



**UNITED STATES DEPARTMENT OF COMMERCE**  
**International Trade Administration**  
Washington, D.C. 20230

A-570-851

POR: 2/01/10 - 1/31/11

**PUBLIC DOCUMENT**

AD/CVD Operations, Office 7/ MJH

**MEMORANDUM TO:** Ronald K. Lorentzen  
Acting Assistant Secretary  
for Import Administration

**FROM:** Christian Marsh *CM*  
Deputy Assistant Secretary  
for Antidumping and Countervailing Duty Operations

**SUBJECT:** Issues and Decision Memorandum for the Final Results in the  
Administrative Review of Certain Preserved Mushrooms from the  
People's Republic of China

**SUMMARY:**

We have analyzed the comments and rebuttal comments of interested parties in the administrative review of the antidumping duty order on certain preserved mushrooms from the People's Republic of China (PRC) for the period of review (POR) of February 1, 2010, through January 31, 2011. As a result of our analysis, we have made certain changes from the preliminary results. We recommend that you approve the positions described in the "Discussion of the Issues" section of this Issues and Decision Memorandum.

Below is the complete list of the issues in this administrative review for which we received comments by parties:

- Comment 1: FOP Database Used to Calculate Bluefield's Normal Value
- Comment 2: Calculation of Land Rent
- Comment 3: Valuation of Rice Straw
- Comment 4: Valuation of Manure
- Comment 5: Use of Indian Surrogate Values to Value Manure and Straw
- Comment 6: Valuation of Coal
- Comment 7: Valuation of Water



## BACKGROUND:

On March 6, 2012, the Department published the preliminary results of this administrative review.<sup>1</sup> The review covers five manufacturers/exporters of subject merchandise.<sup>2</sup> We examined (1) Blue Field (Sichuan) Food Industrial Co., Ltd. (Blue Field) and (2) Dujiangyan Xingda Foodstuffs Co., Ltd. (Xingda) as mandatory respondents.<sup>3</sup> Three other companies filed separate rate certifications and qualified for separate-rate status.<sup>4</sup>

In the *Preliminary Results*, we invited parties to comment.<sup>5</sup> On April 19, 2012, the Department received timely case briefs from Blue Field and from the Petitioner in this proceeding, Monterey Mushrooms, Inc. (Monterrey Mushrooms).<sup>6</sup> On April 24, 2012, Blue Field and Monterey Mushrooms submitted rebuttal briefs.<sup>7</sup> On June 19, 2012, we extended the final results of this administrative review by 60 days.<sup>8</sup>

## DISCUSSION OF THE ISSUES

### Comment 1: FOP Database Used to Calculate Bluefield's Normal Value

Blue Field asserts the Department should use the revised factors of production (FOP) database that it submitted on November 10, 2011, to calculate Normal Value (NV), rather than the database that it submitted in its original July 6, 2011, Section D questionnaire response. Blue Field asserts the July 6, 2011, FOP database reports includes production inputs outside of the POR, whereas Blue Field's November 10, 2011, FOP database reports includes costs incurred during the relevant mushroom growing seasons of March 2010 and September 2010.<sup>9</sup> Blue Field asserts that its November 10, 2011, FOP database is less distortive than its July 6, 2011, database because the November 10, 2011, database is restricted to all of the "inputs related to mushroom processing incurred during the POR".<sup>10</sup>

Blue Field contends that Petitioner, Monterey Mushrooms, Inc., has made self-contradictory arguments concerning which of Blue Field's FOP databases the Department should use to calculate NV. Blue Field asserts that in its March 21, 2012, submission Petitioner argued that

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<sup>1</sup> See *Certain Preserved Mushrooms From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review, and Rescission in Part*, 77 FR 13264 (March 6, 2012) (*Preliminary Results*).

<sup>2</sup> See *id.* at 77 FR 13,265-67.

<sup>3</sup> See *id.* at 77 FR 13,265.

<sup>4</sup> See *id.* at 77 FR 13,266-67.

<sup>5</sup> See *id.* at 77 FR 13,269.

<sup>6</sup> See April 19, 2012, letter from Shanghai Yuet Fai Commercial Consulting Co., Ltd. to Secretary of Commerce Re: Certain Preserved Mushrooms from the People's Republic of China, Blue Field Case Brief (Blue Field Case Brief); see also April 19, 2012 Petitioner Case Brief from Kelley Drye & Warren LLP (Petitioner Case Brief).

<sup>7</sup> See April 24, 2012, Rebuttal Brief from Shanghai Yuet Fai Commercial Consulting Co., Ltd. to Secretary of Commerce Re: Certain Preserved Mushrooms from the People's Republic of China, Blue Filed Case Brief (Blue Field Rebuttal Brief); see also April 24, 2012, Petitioner Rebuttal Brief from Kelley Drye & Warren LLP (Petitioner Rebuttal Brief).

<sup>8</sup> See *id.*

<sup>9</sup> See Blue Field Case Brief at 2-3.

<sup>10</sup> See *id.* at 3.

Blue Field's July 6, 2011, FOP database was internally consistent and matched the temporal operations of Blue Field's growing and canning operations.<sup>11</sup> Blue Field argues that in its October 14, 2011, comments Petitioner, in contrast, asserted that Blue Field's July 6, 2011, FOP database improperly reported consumption factors through use of data outside of the POR.<sup>12</sup>

Blue Field notes that in its November 10, 2011, FOP database it provided all measurements on a "per kilogram of drained weight basis", whereas Blue Field's July 6, 2011, database reports the inputs necessary to report one can of merchandise.<sup>13</sup> Blue Field further asserts that in its November 10, 2011, database, it corrected a clerical error regarding jar weight for one of its control numbers (CONNUMs).<sup>14,15</sup> Finally, Blue Field argues the Department fully verified the information set forth in its November 10, 2011, database, and contends that the Department can easily incorporate in its margin calculations the information set forth in Blue Field's November 10, 2011, database.<sup>16</sup>

Petitioner argues the Department should continue to rely upon Blue Field's July 6, 2011, database to calculate NV. Petitioners contend that in its July 6, 2011, FOP database, Blue Field "reported factor consumption outside of the POR, due to the fact that the steps of growing, processing, canning, and selling the subject merchandise involved operations outside of the POR."<sup>17</sup> Petitioner asserts that Blue Field's November 10, 2011, database relies upon a ratio of the "volumes in two growing seasons to POR—only canned mushroom production to estimate factor consumption in the POR."<sup>18</sup> Petitioner asserts that this methodology fails to account for the rotating harvest and growing seasons associated with mushrooms.<sup>19</sup> Petitioner argues that Blue Field's July 6, 2011, FOP database includes information from the growing and production periods incurred by Blue Field during the POR.<sup>20</sup> Petitioner concludes that Blue Field's July 6, 2011, FOP database "is internally consistent and temporally matches Blue Field's growing and canning operations."<sup>21</sup> Petitioner asserts, however, that Blue Field's November 10, 2011, database creates a "temporal gap" because that database incorporates "extra-POR information on growing operations while information on canning operations is limited to only months within the POR."<sup>22</sup>

Petitioner further asserts that Blue Field has mischaracterized its position concerning which FOP database the Department should use. While Petitioner did argue that Blue Field should submit a

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<sup>11</sup> *See id.*

<sup>12</sup> *See id.*

<sup>13</sup> *See id.* at 4.

<sup>14</sup> A CONNUM represents each unique combination of product characteristics as defined by field numbers 3.1-3.8 of the June 1, 2011 Section C antidumping questionnaire issued to Blue Field. The eight product characteristics which comprise the variable CONNUM in this case are: (1) preservation method, (2) container type, (3) mushroom style, (4) weight, (5) container solution, (6) label type, (7) container size, and (8) other product identifiers. *See* Blue Field June 1, 2011 antidumping questionnaire at C-3.

<sup>15</sup> *See id.* at 1.

<sup>16</sup> *See id.* at 2.

<sup>17</sup> *See* Petitioner Rebuttal Brief at 1.

<sup>18</sup> *See id.* at 2.

<sup>19</sup> *See id.*

<sup>20</sup> *See id.* at 2-3.

<sup>21</sup> *See id.* at 3.

<sup>22</sup> *See id.*

database that “completely and accurately” ties its inputs to merchandise sold during the POR, Petitioner contends that Blue Field’s November 10, 2011, database “exacerbated the gaps and disconnects between input purchases, input inventory, and output finished goods.”<sup>23</sup> Petitioner argues that while the Department could incorporate either Blue Field’s July 6, 2011 or November 10, 2011, FOP database in its margin calculations, Blue Field’s July 6, 2011, database represents the more accurate basis for calculating NV.<sup>24</sup>

Petitioner asserts that in the final results the Department can make any programming adjustments necessary to correct the jar weight of the control number in question, regardless of which FOP database the Department uses.<sup>25</sup> Petitioner further asserts the Department’s preliminary calculations correctly performed the adjustment on Blue Field’s July 6, 2011, database necessary to bring the units of measurement into alignment with Blue Field’s reported gross price.<sup>26</sup>

Department’s Position:

In these final results, we have continued to rely upon Blue Field’s July 6, 2011, FOP database to calculate NV. When presented with multiple FOP databases, the Department normally will select the FOP database which most accurately reflects the respondent’s production experience. For example, section D of the Department’s questionnaire directs respondents to report factors of production by

calculate{ing} the per-unit factor amounts based on the actual inputs used by your company during the POR as recorded under your normal accounting system. If you believe that using POR factors is inappropriate (for example, because of the seasonal nature of the product), if you sold some models/products during the POR but did not produce them during the POR, or if you have any questions regarding the appropriate calculation period, please contact the official in charge before preparing your response to this section of the questionnaire.<sup>27</sup>

As Petitioner has noted, Blue Field’s July 6, 2011, FOP database temporally matches Blue Field’s mushroom growing operations with the time frame of Blue Field’s canning and processing operations, and incorporates the time frame of the POR to capture both Blue Field’s mushroom growing and mushroom processing costs.<sup>28</sup> In other words, the July 6, 2011, FOP database most accurately reflects Blue Field’s production experience during the POR because it consistently reports mushroom growing and processing costs. Moreover, the July 6, 2011, FOP database allows the Department to account fully for mushroom growing and processing costs

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<sup>23</sup> See *id.* at 4.

<sup>24</sup> See *id.*

<sup>25</sup> See *id.*

<sup>26</sup> See *id.* at 4-5.

<sup>27</sup> See Section D Questionnaire, dated June 1, 2011, at D-1 to D-2.

<sup>28</sup> At page D-2 of its July 6 2011, submission Blue Field indicated that the information reported in the July 6, 2011 response represent information “based on the actual inputs Blue Field used to produce the merchandise under consideration during the POR. See Blue Filed July 6, 2011, Section D response at D-2. In contrast, at page 6 of its November 11, 2011, supplemental response, Blue Field stated that for purposes of calculating the material, energy and labor costs associated with growing fresh mushrooms, Blue Field used data from its two mushroom-growing seasons: (1) March 2010, through June 2010 and (2) September 2010 through April 2011. To calculate mushroom processing costs in its November 11, 2011, supplemental response, Blue Field reported POR costs. See Blue Field November 11, 2011, supplemental response at 6.

within the same time period. In contrast, to calculate the value of growing fresh mushrooms, the November 10, 2011, FOP database incorporates material, energy, and labor costs from periods outside of the mushroom growing season while limiting the time frame of Blue Field's canning operations to the POR.<sup>29</sup> Thus, the November 10, 2011, FOP database does not fully capture Blue Field's mushroom growing and mushroom processing costs. Accordingly, because Blue Field's July 6, 2011, FOP database incorporates a consistent time frame for allocating both mushroom growing and mushroom processing costs, we have continued to rely on that July 6, 2011, FOP database in these final results.

We further note that in both the *Preliminary* and final results, we have performed the necessary conversions to match sales data reported on a kilogram per drained weight basis with the FOP information reported by Blue Field on a cost per can basis.<sup>30</sup> Finally, we note that in these final results we have corrected the error in jar weight mentioned by Blue Field.<sup>31</sup>

#### Comment 2: Calculation of Land Rent

Blue Field notes that, in the *Preliminary Results*, the Department based its calculation of the surrogate value for land rent upon data that were used in the most recently completed administrative review of the Order, which covered the period February 1, 2009, to January 31, 2010.<sup>32</sup> Blue Field asserts that to calculate rent the Department should use the land area and production quantity that Blue Field submitted in its November 10, 2011, supplemental questionnaire response.<sup>33</sup> Blue Field asserts that the data provided in its November 10, 2011, supplemental questionnaire response reflect the total area of leased mushroom sheds of both the March through June 2010 and September 2010 through April 2011 growing seasons.<sup>34</sup> Blue Field further contends these data reflect all of the layers of mushroom beds employed in growing mushrooms.<sup>35</sup>

Petitioner contends that in addition to renting the land used for mushroom sheds, Blue Field also rented land for digging and gathering soil to be used in beds to grow mushrooms.<sup>36</sup> Petitioner cites to the Department's February 15, 2012, verification report wherein the Department observed digging of soil across the street from Blue Field's campus.<sup>37</sup> Petitioner contends that in calculating land rent cost, the Department should include both the area of mushroom sheds and the area for digging soil.<sup>38</sup> Because Blue Field's proposed calculation of land rent fails to include the land used by Blue Filed for digging soil, Petitioner asserts that the figure set forth in the most recently completed administrative review of mushrooms constitutes the "best

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<sup>29</sup> See Blue Field November 10, 2011, Supplemental Response at 6; see also exhibit 5 to Blue Field's November 10, 2011, submission.

<sup>30</sup> See Memorandum From Michael J. Heaney to the File, Re Final Analysis for Blue Filed (Sichuan) Food Industrial Co., Ltd. (Blue Field) dated September 4, 2012 (Blue Field Final Analysis Memorandum) at Attachment 2.

<sup>31</sup> See *id.* at 3.

<sup>32</sup> See Blue Field Case Brief at 5.

<sup>33</sup> See *id.* at 6.

<sup>34</sup> See *id.*

<sup>35</sup> See *id.*

<sup>36</sup> See Petitioner Rebuttal Brief at 5-6.

<sup>37</sup> See *id.* at 6.

<sup>38</sup> See *id.*

information available” to account for all of the land rented by Blue Field during the POR.<sup>39</sup>

Department’s Position:

We agree with Blue Field that it reported the land area that it used to lease mushroom sheds in its November 10, 2011, questionnaire response. We have revised our calculation of land rent to reflect the amounts reported by Blue Field in its November 10, 2011, questionnaire response. Moreover, as fresh soil represents a production component of growing mushrooms, we agree with Petitioner that the total cost of land rent incurred by Blue Field properly includes the area that Blue Field used to dig soil. By making these adjustments, the Department will ensure that it accurately captures Blue Field’s production experience.

In its November 10, 2011, supplemental questionnaire response, Blue Field reported the total area of land that it leased for mushroom sheds during both the March through June 2010 and the September 2010 through April 2011 growing seasons.<sup>40</sup> In these final results, we have used the amounts reported in the Blue Field November 11, 2011, supplemental questionnaire response to represent the land cost incurred by Blue Field for leased sheds.

However, during our verification of Blue Field, we learned that Blue Field also incurred costs for digging and gathering soil to be used in beds to grow mushrooms. Specifically, we examined the production facilities that Blue Field devoted to mushroom growing. As noted at Section VIII,B of our Verification Report:

{W}e visited another group of leased sheds which was across the street from Blue Field’s campus. At these sheds we observed freshly dug dirt which was visible around the buildings.<sup>41</sup>

No mention of this dirt digging is found in the description of mushroom growing set forth at page D-4 of Blue Field’s July 6, 2011, response. Based upon this verification finding, the information provided by Blue Field in its July 6, 2011, response, and Blue Field’s November 11, 2011, supplemental response, we conclude that beyond the land devoted to mushroom sheds, Blue Field also utilized land for the retrieval of dirt. However, Blue Field’s November 10, 2011, calculation of land area is confined to the total area of land used to lease sheds and makes no provision for the dirt gathering referenced above.<sup>42</sup> Therefore, in these final results, in addition to the land rent reported by Blue Field to lease sheds, we have made an estimate for the amount of rent that Blue Field incurred to dig soil. To estimate this amount we have used the difference between the larger amount of land rented by Blue Field in the September 2010 through April 2011 growing season and the smaller amount of land rented by Blue Field during the March through June 2010 growing season.<sup>43</sup> The Department considers this methodology to yield a reasonable estimate of Blue Field’s land rent, given that it uses the only data on the record for

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<sup>39</sup> See *id.*

<sup>40</sup> See Blue Field November 11, 2011, supplemental questionnaire response at 7.

<sup>41</sup> See “Verification of Sales and Factors of Blue Field (Sichuan) Food Industrial Co., Ltd. in the Antidumping Review of Certain Preserved Mushrooms from the People’s Republic of China (PRC)”, dated February 15, 2012 (Verification Report).

<sup>42</sup> See Blue Field’s November 10, 2011, supplemental response at 7.

<sup>43</sup> See Blue Field Final Analysis Memorandum at 1-2.

this input to capture the costs related to this input during the two most recent growing periods.

### Comment 3: Valuation of Rice Straw

Blue Field notes that in the *Preliminary Results* the Department used Global Trade Atlas (GTA) import data from Colombia to value rice straw.<sup>44</sup> Specifically, Blue Field notes that the Department used import data falling under the Harmonized Tariff Schedule (HTS) classification 1213.00 “Cereal Straw and Husks, Unprepared, Whether or Not Chopped, Ground, Pressed or in the Form of Pellets”.<sup>45</sup> Blue Field asserts that the Department should value this surrogate value using price information that Blue Field submitted for Indonesian rice straw. Blue Field asserts this Indonesian price information “is specific to the input being valued”, whereas the Colombian input value for rice straw is not specific.<sup>46</sup> Blue Field argues that GTA data establish that cereal straw was imported into Colombia only from the United States.<sup>47</sup> Blue Field further asserts that Colombian data are unreliable because International Trade Commission (ITC) data establish that the United States did not export any merchandise under the relevant HTS category in either 2010 or 2011. Blue Field also contends the average value of Indonesian rice straw is “drastically” lower than the value of Colombian rice straw.<sup>48</sup>

Blue Field cites to U.S. Department of Agriculture (USDA) data to support its assertion that Colombian import data are irreconcilable with U.S. export data for rice straw. Specifically, Blue Field contends there is an “unexplainable and enormous gap” between Colombian rice straw data and the average U.S. export for cereal straw.<sup>49</sup> Blue Field further argues that USDA and ITC data establish that Colombian data “cannot be considered specific to rice straw or representative of rice straw values.”<sup>50</sup>

Blue Field also contends that unlike Colombian values, Indonesian values for rice straw are specific to the item being valued. Blue Field notes that Indonesian rice straw values were recently quoted from Development Alternatives, Inc. to the United States Agency for International Development (USAID). Blue Field asserts that Indonesia is a major producer of mushrooms and that Indonesia frequently used rice straw in the production of subject merchandise.<sup>51</sup>

Blue Field further notes the Department has relied upon data from other countries to value other production inputs in this review. Blue Field observes the Department valued spawn using a Ukrainian surrogate value, and that the Department valued land rent using a value from the Philippines.<sup>52</sup> Consequently, Blue Field asserts that the Department should use Indonesian surrogate values to value rice straw.

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<sup>44</sup> See Blue Field Case Brief at 7.

<sup>45</sup> See *id.*

<sup>46</sup> See *id.*

<sup>47</sup> See *id.* at 8.

<sup>48</sup> See *id.*

<sup>49</sup> See *id.* at 9.

<sup>50</sup> See *id.*

<sup>51</sup> See *id.* at 10.

<sup>52</sup> See *id.*

Petitioner asserts that Blue Field has drawn improper conclusions from U.S. Trade data. Petitioner asserts that Colombian (and other) straw import values include international movement charges.<sup>53</sup> Petitioner asserts that transportation costs “preclude the comparison of a delivered value (in the Colombian import statistics) with an FOB value in the United States.”<sup>54</sup> Petitioner further argues that the U.S. value of rice straw is irrelevant for identifying the value of rice straw for one of the six surrogate countries that the Department identified as comparable to the PRC at the onset of this proceeding. Petitioner argues that Colombian import statistics establish that Colombia imported 24,792 kilograms of rice straw from the United States during the POR.<sup>55</sup>

Petitioner further asserts that Colombian import statistics are corroborated by data taken from other potential surrogate markets.<sup>56, 57</sup> Petitioner notes the average Colombian import value for straw is \$1.28 kilogram, while the values from six surrogate countries that the Department identified as comparable to the PRC range from a low of \$0.89 kilogram (Thailand) to a high of \$1.56 per kilogram (Philippines).<sup>58</sup> Petitioner further calculates the median surrogate value for rice straw from these six surrogate countries identified by the Department as comparable in economic development to the PRC is \$1.23, which Petitioner argues is close to the \$1.28 Colombian value for rice straw.<sup>59</sup>

Petitioner also argues that the Indonesian price data set forth by Blue Field are flawed. Petitioner asserts that Blue Field’s proposed Indonesian value is from 2007, and from only two sources.<sup>60</sup> Petitioner further contends that it is unclear whether the Indonesian rice straw prices submitted by Blue Field are inclusive or exclusive of taxes. Petitioner also argues that Blue Field has failed to submit “comprehensive information on proposed surrogate values from Indonesia” and argues that Colombian import statistics are product specific, contemporaneous, publicly available, representative of “a broad market average,” and tax and duty exclusive.<sup>61</sup> Petitioner further asserts that Blue Field has submitted no evidence suggesting that Indonesia is an appropriate

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<sup>53</sup> See Petitioner Rebuttal Brief at 7.

<sup>54</sup> See *id.*.

<sup>55</sup> See *id.* at 8.

<sup>56</sup> In its April 24, 2012, rebuttal brief and in a May 11, 2012, letter to the Department, Blue Field asserted that the Department should reject the rebuttal surrogate value information submitted by Petitioner on April 19, 2012, because data in that submission contain new factual information. See Blue Field Rebuttal Brief at 1-2; see also May 11, 2012 letter from Shanghai Yuet Fai Commercial Consulting Co., Ltd. to Secretary of Commerce Re: Certain Preserved Mushrooms from the people’s Republic of China: Request to Reject the Petitioner’s Rebuttal Brief dated April 24, 2012 (Blue Field May 11, 2012 letter). Blue Field asserts that 19 CFR 351.301(c)(1) of the Department’s Regulations “permits new information only in so far as it rebuts, clarifies, or corrects information recently placed on the record.” Blue Field Rebuttal Brief at 1. Blue Field asserts that the April 19, 2012, surrogate value information submitted by Petitioner relating to surrogate values of rice straw and manure from Indonesia, the Philippines, South Africa, Thailand, and Ukraine constitute new factual information pursuant to 19 CFR 351.301(c)(1). *Id.* at 1-2. We disagree. The information submitted by Petitioner directly rebuts Blue Field’s assertion that Colombian straw and manure values are aberrational. See Petitioner Rebuttal brief at 7-9, and 15-17. Thus, we determine that the information submitted by Petitioner properly constitutes rebuttal surrogate value information pursuant to 19 CFR 351.301(c)(1).

<sup>57</sup> See *id.* at 8-9.

<sup>58</sup> See *id.* at 9.

<sup>59</sup> See *id.*

<sup>60</sup> See *id.* at 10.

<sup>61</sup> See *id.*

source of surrogate values. Petitioner further argues that Indonesian trade statistics report no imports of rice straw, thereby providing the Department with no way of corroborating the values proposed by Blue Field.<sup>62</sup>

Petitioner also asserts that the \$0.025/kg Indonesian rice straw value proposed by Blue Field is unreasonable given the Department's methodology for valuing by-products. Petitioner asserts that rice straw is a by-product of rice production. As such, Petitioner contends that the value of rice could serve as a "cap" to the value of 'rice straw.'<sup>63</sup> Citing to past determinations of the Department, Petitioner concludes that a \$0.025 value for rice straw is unreasonable because the "cap" value of rice is approximately 0.72 per kilogram.<sup>64</sup>

#### Department's Position:

The Department's practice when selecting the best available information for valuing FOPs, in accordance with section 773(c)(1) of the Tariff Act of 1930, as amended (the Act), is to select surrogate values (SVs) which are product-specific, representative of a broad-market average, publicly available, contemporaneous with the POR, and free of taxes and duties.<sup>65</sup> The Department undertakes its analysis of valuing the FOPs on a case-by-case basis, carefully considering the available evidence in light of the particular facts of each industry.<sup>66</sup> While there is no hierarchy for applying the SV selection criteria, "the Department must weigh available information with respect to each input value and make a product-specific and case-specific decision as to what the 'best' SV is for each input."<sup>67</sup>

We continue to maintain the Colombian GTA value<sup>68</sup> represents "the best information available" for valuing rice straw pursuant to section 773(c)(1) the Act. In this instance, we consider Colombian GTA values to represent "the best available information" to value rice straw in this review because rice straw from Colombia represents product-specific data, is representative of a broad-market average, is publicly available, is contemporaneous with the POR, and is free of taxes and duties.<sup>69</sup> With respect to specificity, the Department continues to view HTS subheading 1213.00 "Cereal Straw and Husks, Unprepared, Whether or Not Chopped, Ground, Pressed or in the Form of Pellets" as specific to the input in question because rice is a form of cereal straw, and cereal straw represents the most specific available data for this production input from Colombia. Further, for the reasons explained below, we find no evidence that the Colombian values for this input are aberrational when compared to the values for this production

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<sup>62</sup> See *id.* at 11.

<sup>63</sup> See *id.*

<sup>64</sup> See *id.* at 12.

<sup>65</sup> See, e.g., *First Administrative Review of Certain Polyester Staple Fiber From the People's Republic of China: Final Results of Antidumping Duty Administrative Review*, 75 FR 1336 (January 11, 2010), and accompanying Issues and Decision Memorandum at Comment 1.

<sup>66</sup> See *Glycine from the People's Republic of China: Notice of Final Results of Antidumping Duty Administrative Review*, 70 FR 47176 (August 12, 2005), and accompanying Issues and Decision Memorandum at Comment 1.

<sup>67</sup> See, e.g., *Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 55039 (September 24, 2008), and accompanying Issues and Decision Memorandum at Comment 2.

<sup>68</sup> We note that Columbia imported 24,792 kilograms of rice straw from the United States during the POR. See Petitioner January 6, 2012, surrogate value submission at exhibit 5.

<sup>69</sup> See *Preliminary Results*, 77 FR at 13268 n.21

input from other countries that have been determined as economically comparable to the PRC.

As noted in the *Preliminary Results*, we have identified Colombia as the primary source of surrogate values in this review based upon (1) Colombia being at a comparable level of economic development to the PRC and (2) Colombia's status as a significant producer of the subject merchandise pursuant to section 773(c)(4)(A)-(B) of the Act.<sup>70</sup> Moreover, because we have identified Colombia as the primary source of surrogate values in this review, and because public data from Colombia are available in this proceeding, we have looked to Colombia as the source of the surrogate value for rice straw, rather than to Indonesia pursuant to 19 CFR 351.408(c)(2).

We find unpersuasive Blue Field's comparison of Colombian GTA values to U.S. export data. As an initial matter, the U.S. export value of rice straw is irrelevant for identifying the value of rice straw because the Department has not determined that the U.S. is economically comparable to the six surrogate countries that the Department identified as comparable to the PRC at the onset of this proceeding. Moreover, as Petitioner has noted, Colombian import data include movement charges, whereas delivery charges are excluded from the FOB U.S. export prices referenced by Blue Field. As noted in Import Administration's November 1, 2010 Policy Bulletin 10.2 "Inclusion of International Freight Costs When Import Prices Constitute Normal Value" at pages 1-2 "{W}hen relying on surrogate country import statistics to value inputs, the Department normally obtains import prices that include the international freight costs of shipping the product to the port of the importing country."<sup>71</sup>

Finally, we note that Petitioner has provided a summary table of HTS subheading 1213 for the other four surrogate countries the Department identified as comparable to the PRC.<sup>72</sup> We note that the \$1.28 Colombian value for this input falls within the range of the other four surrogate countries the Department identified as comparable to the PRC. These values range from \$0.89 to \$1.56.<sup>73</sup> This demonstrates that the Colombian import data is representative of market averages for rice straw. Therefore, based upon the foregoing, we have continued to use the Colombian GTA value for HTS subheading 1213.00 to calculate the surrogate value for rice straw in these final results.

The Indonesian data submitted by Blue Field fails to satisfy the Department's criteria for selecting surrogate values. As the Department explained above, it has selected Colombia as the primary surrogate country and, where possible, the Department normally will value all factors in a single surrogate country.<sup>74</sup> Moreover, the Indonesian data does not satisfy the Department's criteria for selecting surrogate values. Specifically, the data is not contemporaneous (*i.e.*, it is from 2007) and is from two sources (*i.e.*, not representative of broad market averages). Moreover, it is unclear whether the Indonesian rice straw prices submitted by Blue Field are

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<sup>70</sup> See *id.* at 13267.

<sup>71</sup> See *Wooden Bedroom Furniture From the People's Republic of China: Final Results and Final Rescission in Part*, 75 FR 50992 (August 18, 2010), and accompanying Issues and Decision Memorandum at Comment 16 which indicates that the Department includes international freight costs in its calculation of surrogate values; and Blue Field April 9, 2012, Surrogate Value Submission which lists FOB values for U.S. exports for HTS subheading 1213.

<sup>72</sup> See Petitioner Rebuttal Brief at 9; see also Petitioner April 19, 2012 surrogate value submission at Attachment 2.

<sup>73</sup> See Petitioner April 19, 2012, surrogate value submission at Attachment 2; see also Petitioner Rebuttal Brief at 9.

<sup>74</sup> See 19 CFR 351.408(c)(2).

inclusive or exclusive of taxes. Thus, for these reasons, the Department will not rely upon Indonesian data.

#### Comment 4: Valuation of Manure

Blue Field notes that in the *Preliminary Results*, the Department used GTA import data from Colombia to value cow manure.<sup>75</sup> Specifically, Blue Field acknowledges that the Department used import data falling under the HTS classification 3101.00, “Animal or Vegetable Fertilizers, Including Mixed or Chemically Treated; Fertilizers Made by Mixing or Chemically Treating Animal or Vegetable Products.”<sup>76</sup> Blue Field asserts that in lieu of Colombian GTA information, the Department should use the value that it submitted for Colombian cow manure to value this production input because the value it submitted is more specific.<sup>77,78</sup> Blue Field also asserts that the Colombian GTA data are inconsistent with U.S. export data.<sup>79</sup> Blue Field further argues that Colombian import values for cow manure exceed the retail sales value for fertilizer in the U.S. market. Blue Field argues this information evinces that the GTA values derived from Colombian import data reflect higher value fertilizers rather than manure.

Blue Field asserts the specificity of the *Colombian Fertilizer Study* renders the data reflected therein “the best available information”, despite the fact that Colombian GTA data are more contemporaneous than the *Colombian Fertilizer Study* data.<sup>80</sup> Blue Field cites to *Jinan Yipin Corp., Ltd. v United States*, 800 F. Supp. 2d1266, 1255-1256 (CIT 2006) for the proposition that “the specificity of a potential data source should carry more probative value than other considerations.”<sup>81</sup> Blue Field asserts that cow manure “is more specific to cow manure than fertilizer is to cow manure.”<sup>82</sup> Blue Field further suggests the lack of contemporaneity of the *Colombian Fertilizer Study* data can be remedied by inflating these data with consumer price index information.

As an alternative to the *Colombian Fertilizer Study* data, Blue Field asserts that the Department should use the Philippine chicken manure value that was submitted to the Food and Agricultural Organization of the United Nations by the International Food Policy Research Institute (IFPRI) in a July 2003 report (*IFPRI study*).<sup>83</sup> Using the *IFPRI study* data, as adjusted for inflation, Blue Field calculated a Philippine Peso value for the input.<sup>84</sup> Blue Field maintains that data based on this *IFPRI study* are preferable to Colombian GTA information because “chicken manure is more specific to cow manure than is fertilizer to cow manure.”<sup>85</sup>

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<sup>75</sup> See Blue Field Case Brief at 10.

<sup>76</sup> See *id.*

<sup>77</sup> See *id.* at 11; see also Blue Field Surrogate Value Submission dated April 9, 2013 at Exhibit 11 (*Colombian Fertilizer Study*).

<sup>78</sup> The *Colombian Fertilizer Study* is entitled *Organic fertilization vs inorganic fertilization in Cachaco plantain in Colombia*.

<sup>79</sup> See Blue Field Case Brief at 11.

<sup>80</sup> See *id.* at 12.

<sup>81</sup> See *id.*

<sup>82</sup> See *id.*

<sup>83</sup> See *id.* at 13; see also Blue Field Surrogate Value Submission, dated April 9, 2012, at Ex. 10 (*IFPRI Study*).

<sup>84</sup> See Blue Field Case Brief at 13.

<sup>85</sup> See *id.*

Petitioner asserts that Blue Field's arguments concerning the specificity of cow manure from fertilizers is incorrect. Petitioner argues that animal fertilizers include various livestock-based (organic) sources, including cow dung, chicken manure, and swine manure. Petitioner notes the *Colombian Fertilizer Study* data itself are based upon an organic source, cow manure. Petitioner argues that while "animal-based organic fertilizer may include cow manure and or other animal manure, neither swine nor chicken manure is cow manure."<sup>86</sup> Petitioner argues that both the *Colombian Fertilizer Study* and the *IFPRI* study data are both based upon non-cow manure fertilizers. Petitioner further notes that like cow manure, "the values of swine and chicken waste in terms of the cost of the raw manure are relatively low."<sup>87</sup>

Petitioner further notes that in circumstances similar to those in this review, the Department has used basket categories where the tariff headings and product characteristics rendered use of those basket categories the best information available. In support of its view, Petitioner cites to *Polyethylene Retail Carrier Bags from the People's Republic of China: Final Results of Antidumping Duty Administrative Review and Partial Rescission of Review*, 73 FR 14216 (March 17, 2008), and accompanying Issues and Decision Memorandum at Comment 6, wherein the Department rejected pricing data because these data were based upon the experience of one producer and were not contemporaneous to the POR.<sup>88</sup>

Petitioner further disputes the benchmark value of the data set forth by Blue Field in its April 9, 2012 surrogate value submission. Petitioner asserts the 0.012/kg value identified by Blue Field corresponds to a 2008 cost for removing cow waste from cow pens. Thus, Petitioner asserts the *Colombian Fertilizer Study* fails to reflect the value of cow manure as a fertilizer.<sup>89</sup> Petitioner asserts that while Blue Field identifies a price for a 40 pound bag of manure fertilizer, Blue Field fails to explain why the temporary \$0.23/kg "sale" price is more representative of the manure fertilizer price than is the \$0.52/kg list price.<sup>90</sup>

Petitioner also contends there are numerous deficiencies in the *Colombian Fertilizer Study* and *IFPRI* study values submitted by Blue Field. Petitioner asserts that while Blue Field claims that the *Colombian Fertilizer Study* data are reported in Colombian pesos, the data it references are reported to be "the cost of fertilizer in U.S. \$ per kg."<sup>91</sup> Petitioner asserts the *Colombian Fertilizer Study* data reflect the "incidental cost of the material, not the price paid by the farmer for fertilizer."<sup>92</sup> Petitioner further asserts the 1999 cost of raw cow manure does not reflect the 2011 domestic Colombian price of cow manure fertilizer. Petitioner also contends the Colombian data are not contemporaneous with the POR. Moreover, Petitioner argues that the data is a "snapshot" of the cost for two Colombian plantations of a raw material that is incidental to the fertilizer cost of the farms.<sup>93</sup>

Lastly, Petitioner argues the average Colombian import value for manure, \$1.27 per kilogram,

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<sup>86</sup> See *id.*

<sup>87</sup> See *id.*

<sup>88</sup> See Petitioner Rebuttal Brief at 14.

<sup>89</sup> See *id.*

<sup>90</sup> See *id.* at 14-15.

<sup>91</sup> See *id.* at 15.

<sup>92</sup> See *id.*

<sup>93</sup> See *id.*

falls far below the average value among the other potential surrogate countries reporting imports under HTS heading 3101. Although Petitioner notes the surrogate value for HTS heading 3101 from the Ukraine is \$9.13, it argues that removing that figure from the comparison does not render the Colombian value unreasonable. Excluding the high Ukraine surrogate value for HTS 3101 merchandise, Petitioner averaged the values from the four other surrogate countries identified as comparable in economic development to the PRC and calculated an average value of \$1.14/kg. Petitioner contends this \$1.14/kg value corroborates the \$1.27/kg value derived from Colombian import data.<sup>94</sup>

#### Department's Position:

As with rice straw, we continue to maintain that Colombian GTA information represents "the best information available" for valuing cow manure within the meaning of section 773(c)(1) of the Act. The Colombian import data under HTS subheading 3101.00 represents the most specific data regarding Blue Field's production input that is available from Colombia GTA information. Cow manure is a form of organic fertilizer that Blue Field used in the production of the subject merchandise.<sup>95</sup> Moreover, we note that the Department has used "basket" categories where such information is more contemporaneous or reflects a broader market experience notwithstanding that alternative data may be more specific to the production input.<sup>96</sup> We note that HTS subheading 3101.00 encompasses the entire breadth of Colombian importers of this production input and, thus, is representative of broad market averages.<sup>97</sup> Moreover, this HTS classification reflects price information that is contemporaneous with the POR.<sup>98</sup> Finally, we note that GTA data is publicly available and tax and duty-free.<sup>99</sup> We, thus, find that the Colombian import data on cow manure satisfies the Department's criteria for selecting surrogate values.

In contrast to the Colombian GTA information, the *Colombian Fertilizer Study* is based upon 1999 data (*i.e.*, not contemporaneous), is limited to the experience of only two Colombian plantations (*i.e.*, not representative of broad market averages), and represents the "cost" of the production input, rather than the price of that production input (*i.e.*, not specific).<sup>100</sup> Even if the Department considered the cost of the input as sufficiently specific, Table 4 of the *Colombian Fertilizer Study* reports the "Cost of fertilizer in U.S. \$ per kg."<sup>101</sup> Thus, it remains unclear what, if any, exchange rate was used in the *Colombian Fertilizer study* to convert Colombian peso amounts into U.S. dollars. Moreover, the Department cannot discern whether the price data in the *Colombian Fertilizer study* is free of taxes or duties.<sup>102</sup> For these reasons, the Department

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<sup>94</sup> See *id.* at 16-17.

<sup>95</sup> See March 2, 2012, Memorandum from Mike Heaney and Tyler Weinhold to the File Re Surrogate Values for the Preliminary Results of Review of Certain Preserved Mushrooms from the People's Republic of China at pages 4-5 (Preliminary Surrogate Values Memorandum).

<sup>96</sup> See, e.g., *Polyethylene Retail Carrier Bags: Final Results of Antidumping Duty Administrative Review and Partial Rescission of Review*, 73 FR 14216 (March 17, 2008), and accompanying Issues and Decision Memorandum at Comment 6.

<sup>97</sup> See *id.*

<sup>98</sup> See *id.*

<sup>99</sup> See *Preliminary Results*, 77 FR at 13268 n.21

<sup>100</sup> See Blue Field Surrogate Value Submission, dated April 9, 2012, at Ex. 11.

<sup>101</sup> See *id.*

<sup>102</sup> See *id.*

rejects Blue Fields arguments as to the *Colombian Fertilizer* study.

We also reject Blue Field's assertion that the U.S. "retail" data submitted by Blue Field demonstrate that Colombian HTS values are unusually high. The 2008 data cited by Blue Field represent the cost of removing raw cow waste from cattle pens, which concerns a different activity from the input at issue and involves pricing considerations different from those used to price the selling of ready-to-use cow manure.<sup>103</sup> Moreover, Blue Field has failed to explain why the temporary \$0.23/kg "sale" price derived from those 2008 data represents the most accurate price for the input, rather than the \$0.52/kg list price that is also shown in those data.<sup>104</sup>

We note Petitioner has submitted a value from the Colombian import data for HTS subheading 3101 that falls near the average of the surrogate values for the input from four of the five surrogate countries that the Department identified as comparable to the PRC.<sup>105</sup> We further note that the \$1.27 Colombian value for this input falls within the range of four other surrogate countries the Department identified as comparable to the PRC. These four values range from \$0.30 to \$2.11, and average \$1.14.<sup>106</sup>

Finally, we note the *IFPRI* study does not serve as a reliable source upon which to value the input in question. First, the study is based upon Philippine data.<sup>107</sup> Because the primary source of surrogate values in this review is Colombia and Colombian surrogate value information for this production input is available in this proceeding, the Department will not depart from its preference of valuing "all factors in a single surrogate country."<sup>108</sup> Moreover, the data is not contemporaneous with the POR and is not specific to the input in question, given that chicken and swine manure is not cow manure.<sup>109</sup> Accordingly, the Department will not rely upon the *IFPRI* study to value cow manure in this proceeding.

#### Comment 5: Use of Indian Surrogate Values to Value Manure and Straw

For both cow manure and rice straw, Blue Field asserts that India remains a "suitable and acceptable" source for surrogate values.<sup>110</sup> Blue Field notes the Department identified as "non-exhaustive" the list of six surrogate countries considered comparable in economic development to the PRC.<sup>111</sup> Blue Field contends that the 2004-2005 financial statement of Agro Dutch Industries (an Indian producer of mushrooms) could serve as the basis for valuing cow manure and that the 2006-2007 financial statement of Flex Foods Ltd. could serve as the basis for valuing rice straw. Alternatively, Blue Field asserts that the Department could utilize a 1986

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<sup>103</sup> See Blue Field Surrogate Value Submission, dated April 9, 2012, at Ex. 8 (wherein information is set forth regarding "Manure Analysis, Nutrient Value, Cost of Manure, and Crop Plans").

<sup>104</sup> The "Black Kow" price list provided by Blue Field sets forth both a starting "list" price of \$9.91 per bag, and a discounted price of \$5.21 per bag. See Blue Field April 9, 2012 Surrogate Value Submission at exhibit 8.

<sup>105</sup> See Petitioner April 19, 2012 surrogate value submission at Attachment 1; see also Petitioner Rebuttal Brief at 16-17.

<sup>106</sup> See Petitioner April 19, 2012 surrogate value submission at Attachment 1; see also Petitioner Rebuttal Brief at 16-17. This analysis is exclusive of the \$9.13 value from the Ukraine for HTS item number 3101.

<sup>107</sup> See Blue Field Surrogate Value Submission, dated April 9, 2012, at Ex. 10 (*IFPRI* Study).

<sup>108</sup> See 19 CFR 351.408(c)(2).

<sup>109</sup> See Blue Field Surrogate Value Submission, dated April 9, 2012, at Ex. 10 (*IFPRI* Study).

<sup>110</sup> See Blue Field Case Brief at 14.

<sup>111</sup> See *id.*

United Nations Food and Agricultural Organization Study (*FAO Study*), which contains a 1986 value for Indian cow manure.

Petitioner contends the Department no longer views India as comparable in economic development to the People's Republic of China. Additionally, Petitioners note that complete surrogate value information for India is not on the record of this proceeding.

Department's Position:

As noted in our response to Comment 3, we have continued to rely upon Colombia as the primary surrogate source country for surrogate values in this review because Colombia is economically comparable to the PRC and a significant producer of comparable merchandise. Pursuant to 19 CFR 351.408(c)(2), which explains that the Department "normally will value all factors in a single surrogate country," we first looked to Colombian sources to value cow manure and rice straw in this review. As we explained above, the Department obtained Colombian import data for these inputs, and the surrogate values for manure and straw meet the Department's five criteria for selecting surrogate values.<sup>112</sup>

In contrast, India is no longer listed among the countries considered economically comparable to the PRC.<sup>113</sup> Moreover, Blue Field has not provided data on whether India is a significant producer of comparable merchandise. Additionally, even if India satisfied these two criteria, the financial statements offered by Blue Field would not constitute the best information available, given that none of the three sources are contemporaneous with the POR. Therefore, the Department will not consider surrogate values from India to value either cow manure or rice straw.

Comment 6: Valuation of Coal

Petitioner asserts the Department made a clerical error in its valuation of coal. Petitioner asserts the GTA value of coal utilized in the Department's surrogate value spreadsheet is reported on a pesos per metric ton basis.<sup>114</sup> Petitioner argues that the Department errs when it "multiplies by 0.001 to obtain a per kilogram value" because it executes "the same conversion twice – once in entering the first value in column H of the spreadsheet, then again in calculating the value in column N of the spreadsheet."<sup>115</sup>

Blue Field does not dispute Petitioner's allegation of a clerical error concerning the conversion factor utilized to value coal.<sup>116</sup> However, Blue Field asserts that it utilizes bituminous coal, rather than the "Coal; Briquettes Ovoids and Similar Solid Fuels Manufactured from Coal" to

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<sup>112</sup> See *supra* Comment 3 and Comment 4.

<sup>113</sup> See Memorandum from Carole Showers, Office of Policy to Richard Weible, Office Director Office 7, AD/CVD Operations RE: Request for a List of Surrogate Countries for an Administrative Review of the Antidumping Order on Certain preserved Mushrooms (Mushrooms) from the People's Republic of China dated October 12, 2011 (Surrogate Country List).

<sup>114</sup> See Petitioner Case Brief at 2.

<sup>115</sup> See *id.*

<sup>116</sup> See Blue Field Rebuttal Brief at 3.

value this production input.<sup>117</sup> Blue Field contends the Department should revise its calculation to account for the bituminous coal that it utilizes.

Department's Position:

Blue Field described the coal input reported in the production of the subject merchandise as "industrial bituminous coal".<sup>118</sup> Therefore, we agree with Blue Field that the coal input should be valued based upon the Colombian GTA value for bituminous coal. In these final results, we have used the Colombian GTA value for bituminous coal to value this production input.

We also agree with Petitioner that the GTA value for coal was incorrectly converted in our *Preliminary Results*. As a result, we have corrected this error in our final results.<sup>119</sup>

Comment 7: Valuation of Water

Petitioner contends the surrogate value for water is in U.S. dollars per cubic meter, rather than Colombian pesos per cubic meter.<sup>120</sup> Petitioner further contends that this cubic meter factor should be multiplied by 0.001 to derive a per kilogram amount.

Blue Field agrees with Petitioner that the Department should treat the surrogate value for water as a U.S. dollars based value.<sup>121</sup> However, Blue Field argues that Petitioner provided the incorrect converted factor. Specifically, Blue Field argues that the surrogate value for water should be US \$ 0.00092947/kg, rather than the US \$ 0.0092947/kg as reported in Petitioner's Case Brief.

Department's Position:

We agree with Petitioner that the surrogate value for water was reported on a U.S. dollars per cubic meter basis.<sup>122</sup> We also agree with Blue Field that the cubic meter based surrogate value for water derived from Petitioner's February 14, 2012, Surrogate Value Submission should be multiplied by a factor to derive a value of US \$ 0.00092947/kg. In these final results we have amended our calculations accordingly.

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<sup>117</sup> See *id.*

<sup>118</sup> See Blue Field November 10, 2011, supplemental response at exhibit 9.

<sup>119</sup> See Blue Field Final Analysis Memorandum at 2.

<sup>120</sup> See Petitioner Case Brief at 2.

<sup>121</sup> See Blue Field Rebuttal Brief at 2-3.

<sup>122</sup> See February 14, 2012, letter from Monterrey Mushrooms to U.S. Secretary of Commerce Re 12<sup>th</sup> Administrative Review of the Antidumping Duty Order on Certain Preserved Mushrooms from the People's Republic of China: Petitioner's Submission Concerning Surrogate Values at Attachment 5 (Petitioner February 14, 2012, Surrogate Value Submission).

RECOMMENDATION

Based on our analysis of the comments received, we recommend adopting all of the positions set forth above and adjusting the related margin calculations accordingly. If these recommendations are accepted, we will publish the final results and the final weighted-average dumping margins for Blue Field and Xingda in the *Federal Register*.

Agree  \_\_\_\_\_ Disagree \_\_\_\_\_

*Ronald K. Lorentzen*

Ronald K. Lorentzen  
Acting Assistant Secretary  
for Import Administration

*September 4, 2012*

Date