic market, and average profit for domestic transaction.

#### Export Price

For export price calculation weighted average CIF export price is deducted with allowance claimed in sales transaction during the IP to arrive at ex-factory export price.

#### Dumping Margin

Dumping Margin is calculated by comparing weighted average normal value and weighted average export price, arriving at dumping margin of (9.0)%.

#### 5) Ulusoy

There are 2 identical PCN between domestic and export to Indonesia. In questionnaire response, Ulusoy informed that there was no difference between domestic and export to Indonesia. Thus, dumping margin calculation used data from questionnaire response.

##### Normal Value

There are 2 identical PCN between domestic and export to Indonesia thus the normal value for each PCN is calculated by taking into account the adjustment for difference in raw material price for domestic and export to Indonesia.

##### Export Price

For export price calculation weighted average CIF export price is deducted with allowance claimed in sales transaction during the IP to arrive at ex-factory export price.

##### Dumping Margin

Dumping Margin is calculated by comparing weighted average normal value and weighted average export price, arriving at dumping margin of 5.6%.

#### 6) Unay

There is one identical PCN between domestic and export to Indonesia. In questionnaire response, Unay informed that there is no difference between wheat flour sold in domestic and export to Indonesia. Thus, dumping margin calculation used data from questionnaire response.

##### Normal Value

There is 1 identical PCN between domestic and export to Indonesia thus the normal value for each PCN is calculated by taking into account the adjustment for difference in raw material price for domestic and export to Indonesia.

##### Export Price

For export price calculation weighted average CIF export price is deducted with allowance claimed in sales transaction during the IP to arrive at ex-factory export price.

##### Dumping Margin

Dumping Margin is calculated by comparing weighted average normal value and weighted average export price, arriving at dumping margin of 1.4%.

#### **Weighted average dumping margin for Ulusoy and Unay**

In the questionnaire response it is known that Ulusoy and Unay are affiliated. Thus, KADI calculate weighted average dumping margin for the 2 companies, arriving at the figure of 5.6%.

#### **7) Tekinak Gida**

Tekinak did not submit data and documents submitted in questionnaire response during the on-spot verification thus KADI could not verify the data submitted, as such KADI calculate the dumping margin using best information available.

Therefore, Tekinak is subject to residual dumping margin of 29.4%.

#### **8) Other Companies**

KADI determined the residual margin based on highest margin of the cooperating company which is 29.4%.

### **IV. DOMESTIC INDUSTRY ECONOMIC INDICATORS**

41. IP for injury covers the period of last 4 years namely 1 January 2010 – 31 December 2013.
42. Considering that the data provided below is commercially sensitive, then it is provided in indices. Below is the performance indicators of IDN which have been verified and examined:

**Tabel 4. Indicator Performance IDN**

No	Indicator	Unit	2010	2011	2012	2013	Tren %
1	Sales Volume	MT	100	107	116	124	7,50
2	Sales Value	IDR'000	100	118	128	148	13,44
3	Price (domestic)	IDR/MT	100	111	110	120	5,52
4	Profit/Loss	IDR'000	100	(94)	(67)	(126)	-
5	Production	MT	100	107	116	122	7,07
6	COGS		100	133	141	167	17,31

		IDR'000					
7	Production Capacity	MT	100	100	100	101	0,31
8	Capacity Utilisation	%	100	107	116	121	6,74
9	Inventory	MT	100	124	147	127	9,38
10	Employee	Person	100	107	112	115	4,82
11	Labour Cost	IDR'000	100	98	127	128	10,43
12	Productivity	MT/	100	100	104	106	2,15
13	Cash Flow	IDR'000	100	7	50	50	(1,22)
14	Ability to raise Sales	%	100	(194)	(89)	(163)	-
15	ROE*	%	100	46	55	65	(10,59)
16	ROI*	%	100	81	72	184	18,72

Source IDN, Processed

Note:\* All product, not product concerned

43. Table 4 as above is the performance indicator of IDN used by KADI in analyzing

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**Tabel 5. Sales volume, Domestic price, production, COGS, Profit/loss**

Indikator	Unit	2010	2011	2012	2013	Tren %
Sales Volume	MT	100	107	116	124	7,50
Domestic Price	IDR/MT	100	111	110	120	5,52
Production	MT	100	107	116	122	7,07
COGS (unit)	IDR/MT	100	124	122	137	9,12
Profit/loss	IDR'000	100	(94)	(67)	(126)	-

Source : IDN, Processed

be elaborated in recital 44 – 48.

44. In 2010-2013 period, domestic price and production of IDN show increasing trend, however during the same period IDN continue to suffer injury. This is because IDN have to sell below COGS due to pressure from dumped imports.

**Tabel 6. Employee, Wage, Capacity, Capacity Utilisation, Market**



Indicator	Unit	2010	2011	2012	2013	Tren %
Employe	Person	100	107	112	115	4,82
wage	IDR'000	100	98	127	128	10,43
Capacity	MT	100	100	100	101	0,31
Capacity Utilisation	%	100	107	116	121	6,74
Market	%	100	98	102	103	7,5

Source : IDN, Processed

45. Table 5 and 6 show increased sales followed by increased production yet it did not cause the IDN economic performance better. To maximize utilized capacity and maintain market share, IDN sacrificed COGS which was always above selling price due to among others increased wages thus profit kept on declining. Increased labor was also aimed to have the company maximize its unused capacity in order to maintain market share and compete with dumped imports.

**Table 7. Operational Cash Flow**

Indicator	Unit	2010	2011	2012	2013	Tren %
Cash Flow	IDR'Million	100	7	50	50	(1,22)

Source : IDN, Processed

46. Operational cash flow declined drastically from 2010-2011 and increased in 2013, however the trend declined by 1.22%. Despite the declining trend, company cash flow was still able to fund the operational activities. However as a whole operational cash flow from 2011-2013 could not return to the same level as it was in 2010.

**Table 8: ROI**

Indicator	Unit	2010	2011	2012	2013	Tren %
Return on Investment	%	100	81	72	184	

Source : IDN, Processed

47. Company ROI was assessed from overall asset, thus it does not reflect the condition of wheat flour alone. As seen in ROE table below, IDN experienced increasing trend in the IP.

Indicator	Unit	2010	2011	2012	2013	Tren %
Sales growth	%	100				
Return on Equity	%	100	46	55	65	

Source : IDN, Processed

48. Growth as viewed from company sales in 2011 and 2012 is smaller compared to growth in 2010, despite the increase in 2013 but the trend was declining. Improved growth from 2011-2013 was not followed with improved revenue, which can be seen in the declining trend of ability to raise capital.

## CAUSAL LINK

### V. Volume Effect

#### Absolute

**Table 10. Wheat flour Volume Import (MT)**

Country	2010	2011	2012	2013 (S1)	2013 (S2)
Total Import Dumping	621,687	595,795	414,446	70,366	106,037
a. Turkey	454,768	387,406	230,998	5,740	53,994
b. Sri Lanka	166,919	207,790	175,313	44,439	12,409
c. India	-	600	8,136	20,188	39,635
Other Countries	153,847	84,330	65,236	12,135	16,908
Total Import	775,534	680,125	479,682	82,502	122,945

Source : IDN, Processed

49. Imposition of SG Measure based on MOF Regulation 193/2012 in December 2012 – June 2013 caused dumped import to decline in S1 2013. However, the conclusion of imposition of SG Measure caused dumped imports to increase by 50.7% in S1 2013 to S2 2013. Dumped import consist of 85% of total import of WF into Indonesia in 2013. Declined import from 2010 – S1 2013 was due to AD investigation and imposition of SG measure which affected domestic market condition.

#### Relative

**Table 11: WF Market Share against Domestic Consumption**

Remarks	2010	2011	2012	S1 2013	S2 2013
IDN sales	100	98	102	100	99
Supporting Sales	100	100	125	100	100
Other IDN Sales	100	121	143	100	100
Dumped Imports:	100	93	57	100	133

Turkey	100	80	50	100	925
Sri Lanka	100	100	75	100	-
India	0	100	1,276	100	1000
Other Countries	100	67	33	100	137
Domestic Consumption	100	100	100	100	100

50. In the above table it is seen that IDN, supporter, and other IDN were able to increase their market share in 2011-2012, while market share from the alleged countries declined during the same period. Dumped imports declined due to AD investigation, SG investigation, causing temporary market distortion. Dumped import increased again in S2 2013 while IDN market share declined.

## VI. Price Effect

**Tabel 12. Wheat flour sales Price and Price Undercutting**

Uraian	2010	2011	2012	2013	2013 (S1)	2013 (S2)
Price IDN	100	110	103	88	100	103
Dumping Price						
Turkey	100	120	115	110	100*	68
India	0	100	120	120	100	94
Sri Lanka	100	128	116	117	100*	93
Price Undercutting USD/MD						
Turkey	(100)	(85)	(72)	(32)	100	(57)
India	0	(100)	(27)	19	100	22
Sri Lanka	(100)	203	117	404	100	57
Price Undercutting %						
Turkey	(100)	(78)	(70)	(37)	100	(56)
India	0	(100)	(29)	23	100	21
Sri Lanka	(100)	185	114	457	100	56

Source : IDN, Processed

### Price Undercutting

51. From the above table it is seen that price undercutting from India for 2011 – 2012 was XXX% - XXX%. There was price undercutting from Turkey for 2011 – 2013 by XXX% - XXX%, except for S1 2013 where during that period SG measure of 20% was imposed. During S1 2013 import price of Turkey was above IDN price, however after SG measure concluded in S2 2013 import price from Turkey became lower than IDN or undercutting by XXX%. As for Sri Lanka, price undercutting for 2010 was XXX%. During 2011-2013 there was no price undercutting since import price from Sri Lanka was above IDN.

## Price Depression and Price Suppression

**Tabel 13. Sales Price IDN and COGS**

Uraian	2010	2011	2012	2013	2013(S1)	2013(S2)
Sales price IDN	100	110	103	88	100	103
COGS	100	123	113	99	100	100
Difference	100	(139)	(86)	(100)	100	57

Source : IDN, Processed

52. During the 2011-2013 period IDN suffer price depression and price suppression caused by dumped imports with allegedly lower price causing IDN unable to increase its selling price.

## C. OTHER FACTOR

**Table 14: Other Countries Import Volume**

Country	Unit	2010	2011	2012	2013
Other Countries Total Import	MT	153,847	84,330	65,236	29,043

Source : IDN, Processed

53. Import Volume from other country during 2010 – 2013 declined by 41% thus it is not the cause of injury to IDN.

**Table 15: National Consumption**

Country	Unit	2010	2011	2012	2013
National Consumption	MT	100	116	123	129

Source : IDN, Processed

54. National consumption trend from 2010-2013 increased by XXX%. This increase was supposed to be enjoyed by IDN but in fact it was not due to the existence of dumped imports. Thus, the increased demand was not the cause of injury to IDN.

**Table 16: IDN Export**

Uraian	Unit	2010	2011	2012	2013
Eksport IDN	MT	100	53	75	68
Domestic Sales	MT	100	107	116	124

55. KADI investigation found that out of 3 IDN only 2 companies exported their product. The above export sales table show that export share of those 2 companies was only XXX% of total sales, thus despite the declined export sales, it was not causing injury to IDN. Compared to domestic sales, export sales only represent XXX% of total IDN domestic sales.

56. Technology

KADI investigation shows that technology used in WF industry is relatively the same. On-spot verification proved that IDN used same technology with exporter producer from alleged countries, even more advanced from several alleged companies. Thus, technology is not a factor causing injury to IDN.

57. Domestic Industry Capacity

KADI investigation proved that IDN have significant capacity. In line with increased demand in domestic market for 2010-2013 period, IDN increased its utilized capacity. This increased utilization could not be optimized due to dumped imports. Thus, IDN capacity was not the cause of injury to IDN.

58. Dependence on Imported Raw Material

IDN must import the raw material of wheat, since Indonesia is not a wheat producer. This is done in reasonable condition since there is no significant barrier for IDN in procurement of wheat from several producing countries in the world. The supply of wheat is sufficient with internationally competitive price.

Besides, as it is common with other WF producers, IDN has adopted certain measures to reduce its dependence on imported wheat and the negative impact of price fluctuation and global supply condition, by introducing the storage system and mechanism in sufficient quantity to meet the demand for the next several months. Thus, this condition is not a cause of injury to IDN.

59. Business Competition and Competitiveness

Increased sales of other IDN was caused by loss selling done by the company to maintain its market share to compete with dumped imports. Besides, the establishment of several new producers such as Wilmar, Mayora, and others also contributed in increasing the sales of other iDN. Based on the above, during the period when domestic consumption increased but dumped import declined and IDN sales were stable, the opportunity was capitalized by other IDN, which reduce their price to compete with dumped imports.

In the following table 17 it is seen that domestic market share was supported by increased market share of other IDN during 2010-2013. On the other hand, IDN market share and its supporter were relatively stable while import share kept declining. This show that other IDN, as new company, are able to compete with dumped import and IDN.

**Tabel 17. Domestic Market and Import Market**

Remarks	2010	2011	2012	2013 (S1)	2013 (S2)
Sales IDN	100	98	102	100	99
Sales Suppotr	100	100	125	100	100
Other Sales IDN	100	121	143	100	100
Dumping Import	100	93	57	100	133
Other Countries	100	67	33	-	100
National Consumption	100	100	100	100	100

Source : IDN, Processed

#### 60. Performance of Supporting IDN

**Tabel 18. IDN Support Indicator Performance**

No	Indicator	Unit	2010	2011	2012	2013	Tren %
1	Domestic Sales	MT	100	152	192	180	81
2	Domestic Sales Value	Rp-Million	100	173	211	217	28,69
3	Domestic Price	Rp-Million/MT	100	115	110	121	5,40
4	COGS	Rp-Million	100	173	221	250	35,01
5	COGS	Rp-Million/MT	100	108	113	146	12,43
6	Profit/loss ( <i>Operating</i> )	Rp-Million	(100)	(141)	(942)	(2.521)	-
7	Production	MT	100	160	196	172	20,08
8	Utilized Capacity	MT	100	170	193	193	23,37
9	Capacity Utilisation	%	100	94	102	89	(2.66)
10	Employee	Person	100	96	150	147	17,25
11	Inventory	MT	100	107	138	108	5,05
12	Market	%	100	133	167	167	14,93

Source : IDN, Processed

61. In the investigation, there are 3 supporting companies, where one of the companies namely BIG stated that they have ceased operation due to their inability to compete with dumped imports. From the above table it is also seen that supporting IDN also faced the same condition with IDN, which is material injury which got worse from 2010-2013. Domestic sales of supporting IDN increased in 2010-2012, then declined in 2013, however it is seen that its market share remain stable by XXX% in the same year, thus it can be concluded that Indonesian WF industry suffered injury

and other IDN was not the cause of injury to IDN, and the domestic industry is still competitive.

#### **D. RESPONSE FROM INTERESTED PARTIES**

##### **Turkish Government Response**

*...Turkey would like to remind KADI of Article 2.4 of Anti-Dumping Agreement and the relevant jurisprudence of WTO, which clearly point out that a fair comparison should be made between export price and normal value, and due allowance should be made for the differences affecting price comparability. Within this context, Turkey needs to draw KADI's attention to "the differences between wheat flour that is sold in Turkish domestic market and that is exported to Indonesia", which affects price comparability.*

*...in Turkish market, companies sell high protein wheat flour which is utilized in the production of bread, while they export to Indonesia low protein wheat flour which is used in noodle production. Whilst caramelized color, hard or semi-hard wheat and high energy, high water absorption and strong gluten binds are needed for bread production; light or white color, soft wheat and low energy, lower water absorption and weaker gluten binds are needed for noodle production. This difference affects the normal value and export prices; hence due allowance should be made by KADI in order to make a fair comparison between normal value and export price.*

##### **62. KADI's response**

- a. The calculation of the dumping margin referred by Turkey is the calculation submitted by the Petitioner in petition. The Petitioner in submitting dumping margin calculations used data obtained from sources that can be trusted as the prima facie evidence in the petition.
- b. In the investigation, KADI is reviewing more about the physical characteristics of wheat flour distinction claimed by the manufacturer exporter of Turkey. From the results of the study, proved that wheat flour sold in the domestic market in Turkey are similar to those exported to Indonesia because it has similarities in usability, physical characteristics, and production process.
- c. In order to calculate the difference between the normal value and export price, KADI entirely refers to Article 2.4 of the WTO Anti-Dumping Agreement. In the event that there are differences in the quality of wheat flour, caused by differences in the quality of their raw materials, there will be adjustments along the allowances requested based on historical records or rational allocation and accompanied by the relevant supporting evidence.

*... actual selling price of the petitioner shows a fluctuating trend in the injury period (2010-2013), too far from being a price undercutting. In fact, unit price increased*

*from 100 (2010) to 113 (2011) and decreased from 113 (2011) to 106 (2012). Similarly, in 2013, the selling price of domestic industry was lower in the period when the provisional safeguard measure was in force.*

63. KADI's response

The price effect mentioned by Turkey above is data from the Petition, where Petitioner used data from BPS. KADI is of the view that the data used is already sufficient to meet the requirements as prima facie evidence to begin an investigation. The selling price of the Petitioner that shows increasing trend could not be concluded as no price undercutting. In price undercutting, comparison is made between dumped import price and Petitioner selling price.

During the investigation, the analysis of the impact of price undercutting can be seen in recital 51 above, where there is evidence of price undercutting from Turkey during the period of investigation.

*...when the development of imports is assessed, it is seen that the imports increased from 82.502 MT in Semester 1 of 2013 (when the price is 102) to 122.945 MT in Semester 2 of 2013 (when the price is 103), which shows that while the imports increased, the price increased at the same time. Hence, Turkey is of the view that no correlation can be made between allegedly dumped imports and domestic prices.*

64. KADI's response

To assess the impact of dumped imports against injury, it is not enough to look at the development of the dumped imports and the selling price of the Petitioner. In accordance with Article 3.4 Anti-Dumping Agreement, to determine injury the 15 performance indicators must be assessed. During the investigation, there is evidence of injury to the Petitioner as a result of dumped imports of goods which can be seen in recital 43 to 48 above, dumping from Turkey amounted to 5.6% - 29.4%.

*Regarding dependency on imported raw material, which is one of the key issues for the costs, the Annual Report of PT Indofood, a domestic firm represented by the petitioner, reads as follows: "Fluctuations in raw material prices in the international market and the depreciation of the Rupiah against foreign currencies may have a negative impact on the Company's operational activities and financial condition." Under these circumstances, any injury arising from the increase in the costs of the domestic industry should not be attributed to the imports coming from, inter alia, Turkey, which continuously decreased during the injury period.*

65. KADI's response



In the Annual Report of PT Indofood explains how the company copes with fluctuations in raw material prices.

The fact that Indonesia had to import wheat is a state that has been anticipated by IDN with strategic steps to reduce dependency on the importation of wheat as well as the negative impact of fluctuations in the price and condition of the world's wheat supply. IDN implement systems and mechanisms for the storage of wheat reserves in sufficient quantities to meet the needs of wheat flour consumption during the next few months. So that the dependence on imported raw materials can be minimized.

*There is no injury suffered by the domestic industry due to the imports of the product under investigation in the injury period.*

66. KADI's response

During the investigation, KADI obtain evidence that there has been material injury as indicated in Section B.4 Petitioner performance recitals 43-48 above. KADI proved that the increase in the domestic price is not balanced by the increase in HPP, increase is higher, causing IDN to suffer material injury. IDN inability to increase selling prices in accordance with the increase in COGS is to anticipate the competition by dumping goods. This condition is shown in effects of price suppression in recital 52.

*...Turkey believes that other known factors should be assessed thoroughly. Moreover, a three-parameter analysis of "increasing wages – increasing domestic prices – decreasing profit" shows that the costs of domestic industry should be analyzed carefully so as to understand decreasing profit.*

67. KADI's response

Despite the increase in domestic selling prices, the Petitioner still suffered injury because the price increase is not proportional to the increase in production costs. Wage increases do not affect injury as it is only a small portion of the production costs. The Petitioner cannot raise the selling price more than the production costs to make a profit because of the dumping of imported goods from Turkey at lower price than the price of the Petitioner, as described in recital 51.

*In fact, in the injury period, considerable amount of new investments was projected in wheat flour sector in Indonesia. As examples, FKS Indonesia, Malaysia's Malayan Flour Mills and Toyota Tsusho from Japan formed a joint venture, PT Bungasari Flour Mills Indonesia, with a first plant expected to commence operations in 2014. Moreover, Sariinti Pangan, Mayora FM, Wilmar FM and two Cerestar FM are the additional wheat flour mills to be established in Indonesia. Observing these new investments, Turkey is in a position to ask whether the wheat flour industry faced an*

*injury or threat of injury as the Complaint claims, while these investments were made in this industry.*

68. KADI's response

Improved business climate and market for wheat flour in a large country has opened up opportunities for the growth of new industries. From the investigation, fact obtained is that most of the industry that has been established, only a few have been in commercial operation for not being able to compete with imported goods dumping. In fact, has anyone stopped operating, namely PT BIG.

*...Articles 3.4 and 3.5 of Anti-Dumping Agreement necessitates a causal link between dumped imports and injury. However, the Complaint itself shows that the imports from Sri Lanka, Turkey and India decreased by 4% (2011), 33% (2012) and 71% (2013) compared to imports in 2010. As seen from this information, since there is a progressive decrease in imports, no injury, if there is any, can be attributed to the imports.*

69. KADI's response

Correct that there is decline in imports in the year 2010 - 2013, but the results of more detailed analysis in 2013 showed, as described in recital 49 and 50, namely the increase in imports from countries that were accused in 2013 (S1) to 2013 (S2) at 50, 8%. Thus, the volume effects occur from Turkey, India, and Sri Lanka which resulted in injury to Petitioner.

*Although the Complaint analyses other factors, it has a biased perspective. For example, in the case of petitioner's export performance, while total export performance decreased by 47%, 25% and 32% during the injury period, the Complaint concludes by virtually stating that "petitioner's export is not causing injury to the petitioner". Hence, Turkey requests that KADI take into account the export performance of the petitioners so as to grasp the reasons of alleged injury.*

70. KADI's answer

In the investigation, KADI find the share of exports in total sales of Petitioner is not significant, this can be seen in Table 16 and description in recital 55. Thus, the decline in the export performance of the Petitioner is not the cause of the injury as described in Section C. Other Factors above.

*As it is stated in the Complaint, 6 firms constitute 75% of total wheat flour production in Indonesia. This implies that any possible anti-dumping measure will strengthen oligopolistic structure of domestic industry, which will, in turn, harm the*

*competitive market and prevent Indonesian people from reaching their basic nutrition needs in competitive prices.*

71. KADI's response

Oligopoly is not possible in the absence of impediments to investing in this sector in Indonesia. It is characterized by the growth of new investment in the wheat flour industry in the country that proves the existence of fair competition amongst domestic producers.

D.2. Response from Association

Istanbul Hububat Bakliyat Yağlı Tohumlar ve Mamulleri İhracatçıları Birliği (IIB)  
(The Istanbul Cereals Pulses Oil Seeds and Products Exporters' Association)

*As will be elaborated in the foregoing submission, overall analysis on the NCC, fully supported by the relevant information and data we found, clearly reveals that the Petitioner failed to comply with fundamental requirements of the WTO Anti-Dumping Agreement ("Agreement").*

72. KADI's response

KADI is conducting an assessment of the adequacy and accuracy of prima facie evidence submitted by the Petitioner in the petition regarding the existence of dumping, injury and the causal link between dumping and injury. KADI assess prima facie evidence that the Petitioner has submitted in accordance with the provisions of Article 5 Anti-Dumping Agreement both procedurally and substantively. During the investigation, KADI using data obtained from interested parties both in the calculation of dumping margins, and injury analysis.

*IIB notes that wheat flour exported from Turkey does not have any negative impact on the Indonesian wheat flour industry. On the contrary, IIB would like to note the tremendous growth of Indonesian wheat flour producers in term of number and capacity while the data presented by the Petitioners in the Complaint, which shows that imports of wheat flour from Turkey constantly dropped during the period of investigation for injury examination at significant rate especially in 2013.*

73. KADI's response

The growth of the wheat flour industry cannot be used as a measure of non-occurrence of the negative impact of imports of wheat flour from Turkey as described in recitals 59, 71 and presented in Table 17. The investigation found no evidence that dumping occurred from Turkey amounted to 5.6% - 29.4 %. The impact of the volume of imports of wheat flour from Turkey against Petitioner injury

has described clearly in recital 49 and 50 and the occurrence of price undercutting in recital 51.

*Petitioners, in a futile attempt to conceal this obvious fact, tried to separate the import volume in 2013 into first semester and second semester to show the increase of import from those two periods only. This unprecedented 'methodology' it is not only misleading and unreasonable, but also inconsistent with the Agreement as it results alternating periods of investigation in the same proceeding. As IIB will elaborate below, imports dropped consistently at a significant rate from 2010 to 2013.*

74. KADI's response

Decreased imports in 2010-2013 is the result of a series of legal events that affected the market. However, when viewed in greater detail, an increase in imports in the 2nd half of 2013 significantly compared to the 1st half of the same year resulted in injury for the Domestic Industry.

*IIB respectfully submits that KADI should immediately terminate the ongoing investigation.*

75. KADI's response

In accordance with Article 5.8 Agreement on Implementation of Article VI of GATT 1994, the investigation may be terminated if acquired de minimis dumping margin, the volume of dumped imports goods negligible, and no injury.

Based on the results of the investigation KADI, dumping margins manufacturer exporter accused of dumping is not de minimis, volume of imports allegedly dumped goods is not negligible, and there is a material injury suffered by the domestic industry, so that the investigation continues.

*Additionally, IIB strongly opposes and categorically rejects all claims that Turkish wheat flour exporters are receiving government subsidies. Not only there is absolutely no merit in Petitioners' unsupported and unfounded allegations, the issue of subsidies are irrelevant in the context of an antidumping investigation. This inaccurate and unsupported allegation should therefore not be taken into consideration by KADI.*

76. KADI's response

After conducting studies, these IPR scheme have been considered in the investigation and taken into account in the calculation of dumping margins.

*At the outset, IIB would like to express its concern over the constant disturbance by the Petitioners and its members by their abuse of the available trade remedy instruments only with the purpose of eliminating fair competition.*

77. KADI's response

Anti-dumping investigation conducted by KADI already meet the requirements of the procedures and conditions set out in the WTO ADA. Instruments used trade remedies for healthy competition.

*The starting point in calculating the normal value of Turkey was by using raw material cost, as the Petitioner mentioned that they did not manage to obtain any information concerning ex-factory domestic price for Turkey. The raw material cost figures is claimed to be obtained from an international publication, the USDA Grain Report 2013.*

*IIB notes that Turkish Exporters are importing wheat from primarily the Black Sea countries, namely Russia, Ukraine, Kazakhstan and Romania as well as a few others, who have become major grain exporting sources in the last ten years. These countries can provide wheat at far more competitive prices as compared to US...in fact, studies show that the traditional grain exporting countries, i.e. USA, Canada and Australia are losing market share to more competitive suppliers in the black Sea. Therefore, U.S wheat prices can clearly not serve as a basis for raw material prices in the dumping margin calculation.*

78. KADI's response

In the application documents, prima facie evidence submitted by Petitioner contains information from the data publication, USDA Grain which includes the price of wheat coming from the Black Sea Region in accordance with the statement IIB above i.e. company wheat flour Turkey to import wheat from the Black Sea Region, and not the price of wheat from the USA or Canada.

*IIB notes that Petitioners failed to provide any explanation in the Complaint regarding the methodology and sources of the used figures including raw material prices and "Direct Labor Cost & Company Overhead, Marketing Cost & Administration, and Financing Charges".*

*Furthermore, there is no explanation what the chosen profit margin is based on and whether this figure applies to domestic producers only or does it also cover foreign producers, especially in this matter the Turkish producers.*

*...Sea Freight Cost, Total Port Stevedoring, Customs, and Internal Freight are claimed to be sourced from APTINDO's data. However, there is no single*

*explanation provided in the NCC concerning the source of APTINDO's data, i.e. whether it was sourced from actual transaction with any Turkish producer.*

*Using these unsupported figures, the Petitioners have reached a highly inflated dumping margin. IIB notes that the cost and profit structure for wheat flour production in Indonesia is completely different from that of Turkish wheat flour production, including the applicable level of profit margin. As noted above, the prices of wheat, which is the primary raw material that makes up more than 80% of the cost, can vary significantly from one market to the other. The failure of the Petitioners in coming up with factors specific to Turkish wheat flour costs and prices casts serious doubt on the accuracy of the evidence of dumping in the Complaint.*

*In light of the above, IIB submits there is manifest error in the calculation of dumping margin presented by the Petitioners with the motivation to create and inflate the dumping margin to unfairly compel KADI to accept their complaint. IIB therefore believes the initiation of the investigation based on the insufficient evidence of dumping constitutes a clear violation of Article 5.2 and 5.3 of the Agreement.*

#### 79. KADI's response

Calculation of normal value in the Application use data from FAO Agribusiness Handbook. KADI assess the calculation of the fee structure used was enough to be the earliest evidence as based on reliable sources.

Because of not obtaining the actual source and reference margins wheat flour industry in Turkey, the determination of a profit margin of 3% in the Petition is using actual data reference source of some of the producers of wheat flour in Indonesia. Determination of 3% profit margin is considered reasonable in the wheat flour industry. Calculation of sea freight costs, internal freight costs, port stevedoring and customs in the application use data from a reliable source.

The calculation of dumping margins in application using construction methods using data and sources sufficient as preliminary evidence. In the investigation, KADI is conducting the calculation of dumping margins for each exporter those who are cooperative by using actual data of each of the manufacturer-exporters.

*IIB notes that, overall, the Petitioners' injury indicators actually show positive performance, which was claimed by the Petitioner that it was due to "increased national consumption and the temporary freezing effect occurred during the imposition of provisional safeguard duty in 2013, or due to various legal events occurred before 2013, such as anti-dumping investigation, state administrative court proceeding, and the safeguard proceeding conducted by KPPI".*

*IIB is of the view that, Petitioners' above-mentioned claim is groundless, particularly with regards to the trade distortive effect caused by previous anti-dumping investigation by KADI and also safeguard proceeding by KPPI.*

*...the temporary freezing effect as claimed by the Petitioner have actually nothing to do with the positive performance of the Petitioner, in which their performance remained positive in the period where there was no proceeding or measure in effect.*

*More importantly, most of the Petitioners' indicators actually show a stable and positive performance and would in no way show any indication of injury caused by dumped imports.*

80. KADI's response

Analysis of injury through performance indicators in accordance with Article 3.4 ADA. 15 performance indicators shows that the Petitioner suffered injury as a result of dumped imports. Although not all the indicators show a negative trend, it does not necessarily conclude that the domestic industry did not suffer injury.

During the investigation, KADI Petitioner has analyzed responses to questionnaires and conduct on-site verification and obtained evidence that the Petitioner suffered injury as a result of dumped imports of wheat flour.

*There have been also expansions of the wheat flour producers in Indonesia in term of number and capacity as stated in its annual report, proving that Indonesian wheat flour industry experienced significant growth in line with the growth on wheat flour downstream industry.*

*The significant growth of wheat consumption in Indonesia and the establishment of the factory as above confirm that the Indonesia wheat flour industry has been in a good shape and as such no injury could possibly be found in this investigation.*

*In view of the above IIB submits that it is clear that the Petitioner does not suffer material injury contrary to their claim in the NCC. Given the above critical facts of the insufficient prima facie evidence of injury under Article 5.2 of the Agreement, IIB respectfully submits that the Complaint should have been rejected it in the first place and therefore requests immediate termination of the investigation.*

81. KADI's response

Healthy and fair competition conditions for similar industries to flourish in Indonesia. But this does not cover the fact that there are producers of wheat flour that have ceased operations because they cannot compete with the dumping of goods. The growth of the wheat flour industry cannot be used as a measure of non-occurrence of the negative impact of imports of wheat flour from Turkey as has been presented in recital 71. The impact of imports of wheat flour from Turkey against Petitioner injury has described clearly in the recitals 49-52.

Furthermore, the factors related to the development of the wheat flour industry in Indonesia has been submitted in the Application and KADI is also analyzing these factors.

*....It is the Association's understanding that the majority of the wheat flour exported from Turkey to Indonesia is flour for noodle making and aquaculture feed. The Association submits that these products are neither alike in all respects" nor have "characteristics closely resembling with wheat flour sold in the domestic market such as for baguette, sandwich, toast, burger, wafers. In Turkey neither aqua feed nor noodle wheat flour is commonly used as Turkish consumers do not widely consume noodle and there is no shrimp production industry that would consume aqua feed in Turkey. Turkish consumers mostly consume high protein bread and other premium wheat flour.*

*As mentioned before, the types of wheat used to produce wheat flour for noodle and bread making are also different both price and quality wise. Hard and semi-hard wheat types are used to produce wheat flour for bread making and other premium wheat flours sold in domestic market while soft wheat types are used for the noodle making and aqua feed wheat flour exported to Indonesia.*

*Wheat flour for bread making sold in domestic market and the wheat flour for noodle making and for aqua feed exported to Indonesia cannot be compared since all parameters defining these products such as price, physical characteristics, quality and uses of these products are totally different. Therefore, we request KADI to determine dumping margin calculation on the constructed normal value i.e. cost of production of the exported merchandise as reported by the companies (Erisler sample attached as Exhibit - 2) plus a reasonable amount for administrative, selling and general costs and profits.*

## 82. KADI's response

In the investigation, KADI is reviewing more about the physical characteristics of wheat flour distinction claimed by the manufacturer exporter of Turkey. From the results of the study proved that wheat flour is sold in the domestic market in Turkey are similar to those exported to Indonesia because it has similarities among others in usability, physical characteristics, and production processes.

In order to calculate the difference between the normal value and export price, KADI entirely refers to Article 2.4 of the WTO Anti-Dumping Agreement. In the event that there are differences in the quality of wheat flour is caused by differences in the quality of their raw materials (wheat), there will be adjustments along the allowances requested based on historical records or rational allocation and accompanied by the relevant supporting evidence. Adjustments in the calculation of the dumping margin has been delivered as in section B.3.3.

*As noted above, wheat flour exported to Indonesia and sold domestically are not comparable. This is no different than comparing noodle to bread or apples to Persones. However, despite all evidence provided herein, if KADI would conclude that these products are comparable in a way, KADI should allow, as an alternative, the physical difference adjustment to make a fair comparison between these products. Article 2.4 ADA defines how to make a fair comparison...*



*Let alone considering physical differences whether or not, it is understood that the Panel decided the Authorities should not only consider the most important physical difference but all physical differences must be taken into account. Therefore we urge KADI to use the cost differences as a physical difference adjustment in order to make a fair comparison in line with the requirements with ADA unless KADI makes its comparison based on constructed normal value.*

83. KADI's response

KADI assess wheat flour sold in the domestic market in Turkey are similar to those exported to Indonesia because it has similarities among others in usability, physical characteristics, and production processes. If then there are certain types of wheat flour exports to Indonesia but is not sold on the domestic market in Turkey, KADI perform construction methods in accordance with Article 2.2 Anti-Dumping Agreement.

D.3 Responses of Exporter/Manufacturer of Sri Lanka Prima Ceylon (Pvt) Limited (Sri Lanka)

*....." Clearly there is no reference to or accounting for the wheat import tax applicable for production of flour consumed domestically within Sri Lanka. In the latest round of KADI questioning as well as earlier via the Government of Sri Lanka to KADI, we have provided the data showing that to be XXX% during the period in question. Also, please see the attached Anti-Dumping agreement (ADA). Clause 2.4 refers to normalization of prices between domestic and export and that taxation differences must be taken into account. APTINDO did not include this aspect in their petition and KADI also did not take this into account prior to initiating this investigation."*

*Clause 5.2 in reference to "Initiation and Subsequent Investigation" states;*

*"Simple assertion, unsubstantiated by relevant evidence, cannot be considered sufficient to meet the requirements of this paragraph."*

*The price evidence submitted by APTINDO is missing a key element in price determination (taxation). A simple government to government discussion or phone call would have cleared this up prior to any investigation initiation. If this tax is taken into account, it would clarify that the APTINDO dumping allegations are inaccurate and false.*

*With this now clarified, please refer to clause 5.8 of the ADA with following specific reference;*

*"5.8 An application under paragraph 1 shall be rejected and an investigation shall be terminated promptly as soon as the authorities concerned are satisfied that there is not sufficient evidence of either dumping or of injury to justify proceeding with the case."*

*With the clarifying data that you now have in hand, and in consideration of ADA clause 5.8, this would form the basis of an immediate cessation of this investigation of Sri Lankan Flour imports.*

*In the AD Petition, section D “Causal Link between Dumping and Injury”, the Petitioners attempt to demonstrate that Indonesian flour imports increased from 1st half of 2013 to 2nd half 2013. They use that argument to weakly state that volume of imports increased during that period and thus meets ADA Article 3.2. In fact, Sri Lankan flour exports to Indonesia, according to the data in the petition, have declined by 72% from 1st half of 2013 to 2nd half of 2013 so cannot be categorized in the same manner as India and Turkey. In addition, according to the same Petition data, Sri Lankan total annual flour exports to Indonesia have declined by 72% since 2011.*

84. KADI’s response

During the investigation, the calculation of the amount of the dumping margin determined for the cooperative parties BMAD based on the data and information in the questionnaire answers, information and evidence obtained during the investigation. All interested parties were given the opportunity to submit in writing all the relevant evidence related to the investigation, including evidence that has not been known about differences related to taxation. In accordance with Article 2.4 ADA, wheat import tax information and evidence claimed by Prima Ceylon and the Government of Sri Lanka is not taken into account in calculating the dumping margin. During the investigation KADI is to show interested parties what information is necessary for a fair comparison.

In accordance with Article 3.3 ADA, to determine the impact of imports from Turkey, India, and Sri Lanka can be done cumulatively: dumping margins established for each country is more than de minimis, the volume of imports from each country is not negligible, and imports from countries accused of dumping compete against each other, and also with the production of the Petitioner. Cumulatively, exports of these countries showed an increase, thus investigation into Sri Lanka to continue.

## E. CONCLUSION

85. Based on the findings, related to the dumping of imported goods, injury in IDN, and the causal link between the two, the amount of dumping margin obtained are as follows:

**Tabel 19. Dumping Margin**

No	Countries	Exporter Producer	Dumping Margin (%)
1	India	All Companies	14,9%
2	Sri	Prima Ceylon (Pvt) Limited	7,5%

	Langka	Others	7,5%
3	Turkey	Doruk Marmara Un Sanayiciligi A.S.	13,8%
		Erisler Gida Sanayi ve Ticaret A.S.	29,4%
		Kale Madencilik San. ve Tic A.S.	29,1%
		Tekinak Gida Sanayi Ve Ticaret A.S.	29,4%
		Ulas Gida Un Tekstil Nakliye Ticaret Ve Sanayi A.S	(9,0)%
		Ulusoy Un Sanayi Ve Ticaret A.S.	5,6%
		Unay Un San Tic A.S.	5,6%
		Others	29,4%