

DEPARTMENT OF TRADE AND INDUSTRY

APPLICATION OF GYPSUM BOARD INDUSTRY

PUBLIC VERSION

ANTI-DUMPING CASE NO.: AD01-2023

DATE : 29 November 2023

**REPORT ON THE INITIATION OF AN
INVESTIGATION ON THE APPLICATION
FOR ANTI-DUMPING DUTY ON GYPSUM
BOARD FROM THAILAND**

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I. INTRODUCTION

This is a report to determine if there is basis to initiate an anti-dumping investigation on gypsum board imported from Thailand. The Department of Trade and Industry (DTI) received an application for an anti-dumping investigation from Knauf Gypsum Philippines, Inc. (KGPI), alleging that imports of gypsum board originating from Thailand are being dumped and is causing injury to the domestic industry.

On 24 November 2023, after determining that the application is properly documented, the DTI accepted the application.

This report addresses the accuracy and adequacy of the petition to determine whether there is sufficient evidence to justify the initiation of an anti-dumping investigation on gypsum board from Thailand.

II. THE PHILIPPINE INDUSTRY'S PETITION

II.A Parties in the Petition

II.A.1. Domestic Industry

Section 3 (s) 4 of RA 8752 defines "domestic industry" as referring to the "domestic producers as a whole of the like product or to those of them whose collective output constitutes a major proportion of the total domestic production of that product, except when producers are related to the exporters or importers or are themselves importers of the allegedly dumped product, the term 'domestic industry' may be interpreted as referring to the rest of the producers."

Section 3 (b) paragraph 4 of RA 8752 further provides that "That application shall be considered to have been made "by or on behalf of the domestic industry if it is supported by those domestic producers whose collective output constitutes more than fifty percent (50%) of the total production of the like product produced by that portion of the domestic industry expressing either support for or opposition to the application. However, no investigation shall be initiated when domestic producers expressly supporting the application account for less than twenty-five percent (25%) of total production of the like product produced by the domestic industry".

The application was filed by Knauf Gypsum Philippines, Inc. was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 20, 2016. The Company's immediate parent company is Knauf International GmbH (KIG), a company incorporated and domiciled in Germany. Majority of shares are held by the immediate parent Investments - und company (75%) and the remaining shares are held by Deutsche Entwicklungsgesellschaft GmbH (25%), <0.01% owned by others.

The Company is primarily engaged in the business of manufacturing, production, sub-contracting, export, import, purchase, sale and distribution of gypsum-based building materials, specifically plasterboards, such as lightweight performance standard core boards, fire resistant boards, moisture resistant boards, impact resistant boards, sound resistant boards, combination with the performance boards, among others.

The products they manufacture are: Shield 9 1220 2440, Standard Shield 12 1220 2440, Standard Shield 15 1220 2440, Span Shield 10 1220 2440, Fire Shield 13 1220 2440, Fire Shield 16 1220 2440, Moisture Shield 9 1220 2440, Moisture Shield 12 1220 2440, Multi Shield 13 1220 2440, Multi Shield 16 1220 2440, Dense Shield 13 1220 2440 and Dense Shield 16 1220 2440, the widths and lengths of the products are produced by request from the customers.

On 01 April 2021, the Knauf Group acquired the remaining 50% of USG Boral Joint Venture from the Boral Group, making the Knauf Group the 100% owner of the parent company of Boral Plasterboard Philippines Inc (now Knauf Trading Inc), USG Boral Building Products Sdn, Bhd. The principal activities of the company include manufacturing, processing, importation, distribution, trading at wholesale, and installation training of building and construction products.

Industry Standing

Knauf Philippines, Inc. is the only manufacturer of gypsum in the Philippines. Thus, it satisfies the domestic industry requirement.

Manufacturers	Plant	Domestic Production* (MT) 9mm and 12mm			
		2019	2020	2021	2022
Petitioner	Calaca, Batangas	100	55	88	151
Other Manufacturers	None				

Source: Domestic Industry

*Figures indexed due to confidentiality

II.A.2. Importers and Exporters

The lists of importers and exporters of gypsum board products during the period of the investigation are the following:

a. Foreign Exporters of Gypsum Board

- Thai Gypsum Products PCL
- Gypmam Tech Company Limited
- The Siam Gypsum Industry Saraburi Co. Ltd.

b. Importers of Gypsum Board

- Cebu Evergreen Industries Inc.
- Cei Building Solutions Inc.
- Deco Arts Marketing Inc.
- Jea Steel Industries Inc.
- Lexus Industrial Enterprise Corp.
- Saint Gobain Philippines Co Ltd Inc Unit
- Skydragon Construction Products Inc.
- Ultra Petronne Interior Supply Corp.
- Central Lumber Corporation

Source: Domestic Industry

II.B. Allegations

The domestic gypsum board industry alleged that gypsum board is being imported from Thailand at dumped prices. There was a substantial margin of dumping of gypsum board from Thailand for the period January to December 2022 based on the domestic wholesale and export prices as gathered by the gypsum board industry. The industry claimed that the dumped imports of gypsum board began causing injury in 2019.

The industry stated that the key impact of dumping has been in the gypsum board industry's declining revenues resulting to lower profitability. With declining prices and declining profit margins, the gypsum board industry reduced its sales to price-sensitive customers as it was unable to match the unsustainably low prices offered by importers.

II. B.1 Documents Received

On 22 August 2022, DTI acknowledged the receipt of the anti-dumping petition. On 23 September 2022, DTI requested KGPI relevant data to be incorporated in their petition. KGPI confirmed receipt of the letter and informed DTI that they would prepare the updated petition paper accordingly.

On 14 October 2022, DTI received hard copies of the BOC - Single Administrative Document (SAD). Additional information were requested to KGPI as inputs to its application.

On 07 December 2022, the updated confidential and non-confidential copies of anti-dumping petition were transmitted to DTI.

II.B. Country of Origin

Gypsum board subject of the anti-dumping application originated from Thailand.

Section 1 of the IRR of RA 8752 provides: "The provisions of this Implementing Rules and Regulations (IRR) shall apply to any product which is imported into the Philippines at an export price less than its normal value in the ordinary course of trade for the like product when destined for consumption in the country of export or origin and which is causing or is threatening to cause material injury to a domestic industry, or materially retarding the establishment of a domestic industry producing the like product in the Philippines. x x x "

III. ROLE OF THE DTI UNDER RA 8752 (ANTI-DUMPING LAW)

III.A. Examination of Evidence to Justify Initiation of Investigation

In establishing that there is sufficient evidence to justify the initiation of investigation, the Secretary is guided by the provisions of Section 3 (b) paragraph 7 of RA 8752 and its Implementing Rules and Regulations which provides, "within five (5) working days from receipt of a properly documented application, the Secretary shall examine the accuracy and adequacy of the petition to determine whether there is sufficient evidence to justify the initiation of investigation. If there is no sufficient evidence to justify initiation, the Secretary shall dismiss the petition and properly notify the Secretary of Finance, the Commissioner of Customs, and other parties concerned regarding such dismissal. The Secretary shall extend legal, technical, and other assistance to the concerned domestic producers and their organizations at all stages of the anti-dumping action."

IV. THE PROCESS OF INITIATION OF INVESTIGATION

IV.A. Acceptance of the Petition

In accepting the petition of the Philippine gypsum board industry, the Secretary is guided by Section 3.c.4 of the IRR of RA 8752 which provides, "The Secretary shall preliminarily screen the application if the following conditions are met:

- i. The application is signed;
- ii. All relevant questions are answered or the reasons for the absence of information are given;
- iii. The attachments to the application are complete; and
- iv. The application is supported by a sufficient part of the Philippine industry producing the like product.

The application shall be checked for consistency of the information provided against other information available. DTI shall clarify any unclear or ambiguous statement with the applicant.

As soon as the requirements are completed, DTI shall acknowledge in writing that it has accepted a properly documented application through a letter of the Secretary. The date of the letter shall be considered as day zero (0) of the five (5) days within which he is required to determine whether there is sufficient evidence to justify the initiation of an investigation. If the applicant decides to give the Secretary further information in support of an application, the five (5) day period herein mentioned shall recommence, from the date of the submission of the new information. After this period, the Secretary shall no longer entertain any information that may be provided by the applicant".

IV.B. Posting of Surety Bond

Section 3.c(2) of the IRR of RA 8752 provides that “upon the acceptance of a properly documented application, the Secretary shall require the applicant to post a surety bond to answer for any and all damages that the importer may sustain by reason of the filing of a frivolous petition. Failure to post the surety bond within ten (10) days shall result in the dismissal of the application”.

IV.C. Notice to the Country of Export or Origin

Section 5 of the IRR of RA 8752 provides, “upon his acceptance of a properly documented application and before proceeding to initiate an investigation, the Secretary shall notify the government of the country of export or origin about the impending anti-dumping investigation and provide it a copy of the non-confidential summary of the application. However, the Secretary shall refrain from publicizing the application for the initiation of the investigation before a decision has been made to do so.”

IV.D. Decision to Initiate

Section 3.d.1. of the IRR of RA 8752 provides, “the Secretary shall, within five (5) working days from the date of his letter accepting the properly documented application referred to in Section 3.c.4, examine the accuracy and adequacy of the petition to determine whether there is sufficient evidence to justify the initiation of an investigation. The evidence of both dumping and injury shall be considered simultaneously a) in the decision whether or not to initiate an investigation, and b) thereafter, during the course of the investigation, starting at the earliest date when provisional measures may be applied.”

In assessing the sufficiency of evidence provided in the application, the Secretary will only satisfy himself that there is evidence that indicates dumping or the likelihood of dumping, and material injury based on the evidences submitted by the applicant.

If there is no sufficient evidence to justify the initiation of an investigation, the Secretary shall dismiss the petition and notify the Secretary of Finance, the Commissioner of Customs and other parties concerned regarding such dismissal.”

V. ANTI-DUMPING DUTY: PARAMETERS FOR EVALUATION

The Concept and Purpose of Anti-Dumping

Section 2 of RA 8752 provides, “it is hereby declared the policy of the State to protect domestic enterprises against unfair foreign competition and trade practices. Towards this end, substantive and procedural remedies available to domestic enterprises shall be strengthened and made responsive to recent developments in world trade.”

VI. THE EVIDENCE PRESENTED BY THE INDUSTRY

VI.A. The Product Subject to the Petition

As defined under Section 3 (s) 6 of R 8752, like product refers to “a product which is identical or alike in all respects to the product under consideration, or in the absence of such a product, another product which, although not alike in all respects, has characteristics closely resembling those of the product under consideration”.

VI.A.1. Domestic Product

a. Gypsum Board

The Applicant, Knauf Gypsum Philippines, Inc., produces a Gypsum Board which consists of a core of hardened extruded gypsum enclosed in a reinforcing layer of paper linerboard. The product is under both 6809.11.00 and 6809.19.90.

The board can be supplied in a range of thicknesses (normally from 6mm to 25mm), and any widths (normally from 600mm to 1400mm), and lengths (normally from 1800mm to 6000mm). It can also be supplied pre sawn into tile and panels into any sizes. The weight of the product is dependent on the thickness and core type, the standard core at 9mm thick is approximately 5.37kg/m² and for 12mm thick is approximately 7.89kg/m². The following table shows examples of the specific products sold in the Philippine market by the Applicant.

Core Type	Thickness	Width	Length
Standard Shield	9mm,12mm, 15mm	1220mm	2440mm
Span Resistant (Span Shield)	10mm	1220mm	2440mm
Fire Resistant (Fire Shield)	12mm,13mm, 15mm, 16mm	1220mm	2440mm
Moisture Resistant (Moisture Shield)	9mm, 12mm	1220mm	2440mm
Fire & Moisture Resistant (Multi Shield)	12mm,13mm, 15mm, 16mm	1220mm	2440mm
Dense (Dense Shield)	12mm,13mm, 15mm, 16mm	1220mm	2440mm

Source: Domestic Industry

b. Uses and Applications

b.1. Standard Shield

- Used for internal walls and ceilings
- Naturally heat and fire resistant
- Environmentally friendly
- Non-Hazardous

b.2. Fire Shield

- Used for internal walls and ceilings
- Fire resistant. Up to 4 hours of fire protection integrity
- High noise protection. Up to 56 dB of noise protection
- No hazardous substances

b.3. Moist Shield

- Used for internal walls and ceilings
- Splash resistant; preferably in high moisture areas such as bathrooms, kitchens, and indoor swimming pool areas.
- Moisture-resistant with water absorption value of less than 5%
- Manufactured using process and materials which are eco-friendly.
- No hazardous substances

b.4. Dense Shield

- Highest level of impact resistant (severe duty) in accordance with BS 5234 PART 2
- Fire resistant. Up to 4 hours of fire protection integrity
- Higher noise protection. Up to 60 dB of noise protection
- Impact Resistant
- Suitable for high traffic areas and meceus of escape in buildings such as hotels, condominiums, hospitals, shopping malls, educational institutes and, high-end residences.
- Eco-friendly.

c. Composition of Raw Materials

The appearance of the product is paper surfaced, with the gypsum core being visible at the cut ends of the board. The chemical composition of the core is Calcium Sulphate (gypsum), with minor amounts of other additives present.

The board can also be supplied in a number of core compositions for enhanced resistance to certain properties (e.g. fire, moisture, etc.). While these core compositions may contain additional reinforcing (e.g. fiberglass), they are primarily gypsum, and the fundamental reinforcement of the gypsum board is the paper liner. The edges of the board are generally formed square, or with a recessed edge to allow flush jointing of two boards together, although other edge types are also possible.

Typically, the major raw materials are Liner Paper, Gypsum, Energy, Additives.

d. Manufacturing Process

- Plaster or stucco is produced by calcinating gypsum (Calcium Sulphate) by heating to a temperature to produce chemical conversion of gypsum to plaster.
- Before calcination, the raw gypsum rock is generally dried and finely ground, however, some processes can dry, grind, and calcine the gypsum in one operation. The plaster or stucco produced, when mixed with water, undergoes a reverse reaction (rehydration), reverting to gypsum.
- Plaster board, or gypsum board in this classification is manufactured by mixing the above plaster with water and some additives and extruding the resultant slurry between continuous layers of paper liner board.
- The paper facilitates manufacture, gives a good surface finish to the product, and provides reinforcement for the normally brittle gypsum core. The paper enclosed slurry is conveyed on a forming conveyor that imparts a flat surface to the face of the board, holding it while the setting (rehydration) reaction hardens the core.
- Once certain time has passed and the plaster is set sufficiently hard, the sheets are cut to size, and fed into a board dryer. The dryer removes excess moisture from the board, which is then stacked ready for storage or shipping.
- In some processes, the board length is further trimmed before stacking, and a tape is applied to ends of the board.

e. Distribution Channels

The applicant solely sells through independent distributors. These independent distributors then on-sell to retailers, builders and contractors. Retailers sell to builders, developers and contractors. The contractors and builders/developer's co-ordinate the labor for the installation of the product.

VI.A.2. Imported Product

The allegedly dumped imported gypsum board from Thailand are classified under the following AHTN codes:

Tariff Heading Map AHTN Code / Description		Applicable Tariff Rate (%)	
		MFN	ATIGA
68.09 Articles of Plaster or of compositions based on plaster	6809.19.90 - - - Other	0	0
	6809.11.00 - - Faced or reinforced with paper or paperboard only	0	0

Source: Classification based on The Philippine Tariff Finder (PTF) of the Tariff Commission.
Retrieved from <http://tariffcommission.gov.ph/finder>

AHTN ASEAN Harmonized Tariff Nomenclature

MFN Most Favoured Nation

ATIGA ASEAN Trade in Goods Agreement

VI.A.2. Comparison between Imported and Domestic Product

The products locally produced by the applicant share the same physical properties and are used for the same purposes as the allegedly dumped products. The exact manufacturing process may differ between each producer; however, the key attributes of the product are the same:

- Gypsum core (potentially with additional additives for the additional technical performance)
- Encasing paper linerboard
- Widths generally of 1220mm (4") and widths of generally 2440mm (8")

Both the allegedly dumped products and locally produced products serve the same purpose for the end user: to clad the internal linings of buildings, as is demonstrated by the literature and websites of the producers of the allegedly dumped products.

VI.B. Period of Investigation

The period of investigation for dumping is from January 2022 to May 2023 while the period of investigation for injury is from 2019 to 2022.

VI.C. Determination of Dumping Margins

Section 11 (a) of the IRR of RA8752 provides, “the Secretary and the Commission shall determine the existence of dumping by making a fair comparison between the export price and the normal value of the allegedly dumped product, covering all transactions for the allegedly dumped product during the period of investigation (POI). In general, the POI for the determination of the margin of dumping or price difference shall cover import transactions made at least six (6) months prior to the date of filing of the petition. Provided, however, that in some cases, the POI may be adjusted to cover a shorter period in order to take into account other considerations that will ensure the appropriateness of the chosen POI, e.g., seasonality of products, availability of data, drastic increase in the importation of the dumped product, or facility in the verification of data.

Section 11 b further provides, “the comparison shall be made at the same level of trade, normally at ex-factory level, and in respect of sales made at the same time or as near as possible to the date of exportation. Due allowance shall be made in each case for differences which affect price comparability including differences in conditions and terms of sale, taxation, levels of trade, quantities, physical characteristics and any other differences which are also demonstrated to affect price comparability.”

VI.C.1. Normal Value

Section 3 (s) 3 of RA 8752 provides, “Normal value refers to a comparable price at the date of sale of the like product, commodity or article in the ordinary course of trade when destined for consumption in the country of export.”

Section 3 (n) of RA 8752 further provides, "if the normal value of an article cannot be determined, the provisions for choosing alternative normal value under Article VI of GATT 1994 shall apply."

KGPI submitted as evidence the normal value or price information for gypsum board from Thailand. Also, the Philippine Trade and Investment Center-Thailand provided information on the domestic prices of gypsum board through online research from the Thailand Ministry of Commerce, Division of Trade and Economic Indices. The reference exchange rate was sourced from an online research¹.

¹ Baht/US\$ exchange rate: <https://www.bot.or.th/en/statistics/exchange-rate.htm>

a) Conversion of Normal Value

As provided by the PTIC, the normal value from Thailand per sheet was converted into US dollar per kilogram using the estimated conversion rate provided by KGPI.

The following conversion of Gypsum Board sheet to kilogram are as follows: 9mm – 15.99 kg/sheet and for 12mm – 23.49kg/sheet.

The table below shows the conversion of the normal value of gypsum board in Thailand from Baht per sheet to US\$ per kilogram (kg).

Table 1: Conversion of Normal Value of Gypsum Board (Baht/sheet to US\$/kg)

Gypsum Board	Unit	Average Value (Baht)	US\$ per sheet	US\$ per kg
Standard gypsum board size 120 x 240 cm. thickness 9 mm. roc	sheet	xxx	xxx	xxx
size 120 x 240 cm. thickness 12 mm. gypsy	sheet	xxx	xxx	xxx

Table above is the computed normal value in US\$ per kg as basis in the computation of dumping margin.

VI.C.2. Export Price

Section 3 (s) 2 of RA 8752 provides, “Export price refers to (1) the ex-factory price at the point of sale for export; or (2) the F.O.B. price at the point of shipment. In cases where (1) or (2) cannot be used, then the export price may be constructed based on such reasonable basis as the Secretary or the Commission may determine.”

The export prices were derived from the electronic Single Administrative Document-Import Entry and Internal Revenue Document (SAD-IEIRD) generated thru the database of the Philippine Bureau of Customs.

VI.C.3. Comparison between Export Price and Normal Value

Section 3 (g) of RA 8752 provides, “The Secretary or the Commission as the case may be, shall motu proprio terminate the investigation at any stage of the proceedings if the provisionally estimated margin of dumping is less than two percent (2%) of export price or the volume of dumped imports or injury is negligible.

Section 3 (n) paragraph 2 of RA 8752 states, “If possible, an individual margin of dumping shall be determined for each known exporter or producer of the article under investigation. In cases where the number of exporters, producers, importers or types of products involved is so large as to make such determination impracticable, the Secretary and the Commission may limit their examination either to a reasonable

number of interested parties or products by using samples which are statistically valid on the basis of information available to them at the time of the selection, or to the largest percentage of volume of exports from the country in question which can reasonably be investigated.”

In order to ascertain whether dumping exists, comparison must be made between the export price and normal value of the product. In the determination of dumping margins in the case, the corresponding transaction export price was compared with the relevant normal value as indicated in Table 1. Using the normal value endorsed by PTIC Thailand and export prices appearing in the available BOC-SAD covering the period January 2022 to May 2023, the computed dumping margins for gypsum board from Thailand Exporter are as follows:

Table 2: Computed Dumping Margin for Gypsum Board Imported from Thailand (US\$/kg)

Exporter	Type	Size	Weighted Average Dumping Margin (US\$/kg)	% of Weighted Average Export Price Dumping
GYPMAM TECH COMPANY LIMITED	Standard	9MMX1220MMX2440MM	0.09	53.09
		12MMX1220MMX2440MM	0.10	58.61
THAI GYPSUM PRODUCTS PCL.	Standard	9MMX1220MMX2440MM	0.02	11.06
		12MMX1220MMX2440MM	0.06	33.14

Source: BOC-SAD

Comparison between the export price and normal value of gypsum board from Thailand for January 2022 to May 2023 indicated a dumping margin of: Standard type – dumping margin rate: 11.06% to 53.09% for 9mm and 33.14% to 58.61% for 12 mm.

VI.D. Determination of the Volume of Dumped Imports

Section 3 (g) of RA 8752 states, "the Secretary or the Commission, as the case may be, shall motu proprio terminate the investigation at any stage of the proceedings, if the volume of dumped imports is negligible".

Section 3 (g) of RA 8752 and Section 9(b) of its IRR further provides, "the volume of the allegedly dumped products from a particular country shall normally be regarded as negligible if it accounts for less than three percent (3%) of the total imports of said product in the Philippines unless countries which individually account for less than three percent (3%) of the total imports of the said product in the Philippines collectively account for more than seven percent (7%) of the total imports of that product."

Table 3: Volume of Allegedly Dumped Imports of Gypsum Board from Thailand Relative to Philippine Imports

Sources	2021	2022	2023 (Jan-May)
	Volume in MT	Volume in MT	Volume in MT
Allegedly Dumped Imports from Thailand	42,301	30,422	15,774
Non-Dumped Imports from Thailand	2,296	3,175	1,077
Imports from Thailand	44,597	33,597	16,851
Imports from Other Sources	11,358	18,469	6,995
Total Philippine Imports	56,301	52,066	23,846
Allegedly Dumped Imports from Thailand as % of Total Philippine Imports	75.13%	58.43%	66.15%

Source: BOC-SAD- Indexed Figures

Table above exhibited the dumped imports from Thailand against the total Philippine imports at 75% in 2021, 58% in 2022 and 66% in Jan-May 2023.

The volume of alleged dumped gypsum board product satisfies the *de minimis* volume requirement of three percent (3%).

VI.E. Evidence of Injury

Section 3 (i) paragraphs 1 and 2 of RA 8752 provides, "the presence and extent of material injury to the domestic industry, as a result of the dumped imports shall be determined on the basis of positive evidence and shall require an objective examination of, but shall not be limited to the following:

1. The rate of increase and amount of imports, either in absolute terms or relative to production or consumption in the domestic market;
2. The effect of the dumped imports on the price in the domestic market for like product, commodity or article, that is, whether there has been a significant price undercutting by the dumped imports as compared with the price of like product, commodity or article in the domestic market, or whether the effect of such imports is otherwise to depress prices to a significant degree or prevent price increases, which otherwise would have occurred, to a significant degree; and
3. The effect of the dumped imports on the domestic producers or the resulting retardation of the establishment of a domestic industry manufacturing like product, commodity or article, including an evaluation of all relevant economic factors and indices having a bearing on the state of the domestic industry concerned, such as, but not limited to, actual or potential decline in output, sales, market share, profits, productivity, return on investments, or utilization of capacity; factors affecting domestic prices; the magnitude of dumping; actual

and potential negative effects on cash flow, inventories, employment, wages, growth, and ability to raise capital or investments.

The extent of injury of the dumped imports to the domestic industry shall be determined by the Secretary and the Commission upon examination of all relevant evidence. Any known factors other than the dumped imports which at the same time are injuring the domestic industry shall also be examined and the injuries caused by these factors must not be attributed to the dumped imports. The relevant evidence may include, but shall not be limited to, the following:

1. The volume and value of imports not sold at dumping prices;
2. Contraction in demand or changes in consumption pattern;
3. Trade restrictive practices and competition between foreign and domestic producers;
4. Developments in technology; and
5. Export performance and productivity of the domestic industry".

VI.E.1.a. Price Undercutting

Price undercutting as defined in Section 2 (v) of the IRR of RA 8752 refers to the "extent at which the allegedly dumped product is consistently sold at a price below the domestic selling price of the like product". To establish the existence and extent of any price undercutting, the importer's (ex-warehouse) selling price of the imported product is compared with the price of the domestic product, usually at ex-factory level.

Table 4: Comparison between Landed Cost of Imports and Average Ex-plant Price of Domestic Product in 2021 and 2022 (January-September)

Year	* Ex-work Price of Domestic Industry (P / MT) (a)	**Wtd. Average Landed Cost of Imports from Thailand (P/MT) (b)	% DIFFERENCE [(a-b)/b] x 100
2021			
Standard 9 mm	xxx	xxx	18.93
Standard 12 mm	xxx	xxx	- 15.52
2022 (Jan-Sept)			
Standard 9 mm	xxx	xxx	26.53
Standard 12 mm	xxx	xxx	- 5.85

Source: * Domestic Industry
 **BOC – SAD

Table 4 reflects price undercutting at 18.93% in 2021 and at 26.53% in 2022 (January-September) for Standard 9 mm. In addition, the domestic industry is selling below cost to compete with imports.

VI.E.1.b. Price Depression

Price depression usually occurs when prices are lower than those in a market unaffected by dumping, usually in a previous period. As provided in Section 2(t) of the IRR of RA 8752, "price depression reflects the extent at which the domestic producer decreases its selling price in order to compete with the allegedly dumped product".

The table below reflects that there is no price depression during the POI.

Table 5: Average Ex-plant Price of Domestic Product

Year	Ave. Ex-work Price of Domestic Industry (₱ /MT)*	% Increase/ (Decrease)	Ave. Ex-work Price of Domestic Industry (₱ /MT)*	% Increase/ (Decrease)
	9mm	9mm	12mm	12mm
2019	100	-	100	-
2020	100	-	100	-
2021	106	6.19	105	4.76
2022 (Jan-Sept)	141	32.55	147	40.19

Source: Domestic Industry (Knauf Gypsum Philippines Inc.)

*Figures indexed due to confidentiality

VI.E.1.c. Price Suppression

Price suppression as defined in Section 2(u) of RA 8752 refers to "the extent by which the allegedly dumped product prevents the domestic producer from increasing its selling price to a level that will allow full recovery of its cost of production". It usually occurs when the company despite increases in cost (which normally should be translated into price increases) could not increase their prices to a level that will allow full recovery of its cost of production.

Table 6: Comparison between Average Ex-plant Price and Cost of Production of Domestic Product

Year	Average Ex-work Price*		Cost of Production*		Difference*		% Difference [(a-b)/b] x 100	
	(₱/MT)		(₱/MT)		(₱/MT)			
	9mm	12mm	9mm	12mm	9mm	12mm	9mm	12mm
2019	100	100	100	100	100	100	(7.47)	(18.01)
2020	100	100	126	133	445	281	(26.43)	(38.17)
2021	106	105	115	123	222	204	(14.47)	(29.97)
2022 (Jan-Sept)	141	147	102	103	-383	-94	28.18	16.36

Source: Domestic Industry (Knauf Gypsum Philippines Inc.)

*Figures indexed due to confidentiality

There is price suppression during the POI, from 2019 to 2021.

VI.E.2. Volume Effect

Article 3.2 of the Anti-Dumping Agreement and paragraph (i) subparagraph 1 of RA 8752, provides that "investigating authorities shall consider whether there has been a significant increase in dumped imports, either in absolute terms or consumption in the importing member."

VI.E.2.1. Absolute Terms (2019- 2023 (Jan-May)) in MT

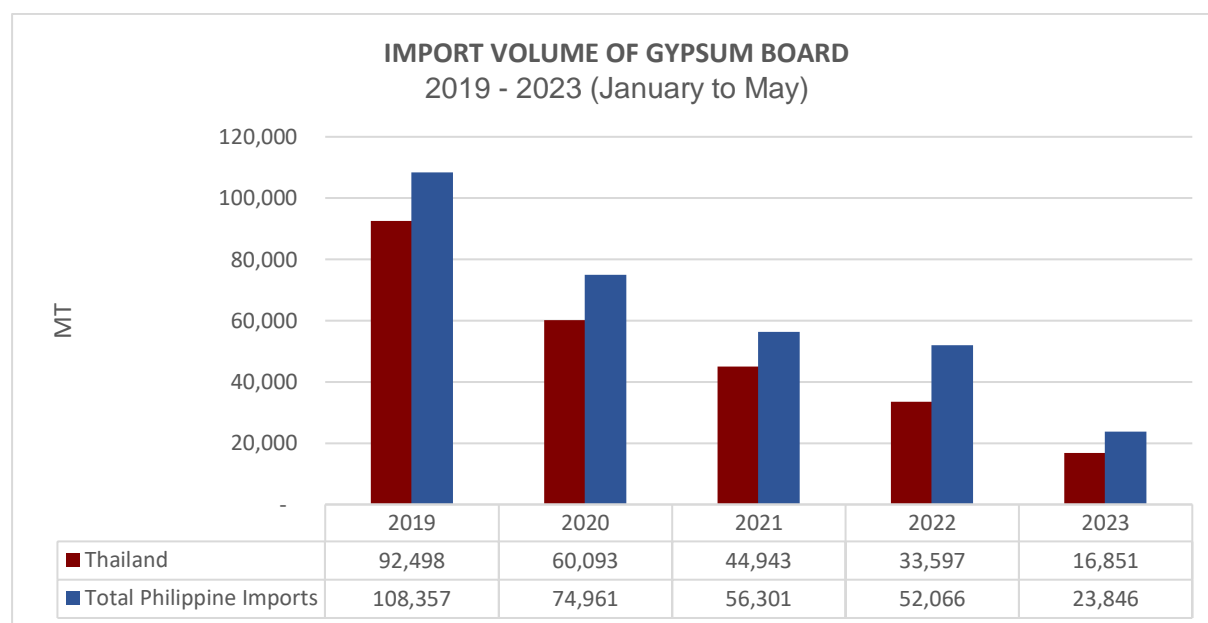


Table 7: Philippine Imports of Gypsum Board from 2019 to 2023 (Jan– May) in MT

Particulars	Year					2023 (Jan-May)
	2019	2020	2021	2022 (Jan to Sept)	2022	
Thailand	92,498	60,093	44,943	24,700	33,597	16,851
Other Sources	15,859	14,868	11,358	13,765	18,469	6,995
Total Imports	108,357	74,961	56,301	38,465	52,066	23,846
Change In:						
Thailand	-	(35%)	(25%)	-	(25%)	-
Other Sources	-	(6%)	(24%)	-	63%	-
Total Imports	-	(31%)	(25%)	-	(8%)	-
Imports from Thailand as % of						
Other Sources	583%	404%	396%	179%	182%	-
Total Imports	85%	80%	80%	64%	64%	-

Source: Volume of Imports, Bureau of Customs - SAD

Thailand is the major supplier of gypsum board in the Philippines during the POI.

Volume of imports from Thailand was recorded at about 92,000MT in 2019, declined by 35% in 2020 and by 25% in 2021 and in 2022. Imports from other sources declined by 6% in 2020 and further by 25% (2021) but increased by 63% in 2022.

VI.E.2.2. In Relation to Philippine Market - 2019 to 2022 (Jan-Sept) in MT

Table 8: Imports of Gypsum Board vis a vis Industry Sales and Philippine Market 2019 to 2022 (January–September) in MT

Particulars	Year			
	2019	2020	2021	2022 (Jan to Sept)
Total Imports	108,357	74,961	56,301	38,465
<i>Imports from Thailand</i>	92,498	60,093	44,943	24,700
<i>Imports from Other Sources</i>	15,859	14,868	11,358	13,765
Domestic Industry Sales*	100	51	84	147
Total Philippine Market*	100	64	61	68
% Share in the Philippine Market				
Domestic Industry	xxx	xxx	xxx	xxx
Total Imports	xxx	xxx	xxx	xxx
Imports from Thailand	61%	62%	48%	24%
Imports from Other Sources	xxx	xxx	xxx	xxx

Other Sources: PROC, United Kingdom, France, Republic of Korea, Japan, Chinese Taipei, Malaysia, Indonesia, Netherlands, Hong Kong, Germany, United States, Australia, Viet Nam, Denmark, India, Spain, Singapore, Turkiye, Guam, Portugal and Belgium

Sources: Import Volume - Bureau of Customs (SAD-IEIRD)

Domestic Sales - Domestic Industry

*Figures indexed due to confidentiality

The Philippine apparent consumption during the POI showed a fluctuating trend. The share of imports from Thailand increased to 62% in 2020. It declined to 48% in 2021. In 2022 (Jan to Sept), Thailand's share of imports was 24% of the Philippine market.

Domestic sales accounted xxx of the Philippine market in 2019, declined to xxx in 2020, and increased to xxx in 2021. In 2022 (January to September), domestic sales was at xxx.

VI.E.2.3. In Relation to Domestic Production

Table 9: Domestic Production of Gypsum Board Relative to Imports from Thailand - 2019 to 2022 (January-September)

Sources	Year (in MT)			
	2019	2020	2021	2022 (Jan-Sept)
Thailand	92,498	60,093	44,943	24,700
Domestic Production*	100	55	88	151
Imports from Thailand as % of:				
Domestic Production	xxx	xxx	xxx	xxx

Sources: Import Volume - BOC-SAD

Domestic Production - Domestic Industry

*Figures indexed due to confidentiality

The share of imports from Thailand relative to domestic production was recorded at xxx in 2019, rose to xxx in 2020, and declined to xxx in 2021. In 2022 (January to September), imports from Thailand accounted for xxx of domestic production.

VI.E.3. Economic Impact

Section 12 a (3) of the IRR of RA 8752 provides for an objective examination of "the effect of the importation of the dumped products on the domestic producers or the resulting retardation of the establishment of a domestic industry producing the like product, including an evaluation of all relevant economic factors and indices having a bearing on the state of the domestic industry concerned, such as, but not limited to, actual or potential decline in output, sales, market share, profits, productivity, return on investments, or utilization of capacity; factors affecting domestic prices; the magnitude of dumping; and actual and potential negative effects on cash flow, inventories, employment, wages, growth, and ability to raise capital or investments. This list is not exhaustive, nor can one or several of these factors necessarily give decisive guidance".

Section 12 (c) of the IRR of RA 8752 further provides, "the effect of the importation of the dumped products shall be assessed in relation to the domestic production of the like product by separate identification of that production based on such criteria as production processes, sales and profits. If such is not possible, the effect of the importation of the dumped products shall be assessed by the examination of the production of the narrowest group or range of products which includes the like product for which the necessary information is available."

VI.E.3.a. Domestic Sales

Table 10: Domestic Sales Volume and Value

Year	Sales Volume* (MT)	% Increase (Decrease)	Sales Value* (Php Million)	% Increase (Decrease)
2019	100	-	100	-
2020	51	(49.30)	56	(43.98)
2021	84	64.93	93	65.51
2022 (Jan-Sept)	147	-	205	-

Source: Domestic Industry

*Figures indexed due to confidentiality

Before the pandemic, the domestic industry's level of sales in 2019 for gypsum board sizes (9mm and 12mm) recorded xxx at xxx. Sales volume and value declined by 49% and 44%, respectively in 2020. In 2021, sales volume and value increased by 65% and 66%, respectively. According to the domestic industry, sales volume has improved as the sourcing of plasterboard has gradually been localized starting 3rd quarter of 2021 with the acquisition of the Boral business. However, sales volume in 2021 was still lower by 16% compared to the 2019 level and sales value lower by 7%.

In the three quarters of 2022, sales volume and value almost doubled compared to the 2021 level of sales. However, market share of locally produced gypsum board accounts to 63% while the demand is supplied by 24% dumped imports from Thailand.

VI.E.3.b. Production

Table 11: Total Production

Year	2019	2020	2021	2022 (Jan-Sept)
Production (MT)*	100	55	88	151
% Increase (Decrease)	-	(44.79)	59.73	-

Source: Domestic Industry

*Figures indexed due to confidentiality

The domestic industry invested and commenced local production in the last quarter of 2018. Production in 2019 reached at xxx. In 2020, production declined by 45% as sales declined by 49%. In 2021, the acquisition of Boral business showed an improvement in volume towards the end of 2021, recording an increase of 60% year on year, as the industry started producing the boards locally in the 4th quarter.

In the three quarters of 2022, production volume almost doubled compared to the 2019 level. The production increased as sales volume increased.

VI.E.3.c. Finished Goods Inventory

Table 12: Finished Goods Inventory

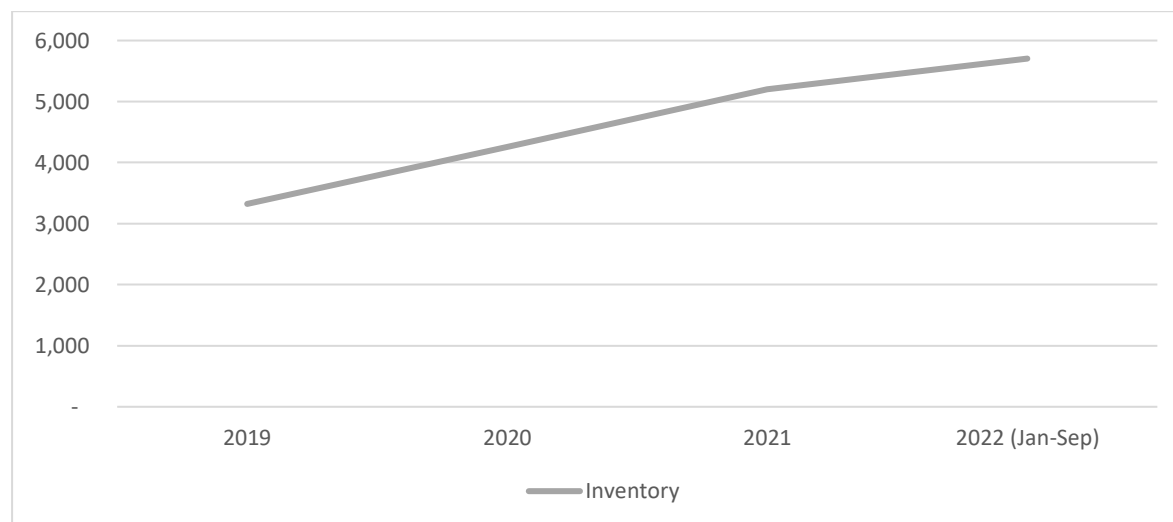
Year	Volume* (MT)	% Increase (Decrease)	Value* (Php Million)	% Increase (Decrease)
2019	100	-	100	-
2020	128	28.10	177	76.69
2021	156	22.15	187	5.85
2022 (Jan-Sept)	172	-	205	-

Source: Domestic Industry

*Figures indexed due to confidentiality

The finished goods inventory volume increased year on year from 2019 to 2021 by 28% and 22% respectively. Meanwhile, the value of finished goods inventory increased by 77% in 2020 and further by 6% in 2021. As of September 2022, finished goods inventory volume and value slightly increased compared to the 2021 level.

Figure 1: Sales, Production and Finished Goods Inventory Volume



Based on the figure above, the sales and production volume followed a similar trend throughout the POI. The domestic industry managed and maintained a minimal finished goods inventory level.

VI.E.3.d. Capacity Utilization

Table 13: Capacity Utilization

Year	Rated Capacity* (MT)	Total Production* (MT)	Capacity Utilization Rate* (%)	% Increase (Decrease)
2019	100	100	100	20.12
2020	100	55	55	(44.74)
2021	100	89	89	61.06
2022 (Jan-Sept)	75	149	200	124.30

Source: Domestic Industry

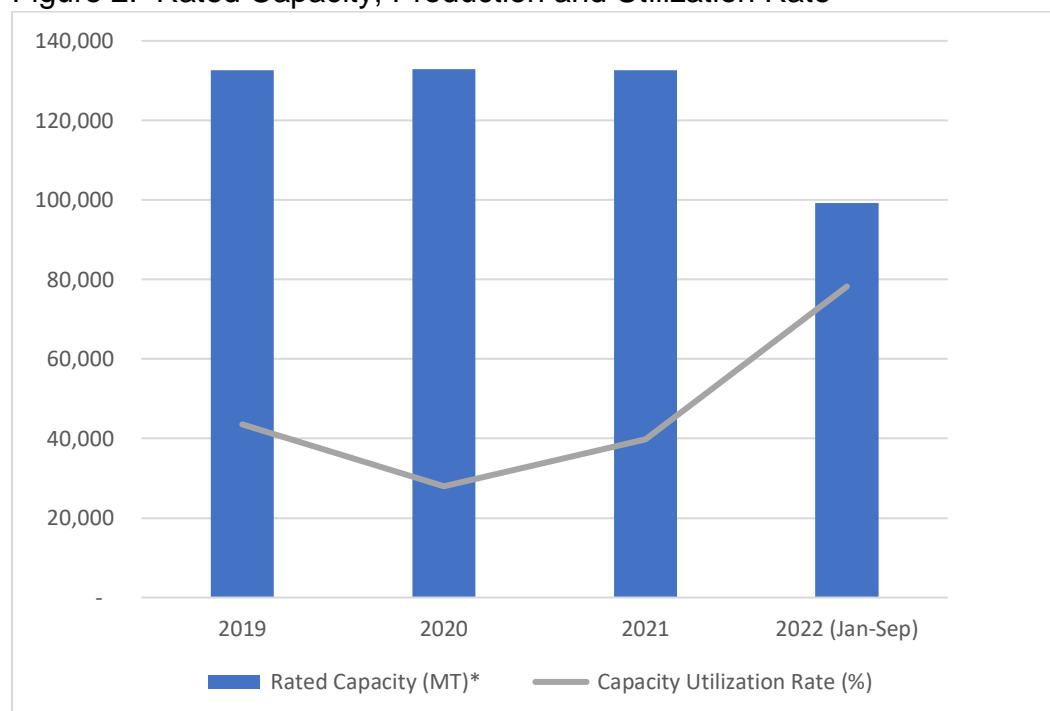
*Figures indexed due to confidentiality

Table 13 shows the capacity utilization of the domestic industry considering the rated capacity of the plant and the total production of all sizes of gypsum board.

The capacity utilization has been increasing since the start of the production in the last quarter of 2018 to the 3 quarters of 2022, except a decline of capacity utilization by 45% in 2020.

According to the domestic industry, capacity utilization improved as a result of the acquisition of Boral business.

Figure 2: Rated Capacity, Production and Utilization Rate



VI.E.3.e. Financial Performance/ Profitability

1. Profit and Loss

Table 15: Earnings Before Interest and Taxes

Particulars	2019	2020	2021	2022* (Jan-Sept)	% Increase (Decrease) (2020 vs.2019)	% Increase (Decrease) (2021 vs.2020)
Sales*	100	56	93	205	(43.98)	65.51
Cost of Goods Sold*	100	50	101	187	(50.18)	103.48
Gross Profit*	100	71	71	251	(28.41)	(0.89)
Operating Expenses*	100	61	71	69	(38.49)	15.77
Operating Profit (Loss)*	100	53	72	-86	47.14	(35.11)

Source: Domestic Industry

*Figures indexed due to confidentiality

The domestic industry started its operation in the last quarter of 2018. For the purpose of analyzing the profitability, 2019 was the base year. In 2020 (height of the Covid-19 pandemic), the industry's gross profit declined by 28% and further declined by almost 1% in 2021 despite the increase of sales revenue by 66%. The effect can be attributed to the increase of the cost of goods sold by 103% which is higher than the increase in sales. According to the domestic industry, gross profit remained below 2019 level due to inability of the domestic industry to recover escalating cost due to downward price pressure from the parties importing the dumped product.

The industry recorded operating losses from 2019 until 2021. According to the domestic industry, they had to secure additional bank loans in 2021 in order to fund continued operations. Meanwhile, the domestic industry started to record operating profit in the 3 quarters of 2022. According to the domestic industry, the ramping up of local manufacturing which started in the last quarter of 2021 contributed to a better revenue.

2. Return on Sales

Table 16: Return on Sales

Particulars	2019	2020	2021	2022 (Jan-Sept)
Sales (Million)*	100	56	93	205
Operating Profit (Loss)*	100	53	72	-86
Return on Sales*	100	94	77	-42

Source: Domestic Industry

*Figures indexed due to confidentiality

Return on Sales (ROS) is a measure of how efficiently a company turns sales into profits.

The ROS based on operating profit was recorded in the 3 quarters of 2022 at 14.01%. Prior to that, loss on sales were recorded ranging from 25.58% to 33.21% during the years 2019 to 2021.

VI.E.3.f. Employment and Labor Productivity

1. Employment

Table 17: Employment

Particulars	2019	2020	2021	2022 (Jan-Sept)
Manufacturing*	100	100	224	208
Support*	100	100	212	226
Direct*	100	100	217	219
Indirect Employment*	100	100	70	85
Total*	100	100	164	171
% Increase (Decrease)	(2.13)	-	64.13	3.97

Source: Domestic Industry- Indexed figures

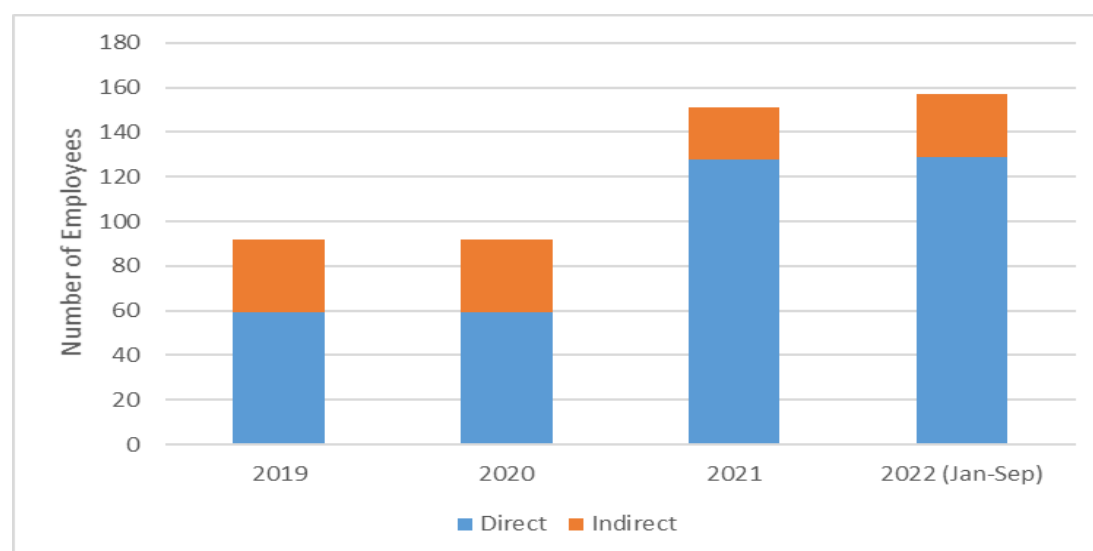
*Figures indexed due to confidentiality

The table above shows the number of direct and indirect employment of the domestic industry.

In 2019, employment slightly declined by 2% and total employment remained even in the height of pandemic in 2020. Employment increased in 2021 by 64% and further by 4% in the first 3 quarters of 2022.

According to the domestic industry, the acquisition of Boral business resulted to the regularization of the xxx existing contractual employees and absorption of Boral's direct and indirect employees to complement the bigger organization with a stable manpower.

Figure 3: Employment



2. Productivity

Table 18: Labor Productivity

Year	Production Volume*	Employees for Production*	Labor Productivity* (MT/employees)	% Increase (Decrease)
2019	100	100	100	401.21
2020	55	100	55	(44.59)
2021	89	136	65	17.92
2022	149	138	108	65.66

Source: Domestic Industry

*Figures indexed due to confidentiality

The labor productivity was computed by dividing total employees (less support employees) from the total production. The table shows an increasing trend of labor productivity from the start of operation until the first 3 quarters of 2022 except in 2020 where a decline of 45% in labor productivity was recorded.

VI.F. Other Causes of Injury

- Substantial competition continued with imported product since the applicant invested and commenced local production in 2018. injury exacerbated during 2020 when the entire region experienced a decline in demand and the overseas producers have excess capacity and having the advantage to fill the capacity as long as they cover the variable cost.
- Gypmam Tech Co began importing in late 2020, suspected due to lower utilization in domestic market.
- Injury is current and expected to continue as Thai manufacturers maintain a strong drive and continue to offer reducing prices, especially in Cebu where Applicant spends sea freight to maintain higher levels of utilization
- The alleged dumping of products has caused prices to deteriorate and remain suppressed for continued periods. this has resulted to continued loss of market share for local production, degrading margins and negative profitability.
- Without relief, local manufacturer will become unviable due to the poor margins, lack of return on investment and inability to grow volumes.
- Without a strong local manufacturer, the Thai manufacturers will have the ability to dictate future prices for the gypsum board in the Philippines.
- The pricing level in the Philippine market is beginning to make it unviable for a local manufacturer to survive based on volumes achievable against Thai exports at current pricing levels.

VII. CONCLUSIONS

VII.A Determination of Like or Directly Competitive Product

- The product covered by the petition falling under AHTN Codes 6809.11.00 and 6809.19.90 described as Gypsum Board which consists of a core of hardened extruded gypsum enclosed in a reinforcing layer of paper linerboard. The board can be supplied in a range of thicknesses (normally from 6mm to 25mm), and any widths (normally from 600mm to 1400mm), and lengths (normally from 1800mm to 6000mm). Used for internal walls and ceilings, naturally heat and fire resistant, environmentally friendly and non-hazardous.

VII.B1. Dumping for Gypsum Board

a) *Dumping Margins*

- Comparison between the export price and normal value of gypsum board from Thailand for January 2022 to May 2023 indicated a dumping margin of: Standard type – dumping margin rate: 11.06% to 53.09% for 9mm and 33.14% to 58.61% for 12 mm.

b) *Volume of Allegedly Dumped Imports*

- Dumped imports from Thailand against the total Philippine imports at 75% in 2021, 58% in 2022 and 66% in Jan-May 2023. The volume of alleged dumped gypsum board product satisfies the *de minimis* volume requirement of three percent (3%).

VII.B.3. Economic Factors

a. *Domestic Sales*

- Sales volume and value almost doubled in the 3 quarters of 2022 compared to 2021 level, 63% of the demand was supplied by the domestic industry while 24% was captured by dumped imports from Thailand.

b. *Market Share*

- Market share of domestic product increased during the POI from 29% in 2019 to 40% in 2021 and further to 63% in 2022.
- Share of imports from Thailand increased to 62% in 2020. It declined to 48% in 2021.
- In 2022 (Jan to Sept), Thailand's share of imports was 24% of the Philippine market.

d. *Prices*

- The domestic gypsum board industry experienced price undercutting by 19% in 2021 and 27% in 2022 (Jan-Sept) for Standard 9mm. There is price suppression during the POI, from 2019 to 2021.

e. Profits and Losses

- Gross profit declined by 28% and further declined by almost 1% in 2021 despite the increase of sales revenue by 66%.
- Recorded operating losses from 2019 until 2021

f. Return on Sales

- ROS based on operating profit was recorded in the 3 quarters of 2022 at xxx. Prior to that, loss on sales were recorded ranging from xxx to xxx during the years 2019 to 2021.

g. Production

- In 2020, production declined by 45% as sales declined by 49%.
- In 2021, the acquisition of Boral business showed an improvement in volume towards the end of 2021, recording an increase of 60% year on year, as the industry started producing the boards locally in the 4th quarter.

h. Capacity Utilization

- Increased capacity utilization since the start of the production in the last quarter of 2018 to the 3 quarters of 2022, except a decline of capacity utilization by 45% in 2020.

i. Employment

- In 2019, employment slightly declined by 2% and total employment remained even in the height of pandemic in 2020.
- Employment increased in 2021 by 64% and further by 4% in the first 3 quarters of 2022.

j. Productivity

- Increasing trend of labor productivity from the start of operation until the first 3 quarters of 2022 except in 2020 where a decline of 45% in labor productivity was recorded.

h. Inventories

- inventory volume increased year on year from 2019 to 2021 by 28% and 22% respectively.
- As of September 2022, finished goods inventory volume slightly increased compared to the 2021 level.

VII.C. Other Causes of Injury

Substantial competition continued with imported product since the applicant invested and commenced local production in 2018. Injury exacerbated during 2020 when the entire region experienced a decline in demand and the overseas producers have excess capacity and having the advantage to fill the capacity as long as they cover the variable cost.

Without relief, local manufacturer will become unviable due to the poor margins, lack of return on investment and inability to grow volumes. Without a strong local manufacturer, the Thai manufacturers will have the ability to dictate future prices for the gypsum board in the Philippines.

The pricing level in the Philippine market is beginning to make it unviable for a local manufacturer to survive based on volumes achievable against Thai exports at current pricing levels.

VIII. CAUSATION

Volume of dumped imports declined from xxx or 75% of the total Philippine imports in 2021 to xxx or 58% of the total Philippine imports in 2022. The identified exporters who were dumping are xxx with dumping margin of: Standard type - 11.06% to 53.09% for 9mm and 33.14% to 58.61% for 12 mm.

Imports from Thailand relative to production increased in 2020 but began to decline in 2021 and the three quarters of 2022. It can be noted that in April 2021, Knauf Group acquired the Boral Business, in effect, the import requirement of Boral Plasterboard Philippines Inc. was locally produced by Knauf starting the 4th quarter of 2021. Market share of domestic product increased during the POI from 29% in 2019 to 40% in 2021 and further to 63% in 2022.

While sales volume and value almost doubled in the 3 quarters of 2022 compared to 2021 level, 63% of the demand was supplied by the domestic industry while 24% was captured by dumped imports from Thailand.

Domestic industry suffered material injury in terms of declining domestic sales, production, utilization rate and increase inventory in 2021.

IX. RECOMMENDATION

Based on the aforementioned, there is a prima facie evidence that the domestic industry suffered material injury before the acquisition efforts as evidenced by the low market share of the domestic industry ranging from 23% to 40%, operating losses and price suppression from 2019 to 2021, and price undercutting in 2021. Furthermore, the industry continued to suffer material injury due to the dumped imports even after the improvement of the operations which resulted from the acquisition as evidenced by the substantial market share captured by dumped imports from Thailand at 24% in the three quarters of 2022, and the continued price undercutting of the domestic prices which in effect, inhibits the industry from raising its current prices to be more viable in its operation.

X. DECISION

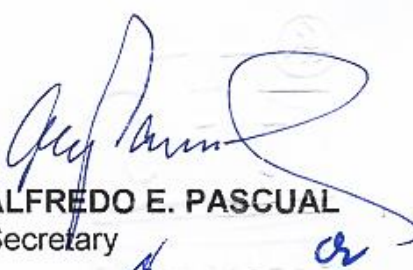
In light of the foregoing, the Department finds basis to initiate a preliminary anti-dumping investigation on gypsum board imported from Thailand.

Let the notice of the initiation of the preliminary investigation to be conducted by the Department of Trade and Industry be published in two (2) newspapers of general circulation and let individual notices be sent to all interested parties including the country member concerned.

The official date of initiation of the investigation shall be the date on which the notice of initiation is published in two (2) newspapers of general circulation.

SO ORDERED.

29 November 2023



ALFREDO E. PASCUAL
Secretary