

**MOFCOM Preliminary Finding of the Anti-dumping Investigation  
against Imports of Distiller's Dried Grains with or without Solubles  
(DDGS) Originated in the USA**

According to findings of the investigations and the Anti-dumping Regulations, the Investigation Authority makes the preliminary finding as the follows:

**I. Investigation Procedure**

**1. Initiation of the Case**

On November 19, 2015, CADA (hereinafter referred to as the “Applicant”), on behalf of China domestic industry of DDGS, apply to the MOFCOM for the Anti-dumping investigation against imports of DDGS originated from the USA.

In accordance with the provisions of the Regulations of the People's Republic of China on Anti-dumping (hereinafter referred to as the “Anti-dumping Regulations”), on January 12, 2016, the Ministry of Commerce (hereinafter referred to as the “Investigation Authority”) issued Announcement No. 2 of 2016, deciding to initiate anti-dumping investigations into the imports of DDGS originated in the USA (hereinafter referred to as the “Products under Investigation”). The period of investigation for dumping is October 1, 2014 to September 30, 2015 (hereinafter referred to as the “Dumping Investigation Period”); the period of investigation for industry injury is January 1, 2012 to September 30, 2015 (hereinafter referred to as the “Injury Investigation Period”).

**2. Investigation before Preliminary finding**

Within the stipulated period, 89 American companies (association), such as POET LLC, US Grains Council, 6 Chinese importers, and 27 Chinese Manufactures made the registration at the investigation authority to participate in the investigation according to the Announcement No.2 of 2016 requirement.

Since there a lot of companies in registration to participate in the investigation, the authority decides to investigate by way of sampling survey. And 3 companies are chosen to be the sample in the case: POET LLC, Big River Resources, LLC and Marquis Energy LLC, Marquis Energy-Wisconsin, LLC.

On March 10, 2016, the authority put the questionnaire for the investigation on its official website for any interested party to answer it.

The authority, after holding a hearing in which many interested parties participate, receiving comments from interested parties, meeting the representative from Marquis

Energy LLC, conducted on-site verification at two domestic applicants.

## **II. Production under Investigation**

Scope of investigation: imports of DDGS originated in the USA.

Name of products under investigation: Distiller's Dried Grains with or without Solubles

Description: Distiller's Dried Grains with or without Solubles, whose raw material is corn or other grains, refers to the alcohol stillage and residue liquid dry matter obtained after the processing of stillage in the process of fermentation of alcohol (ethanol), regardless of whether it contains soluble protein substances.

Main purposes: The DDGS is mainly used as ingredients for animal feed, with other nutritional ingredients for the formulation, for feeding poultry, livestock, aquatic products and special animals, etc

The product is listed under tariff number of 23033000 in the Customs Import and Export Tariff of the People's Republic of China.

## **III. Dumping and Dumping Margin**

After examining the questionnaire, the authority affirmed preliminarily the normal price, export price and adjustments, compared the normal prices with export price at the same commercial level of Ex-works, and decided the dumping margin of each company which is listed in Attachment 2).

## **IV. Domestic Like Products and Domestic Industry**

### **1. Affirmation of Domestic Like Products**

The investigation authority affirms that the DDGS produced in China are the like products of products under investigation since the DDGS produced in China are basically the same with products under investigation in respects of their basic physical characteristic, raw material, production process and equipment, main purpose of the products, sale channel, customer base, and consumers' evaluation, etc.

### **2. Affirmation of Domestic Industry**

The investigation authority affirms that enterprises submitting the response of the questionnaire for domestic manufactures can represents domestic industry, thus the domestic data that the ruling relies on, unless otherwise stated, all comes from the above domestic manufactures.

## **V. Injury of Industry and the Extent of Injury**

### **1. Imports Quantity of the Dumping Imports**

The investigation authority investigates the dumping imports quantity in absolute terms and in relative terms compared to China's production and consumption. The

data are according to the PRC Custom as the follows:

(Unit: 10,000 Ton)

Period	Imports Quantity	Changing Rate <sup>1</sup>
2012	238.15	-
2013	400.02	Increase 67.97%
2014	541.12	Increase 35.27%
2015 Jan-Sept	527.39	Increase 3.92% <sup>2</sup>

During the Injury Investigation Period, the quantity of the product under investigation grows sharply.

(Unit: 10,000 Ton)

Period	China Apparent Consumption	Changing Rate
2012	572.57	-
2013	744.71	Increase 30.07%
2014	872.98	Increase 17.22%
2015 Jan-Sept	751.46	Increase 0.92% <sup>3</sup>

During the Injury Investigation Period, China apparent consumption of DDGS grows year by year, and the changing rate of the imports quantity of the products under investigation exceeds that of the apparent consumption to a large extent.

Period	Percentage of Imports Quantity in China Domestic Market Share	Changing Rate
2012	41.59%	-
2013	53.72%	Increase 12.12%
2014	61.99%	Increase 8.27%
2015 Jan-Sept	70.18%	Increase 2.03% <sup>4</sup>

During the Injury Investigation Period, the market share of the product under investigation grows sharply.

In conclusion, during the Injury Investigation Period, whether the imports quantity of the products under investigation in absolute terms or in relevant terms, they all grows sharply and imminently.

## 2. Dumping Imports Impacts on the Price of Domestic Industry Like Products

### a) Price of Dumping Imports and Price of Domestic Industry Like Products

The investigation authority compared the price of dumping imports and price of

<sup>1</sup> Changing rate all refers to the changing rate of the data compared with that of last year, if not specially stated.

<sup>2</sup> Compared to same period of last year

<sup>3</sup> Ibid 1

<sup>4</sup> Ibid 1

domestic industry in terms of the same commercial level. The investigation authority set the CIF price of the products under investigation provided by the China Customs as the base price, and adjusted it into the Price of Dumping Imports, taking the exchange rate and custom duty rate into consideration. While the authority set the weighted average price of the domestic industry like products Ex-works as the Price of Domestic Industry Like Products.

(Unit of Price: Yuan/Ton)

Period	Price of Dumping Imports	Changing Rate	Price of Domestic Industry Like Products	Changing Rate
2012	2150.38	-	1739.40	-
2013	2283.56	Increase 6.19%	1918.88	Increase 10.32%
2014	2099.98	Decrease 8.04%	1854.91	Decrease 3.33%
2015 Jan-Sept	1945.84	Decrease 7.61% <sup>5</sup>	1549.99	Decrease 17.87% <sup>6</sup>

During the Injury Investigation Period, the Price of Dumping Imports at the end of the Period decreased 9.51% compared to that of the beginning of the Period; while the Price of Domestic Industry Like Products at the end of the Period decreased 10.89% compared to that of the beginning of the Period. The price of dumping imports and the price of domestic industry like products are in the same trend, increasing at first and decreasing later, linked together.

#### **b) Impact of Price of Dumping Imports on Price of Domestic Industry Like Products**

After examination, the investigation authority affirms that the products under investigation are in direct competition with domestic industry like products.

According to investigation data, in the year 2012 to 2013, the sale price of domestic industry like product increased 10.32%. At the same period, the sale price of dumping imports increased 6.19%. And the imports quantity are 2381.5 thousand tons and 4000.2 thousand tons, occupying China domestic market share 41.59% and 53.72% respectively. The quantity imports and the percentage of domestic market share of the products under investigation all increase sharply and the quantity imports of the products under investigation in 2013 occupied more than 50% of domestic market share, in a dominant position. In 2012 and 2013, the apparent consumption of China DDGS grew. And the unit sale costs of domestic industry like products are 1576.96 Yuan/ton and 1748.68 Yuan/ton. Notwithstanding the sale cost of domestic industry like products increased 10.89%, the sale price of domestic industry like products only increased 10.32%, lower than the increasing rate of the cost, which shows that the sale cost of domestic industry like product did not conduct to its sale price, in other words, the sale price did not reasonably consume the growth of cost. In 2012 to 2013, the

<sup>5</sup> Ibid 1

<sup>6</sup> Ibid 1

dumping imports had inhibition impact on the price of domestic industry like products.

In the year 2013 to 2015 January-September, the imports quantity increased very sharply, from 4000.2 thousand tons in 2013 to 5411.2 thousand tons in 2014, from 5074.9 thousand tons in 2014 January-September to 5273.9 thousand tons in 2015 January-September, the China domestic market share of which rose from 53.72% in 2013 to 61.99% in 2014, from 68.15% in 2014 January-September to 70.18% in 2015 January-September, in a dominant position as price leader in domestic DDGS market competition. During the period, the price of dumping imports decreased sharply and continuously, for the price in 2014 decreased 8.04% compared to that in 2013, the price in 2015 January-September decreased 7.61% compared to that in 2014 January-September, as a result, the price of domestic industry like products decreased continuously, in a same trend with the price of dumping imports, the two prices being linked together. The investigation authority noticed that in 2015 January-September, the sale price of domestic industry like products decreased 17.89% compared with that of same period of last year, its decreasing rate growing more imminently than the decreasing rate of price of imports. The authority believes that, since the imports quantity in 2015 January-September rose to the highest point in the investigation period, with its market share rising to the highest point in the investigation, in order not to lose its present market share, domestic like industry was forced to cut price to a large extent, causing its decreasing rate to grow more imminently than the decreasing rate of price of imports.

The investigation authority preliminarily affirms that during the injury investigation period, the dumping imports had a decreasing and inhibiting impact on the price of domestic industry like products.

In response to opposing views of the American interested parties, the investigation authority contends that first, the view that “ the price of China DDGS is not influenced by the US imports of DDGS” claimed in the comment by US Grains Council is not in accordance with the fact; second, the view that “the change of corn price causes the decrease in price of domestic DDGS” claimed in the comment by US Grains Council is not in accordance with the fact; Third, the impact of change of soybean meal price on domestic industry like products price does not negate the material impact of dumping imports on domestic industry like products price.

### **3. Domestic Industry during the Investigation Period**

#### **a) Apparent Consumption**

**(Unit: 10,000 Ton)**

<b>Period</b>	<b>Apparent Consumption</b>	<b>Changing Rate</b>
2012	572.57	-
2013	744.71	Increase 30.07%

2014	872.98	Increase 17.22%
2015 Jan-Sept	751.46	Increase 0.92% <sup>7</sup>

During the injury investigation period, the apparent consumption of domestic DDGS is in a growing trend.

**b) Capacity**

(Unit: 10,000 Ton)

Period	Capacity	Changing Rate
2012	214.8	-
2013	223.8	Increase 4.19%
2014	233.8	Increase 4.47%
2015 Jan-Sept	175.35	flat <sup>8</sup>

During the injury investigation period, the capacity of domestic industry like products is in a continuously growing trend.

**c) Production**

(Unit: 10,000 Ton)

Period	Production	Changing Rate
2012	159.73	-
2013	175.05	Increase 9.59%
2014	180.78	Increase 3.27%
2015 Jan-Sept	129.61	Increase 0.61% <sup>9</sup>

During the injury investigation period, the production of domestic industry like products is in a continuously growing trend.

**d) Domestic Sales Quantity**

(Unit: 10,000 Ton)

Period	Domestic Sales Quantity	Changing Rate
2012	164.18	-
2013	175.13	Increase 6.67%
2014	166.56	Increase 4.89%
2015 Jan-Sept	126.02	Increase

During the injury investigation period, the domestic sales quantity of domestic industry like products is generally in a growing trend.

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<sup>7</sup> Ibid 1  
<sup>8</sup> Ibid 1  
<sup>9</sup> Ibid 1  
<sup>10</sup> Ibid 1

**e) Market Share**

Period	Market Share	Changing Rate
2012	28.67%	-
2013	23.52%	Decrease 5.15%
2014	19.08%	Decrease 4.44%
2015 Jan-Sept	16.77%	Increase 1.64% <sup>11</sup>

During the injury investigation period, the market share of domestic industry like products is in a continuously decreasing trend.

**f) Sales Price**

(Unit: Yuan/Ton)

Period	Sales Price	Changing Rate
2012	1739.40	-
2013	1918.88	Increase 10.32%
2014	1854.91	Decrease 3.33%
2015 Jan-Sept	1549.99	Decrease 17.87% <sup>12</sup>

During the injury investigation period, the sales price of domestic industry like products is generally in a decreasing trend.

**g) Sales Revenue**

(Unit: Billion Yuan)

Period	Sales Revenue	Changing Rate
2012	2.856	-
2013	3.361	Increase 17.68%
2014	3.090	Decrease 8.06%
2015 Jan-Sept	1.953	Decrease 8.15% <sup>13</sup>

During the injury investigation period, the sales revenue of domestic industry like products is generally in an increasing trend.

**h) Profit before Tax**

(Unit: Billion Yuan)

Period	Profit before Tax	Changing Rate
2012	-0.037	-
2013	-0.062	Increase -67.93%

<sup>11</sup> Ibid 1

<sup>12</sup> Ibid 1

<sup>13</sup> Ibid 1

2014	-0.156	Increase-151.80%
2015 Jan-Sept	-0.414	Increase-588.71%

During the injury investigation period, the profit before tax of domestic industry like products is in a continuous trend of loss, and the loss is becoming imminently large.

**i) Rate of Return on Investment**

Period	Rate of Return on Investment	Changing Rate
2012	-1.38%	-
2013	-1.86%	Decrease 0.48%
2014	-4.00%	Decrease 2.14%
2015 Jan-Sept	-11.51%	Decrease 9.20% <sup>15</sup>

During the injury investigation period, the rate of return on investment of domestic industry like products is in a continuous trend of decreasing, and is all in negative value.

**j) Operating Rate**

Period	Operating Rate	Changing Rate
2012	74.36%	-
2013	78.22%	Increase 3.86%
2014	77.32%	Decrease 0.9%
2015 Jan-Sept	73.92%	Increase 0.45% <sup>16</sup>

During the injury investigation period, the rate of operating rate of domestic industry like products is generally in a trend of decreasing.

**k) Employee**

**(Unit: Number of Person)**

Period	Employee	Changing Rate
2012	1681	-
2013	1683	Increase 0.09%
2014	1660	Decrease 1.34%
2015 Jan-Sept	1543	Decrease 6.45% <sup>17</sup>

During the injury investigation period, the rate of employee of domestic industry like products is generally in a trend of decreasing.

<sup>14</sup> Ibid 1

<sup>15</sup> Ibid 1

<sup>16</sup> Ibid 1

<sup>17</sup> Ibid 1



**l) Productivity of Labor****(Unit: Ton/Year/Person)**

Period	Productivity of Labor	Changing Rate
2012	950.03	-
2013	1040.17	Increase 9.49%
2014	1088.78	Increase 4.67%
2015 Jan-Sept	839.93	Increase 7.55% <sup>18</sup>

During the injury investigation period, the rate of productivity of labor of domestic industry like products is generally in a trend of increasing.

**m) Per-capita Wage****(Unit: Yuan/Year/Person)**

Period	Per-capita Wage	Changing Rate
2012	23417	-
2013	27622	Increase 17.96%
2014	28048	Increase 1.54%
2015 Jan-Sept	21662	Increase 5.11% <sup>19</sup>

During the injury investigation period, the rate of Per-capita Wage of domestic industry like products is in a trend of continuously increasing.

**n) Stock at the End of the Period****(Unit: Ton)**

Period	Stock at the End of Period	Changing Rate
2012	38728	-
2013	39032	Increase 0.79%
2014	182728	Increase 368.15%
2015 Jan-Sept	217140	Increase

During the injury investigation period, the rate of stock at the end of the period of domestic industry like products increased continuously and imminently.

**o) Net Cash Flow of Operating Activity****(Unit: Billion Yuan)**

Period	Net Cash Flow of Operating Activity	Changing Rate
2012	0.866	-
2013	0.799	Decrease 7.74%

<sup>18</sup> Ibid 1<sup>19</sup> Ibid 1<sup>20</sup> Ibid 1

2014	0.147	Decrease 81.56%
2015 Jan-Sept	0.495	Increase 191.14 <sup>21</sup>

During the injury investigation period, the rate of net cash flow of operating activity of domestic industry like products is generally in a trend of decreasing.

**p) Investment and Financing Ability**

During the injury investigation period, there is no evidence that shows that investment and financing ability of domestic industry like products suffers from bad influence of the imports of products under investigation.

The investigation authority also examined the dumping margin of the imports, and the evidence shows that the dumping margin of the imports is above 30%, not in a De-minimis situation, which is adequate to have a bad influence on domestic market price.

After making a comprehensive analysis about relevant data, the investigation authority preliminarily affirms that during the injury investigation period, the domestic DDGS industry suffered from material injury.

**VI. Causal Link**

**1. The Dumping Imports Causes Material Injury of Domestic Industry**

The investigation authority preliminarily affirms that there is causal link between the dumping imports and the material injury of domestic DDGS industry.

**2. Analysis of Other Known Factors**

It is claimed by the US Grains Council, Marquis Energy LLC and Big River Resources, LLC that the following factors may cause material injury on domestic industry. The investigation authority hereby makes a preliminary investigation.

- a) **Influence of Constraints of Ethanol and Alcohol Production**
- b) **Influence of Change of Subsidy Policy on Ethanol**
- c) **Influence of Corn Price**
- d) **Structural Oversupply of Alcohol Industry**

The investigation authority preliminarily affirms that the above factors do not negate the causal link between the imports of products under investigation and the material injury of domestic industry.

**VII. Preliminary finding of Investigation**

According to the above investigation, the investigation authority affirms preliminarily that there is existence of dumping in the DDGS originated in the US, and domestic industry of DDGS suffers from material injury, and there is causal link between the dumping and the material injury.

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<sup>21</sup> Ibid 1

## Attachment List: Data of DDGS anti-dumping Case

Items	2012	2013	2014	2015Jan-Sept
Domestic Total Production (Ton)	3,400,000	3,500,000	3,350,000	2,250,000
Changing Rate		2.94%	-4.29%	-6.25%
Domestic Total Imports Quantity (Ton)	2,382,070	4,001,531	5,413,123	5,275,853
Changing Rate		67.99%	35.28%	3.92%
Imports Quantity of Products under Investigation (Ton)	2,381,470	4,000,230	5,411,156	5,273,911
Changing Rate		67.97%	35.27%	3.92%
Apparent Consumption (Ton)	5,725,651	7,447,100	8,729,762	7,514,582
Changing Rate		30.07%	17.22%	0.92%
Capacity (Ton)	2,148,000	2,238,000	2,338,000	1,753,500
Changing Rate		4.19%	4.47%	0.00%
Production (Ton)	1,597,311	1,750,473	1,807,709	1,296,116
Changing Rate		9.59%	3.27%	0.61%
Operating Rate	74.36%	78.22%	77.32%	73.92%
Changing Rate (Percentage Point)		Increase 3.86	Decrease 0.9	Increase 0.45
Domestic Sales Quantity (Ton)	1,641,768	1,751,304	1,665,632	1,260,155
Changing Rate		6.67%	-4.89%	11.82%
Domestic Market Share	28.67%	23.52%	19.08%	16.77%
Changing Rate (Percentage Point)		Decrease 5.15	Decrease 4.44	Increase 1.64
Domestic Sales Revenue (Yuan)	2,855,698,116	3,360,544,278	3,089,593,046	1,953,226,199
Changing Rate		17.68%	-8.06%	-8.15%
Domestic Sales Price (Yuan/Ton)	1739.40	1918.88	1854.91	1549.99
Changing Rate		10.32%	-3.33%	-17.87%
Profit before Tax (Yuan)	-36,980,595	-62,102,949	-156,373,586	-414,367,158
Changing Rate of Loss		67.93%	151.80%	588.71%
Dumping Imports Price (Yuan/Ton)	2150.38	2283.56	2099.98	1945.84
Changing Rate		6.19%	-8.04%	-7.61%
Rate of Return on Investment	-1.38%	-1.86%	-4.00%	-11.51%
Changing Rate		Decrease 0.48	Decrease 2.14	Decrease 9.91

(Percentage Point)				
Net Cash Flow (Yuan)	865,623,345	798,589,061	147,224,540	494,684,916
Changing Rate		-7.74%	-81.56%	191.14%
Stock at the End of Period (Ton)	38,728	39,032	182,728	217,140
Changing Rate		0.79%	368.15%	26.54%
Employee (Number of Person)	1,681	1,683	1,660	1,543
Changing Rate		0.09%	-1.34%	-6.45%
Per-capita Wage (Yuan/Year/Person)	23,417	27,622	28,048	21,662
Changing Rate		17.96%	1.54%	5.11%
Productivity of Labor (Ton/Year/Person)	950.03	1040.17	1088.78	839.93
Changing Rate		9.49%	4.67%	7.55%