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January 31, 2020

MEMORANDUM TO: James Maeder
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

FROM: Abdedali Elouaradia
Director
AD/CVD Operations, Office IV

SUBJECT: Decision Memorandum for Preliminary Results of the 2017-2018
Antidumping Duty Administrative Review of Certain Softwood
Lumber Products from Canada

I. SUMMARY

The Department of Commerce (Commerce) is conducting an administrative review of the antidumping duty (AD) order softwood lumber products (softwood lumber) from Canada, in accordance with section 751(a) of the Tariff Act of 1930, as amended (the Act). The period of review (POR) is June 30, 2017 to December 31, 2018. The administrative review covers 257 companies.¹ We preliminarily find that mandatory respondents, Canfor Corporation, which we have preliminarily continued to treat as a single entity with two additional affiliated companies identified below (collectively, Canfor), West Fraser Mills Ltd., which we have preliminarily continued to treat as a single entity with three additional affiliated companies identified below (collectively, West Fraser), and Resolute FP Canada Inc., which we have preliminarily treated as a single entity with five additional affiliated companies identified below (collectively, Resolute), made sales of the subject merchandise in the United States at prices below normal value (NV). Interested parties are invited to comment on these preliminary results.

II. BACKGROUND

On January 3, 2018, Commerce published in the *Federal Register* an AD order on softwood lumber from Canada.² On February 8, 2019, Commerce published in the *Federal Register* a

¹ We initiated on 1,224 companies. See *Certain Softwood Lumber Products from Canada: Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 84 FR 12209 (April 1, 2019) (*Initiation Notice*). As discussed below, we are rescinding the reviews of all but 257 of these companies.

² See *Certain Softwood Lumber Products from Canada: Antidumping Duty Order and Partial Amended Final Determination*, 83 FR 350 (January 3, 2018) (*Order*).



notice of opportunity to request an administrative review of the *Order*.³ On April 1, 2019, based on timely requests for administrative reviews submitted by the Committee Overseeing Action for Lumber International Trade Investigations or Negotiations (COALITION or petitioner),⁴ as well as numerous exporters, Commerce initiated an AD administrative review.⁵ In the *Initiation Notice*, Commerce indicated that, in the event that we would limit the respondents selected for individual examination in accordance with section 777A(c)(2) of the Act, we would select mandatory respondents based on U.S. Customs and Border Protection (CBP) entry data.⁶

On April 2, 2019, we released the results of a CBP data query showing the import volumes and values for the POR to all interested parties under an administrative protective order and invited parties to submit comments regarding the entry data and our respondent selection methodology.⁷ We received comments from several interested parties on April 9, 2019,⁸ and rebuttal comments on April 15, 2019.⁹ On May 16, 2019, Commerce selected Canfor, Resolute, and West Fraser as mandatory respondents (collectively, the respondents),¹⁰ and on May 17, 2019, Commerce issued each party an AD questionnaire.¹¹

From June 2019 to January 2020, Commerce issued supplemental questionnaires to the three mandatory respondents. Commerce received timely responses from the three mandatory respondents from July 2019 to January 2020.

³ See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 84 FR 2816 (February 8, 2019). In the notice, we noted that “on January 28, 2019, Commerce exercised its discretion to toll all deadlines affected by the partial federal government closure from December 22, 2018 through the resumption of operations on January 29, 2019. Accordingly, not later than February 28, 2019, interested parties may request administrative review of the following orders, findings, or suspended investigations, with anniversary dates in December, January and February for the following periods. With regard to properly filed requests for review that have already been filed for AD and CVD orders or suspension agreements with December or January anniversary dates, Commerce will consider such requests as timely filed.”

⁴ The Petitioner is the Coalition, an ad hoc association whose member are: U.S. Lumber Coalition Inc.; Collum’s Lumber Products, L.L.C.; Hankins, Inc.; Potlatch Corporation; Rex Lumber Company; Seneca Sawmill Company; Stimson Lumber Company; Swanson Group; Weyerhaeuser Company; Carpenters Industrial Council; Giustina Land and Timber Company; and Sullivan Forestry, Consultants, Inc.

⁵ See *Initiation Notice*.

⁶ *Id.*, 84 FR at 12209.

⁷ See Memorandum, “First Administrative Reviews of the Antidumping and Countervailing Duty Orders on Certain Softwood Lumber Products from Canada: Results of Customs and Border Protection Queries,” dated April 2, 2019, and accompanying CBP Data.

⁸ See Petitioner’s Letter, “Certain Softwood Lumber Products from Canada: Comments on CBP Import Data and Respondent Selection,” dated April 9, 2019; Canfor’s Letter, “Certain Softwood Lumber Products from Canada, Case No. A-122-857: Comments on CBP Data and Respondent Selection,” dated April 9, 2019; Resolute’s Letter, “Softwood Lumber from Canada: Respondent Selection - Comments on CBP Data,” dated April 9, 2019; Tolko Marketing and Sales Ltd.’s Letter, “Certain Softwood Lumber Products from Canada: CBP Data and Respondent Selection Comments,” dated April 9, 2019; West Fraser’s Letter, “Certain Softwood Lumber Products from Canada, Case No. A-122-857: Comments on CBP Data and Respondent Selection,” dated April 9, 2019.

⁹ See Petitioner’s Rebuttal Comments, “Softwood Lumber from Canada: Respondent Selection – Rebuttal Comments On CBP Data,” dated April 15, 2019; Respondents’ Rebuttal Comments, “Certain Softwood Lumber Products from Canada, Case No. A-122-857: Rebuttal Respondent Selection Comments,” dated April 15, 2019.

¹⁰ See Memorandum, “Administrative Review of the Antidumping Duty Order on Certain Softwood Lumber Products from Canada: Respondent Selection,” dated May 16, 2019.

¹¹ See Commerce’s Letters to the Respondents, dated May 17, 2019.

On August 7, 2019, the petitioner filed an allegation of a particular market situation (PMS) regarding the respondents' cost of production.¹² On November 12, 2019, Commerce placed on the record certain information from the underlying investigation on PMS concerning questionnaire responses by certain Canadian parties and invited parties to comment.¹³ On November 19, 2019, the petitioner, and also in a joint submission the Government of Canada, the mandatory respondents and other Canadian parties, commented on Commerce's November 12, 2019 memorandum.¹⁴

On September 6, 2019, we extended the preliminary results until January 31, 2019.¹⁵ Commerce received comments for the preliminary determination from the petitioner on January 6, 2020¹⁶ and rebuttal comments on January 13, 2020.¹⁷

III. SCOPE OF THE ORDER

The merchandise covered by this order is softwood lumber, siding, flooring and certain other coniferous wood (softwood lumber products). The scope includes:

- Coniferous wood, sawn, or chipped lengthwise, sliced or peeled, whether or not planed, whether or not sanded, or whether or not finger-jointed, of an actual thickness exceeding six millimeters.
- Coniferous wood siding, flooring, and other coniferous wood (other than moldings and dowel rods), including strips and friezes for parquet flooring, that is continuously shaped (including, but not limited to, tongued, grooved, rebated, chamfered, V-jointed, beaded, molded, rounded) along any of its edges, ends, or faces, whether or not planed, whether or not sanded, or whether or not end-jointed.
- Coniferous drilled and notched lumber and angle cut lumber.
- Coniferous lumber stacked on edge and fastened together with nails, whether or not with plywood sheathing.
- Components or parts of semi-finished or unassembled finished products made from subject merchandise that would otherwise meet the definition of the scope above.

¹² See Petitioner's Letter, "Refiling of Allegation of a Particular Market Situation Regarding Respondents' Cost of Production," dated August 7, 2019 (PMS Allegation).

¹³ See Memorandum "Supplemental Questionnaire Response from the Less-Than-Fair-Value Investigation," dated November 12, 2019.

¹⁴ See Petitioner's Letter "Comments on Documents Relating to Petitioner's Particular Market Situation Allegation," and the Government of Canada's Letter "Response to Commerce Placing Particular Market Situation Response From the Investigation on the Record," both dated November 19, 2019.

¹⁵ See Memorandum "Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review – 2017-2018," dated September 6, 2019.

¹⁶ See Petitioner's Letter, "Pre-Preliminary Comments," dated January 6, 2020.

¹⁷ See Letter on behalf of the Government of Canada, the Governments of Alberta, British Columbia, Ontario, and Québec; as well as Canfor Corporation (and its affiliates), Resolute FP Canada Inc., West Fraser Mills, Inc., British Columbia Lumber Trade Council, Conseil de l'industrie forestière du Québec ("CIFQ") and the Ontario Forest Industries Association "Response to Petitioner's Pre-Preliminary Comments Regarding Particular Market Situation," dated January 10, 2020.

Finished products are not covered by the scope of this order. For the purposes of this scope, finished products contain, or are comprised of, subject merchandise and have undergone sufficient processing such that they can no longer be considered intermediate products, and such products can be readily differentiated from merchandise subject to this order at the time of importation. Such differentiation may, for example, be shown through marks of special adaptation as a particular product. The following products are illustrative of the type of merchandise that is considered ``finished'' for the purpose of this scope: I-joists; assembled pallets; cutting boards; assembled picture frames; garage doors.

The following items are excluded from the scope of this order:

- Softwood lumber products certified by the Atlantic Lumber Board as being first produced in the Provinces of Newfoundland and Labrador, Nova Scotia, or Prince Edward Island from logs harvested in Newfoundland and Labrador, Nova Scotia, or Prince Edward Island.
- U.S.-origin lumber shipped to Canada for processing and imported into the United States if the processing occurring in Canada is limited to one or more of the following: (1) Kiln drying; (2) planing to create smooth-to-size board; or (3) sanding.
- Box-spring frame kits if they contain the following wooden pieces--two side rails, two end (or top) rails and varying numbers of slats. The side rails and the end rails must be radius-cut at both ends. The kits must be individually packaged and must contain the exact number of wooden components needed to make a particular box-spring frame, with no further processing required. None of the components exceeds 1'' in actual thickness or 83'' in length.
- Radius-cut box-spring-frame components, not exceeding 1'' in actual thickness or 83'' in length, ready for assembly without further processing. The radius cuts must be present on both ends of the boards and must be substantially cut so as to completely round one corner.

Softwood lumber product imports are generally entered under Chapter 44 of the Harmonized Tariff Schedule of the United States (HTSUS). This chapter of the HTSUS covers "Wood and articles of wood." Softwood lumber products that are subject to this order are currently classifiable under the following ten-digit HTSUS subheadings in Chapter 44:

4406.11.0000; 4406.91.0000; 4407.10.01.01; 4407.10.01.02; 4407.10.01.15; 4407.10.01.16; 4407.10.01.17; 4407.10.01.18; 4407.10.01.19; 4407.10.01.20; 4407.10.01.42; 4407.10.01.43; 4407.10.01.44; 4407.10.01.45; 4407.10.01.46; 4407.10.01.47; 4407.10.01.48; 4407.10.01.49; 4407.10.01.52; 4407.10.01.53; 4407.10.01.54; 4407.10.01.55; 4407.10.01.56; 4407.10.01.57; 4407.10.01.58; 4407.10.01.59; 4407.10.01.64; 4407.10.01.65; 4407.10.01.66; 4407.10.01.67; 4407.10.01.68; 4407.10.01.69; 4407.10.01.74; 4407.10.01.75; 4407.10.01.76; 4407.10.01.77; 4407.10.01.82; 4407.10.01.83; 4407.10.01.92; 4407.10.01.93; 4407.11.00.01; 4407.11.00.02; 4407.11.00.42; 4407.11.00.43; 4407.11.00.44; 4407.11.00.45; 4407.11.00.46; 4407.11.00.47; 4407.11.00.48; 4407.11.00.49; 4407.11.00.52; 4407.11.00.53; 4407.12.00.01; 4407.12.00.02; 4407.12.00.17; 4407.12.00.18; 4407.12.00.19; 4407.12.00.20; 4407.12.00.58; 4407.12.00.59; 4407.19.05.00; 4407.19.06.00; 4407.19.10.01; 4407.19.10.02; 4407.19.10.54; 4407.19.10.55; 4407.19.10.56; 4407.19.10.57; 4407.19.10.64; 4407.19.10.65; 4407.19.10.66; 4407.19.10.67;

4407.19.10.68; 4407.19.10.69; 4407.19.10.74; 4407.19.10.75; 4407.19.10.76; 4407.19.10.77; 4407.19.10.82; 4407.19.10.83; 4407.19.10.92; 4407.19.10.93; 4409.10.05.00; 4409.10.10.20; 4409.10.10.40; 4409.10.10.60; 4409.10.10.80; 4409.10.20.00; 4409.10.90.20; 4409.10.90.40; 4418.50.0010; 4418.50.0030; 4418.50.0050 and 4418.99.10.00.

Subject merchandise as described above might be identified on entry documentation as stringers, square cut box-spring-frame components, fence pickets, truss components, pallet components, flooring, and door and window frame parts. Items so identified might be entered under the following ten-digit HTSUS subheadings in Chapter 44:

4415.20.40.00; 4415.20.80.00; 4418.99.90.05; 4418.99.90.20; 4418.99.90.40; 4418.99.90.95; 4421.99.70.40; and 4421.99.97.80.

Although these HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this order is dispositive.

IV. AFFILIATION AND COLLAPSING OF AFFILIATES

We preliminarily determine that the following companies are affiliated, pursuant to section 771(33)(E) of the Act:

A. Canfor

In the underlying investigation, Commerce found that Canfor Corporation (Canfor Corp.), Canadian Forest Products Ltd. (CFP), and Canfor Wood Products Marketing Ltd. (CWPM Ltd.) were affiliated pursuant to 771(33)(E) of the Act, and should be treated as a single entity for AD purposes, pursuant to 19 CFR 351.401(f)(1)-(2).¹⁸ We noted in the *Initiation Notice* of this review that for “any company subject to the review, if Commerce determined, or continued to treat, that company as collapsed with others, Commerce will assume that such companies continue to operate in the same manner and will collapse them for respondent selection purposes.”¹⁹ Information provided by Canfor confirms that none of the facts that we relied on to support our prior determination to treat these parties as a single entity have changed during the POR.²⁰ Because there is no evidence on the record that contradicts our prior collapsing determination, we have preliminarily continued to find Canfor Corp., CFP, and CWPM Ltd. (collectively, Canfor) to be a single entity in this administrative review.

¹⁸ See *Certain Softwood Lumber Products from Canada: Preliminary Affirmative Determination of Sales at Less Than Fair Value*, 82 FR 29833 (June 30, 2017) (*Softwood Lumber Preliminary Determination*), unchanged in *Certain Softwood Lumber Products from Canada: Final Affirmative Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances*, 82 FR 51806 (November 8, 2017) (*Softwood Lumber Final Determination*).

¹⁹ See *Initiation Notice*, 84 FR at 12209.

²⁰ See Canfor’s June 14, 2019 Section A Questionnaire Response (Canfor’s June 14, 2019 AQR) at 2-4.

B. Resolute

We preliminarily determine that the following companies are affiliated, pursuant to sections 771(33)(E) and (F) of the Act: Resolute Growth Canada Inc. (Resolute Growth), Forest Products Mauricie LP (Mauricie), Société en commandite Scierie Opitciwan (Opitciwan), Resolute-LP Engineered Wood Larouche Inc. (Resolute-LP Larouche), Resolute-LP Engineered Wood St-Prime Limited Partnership (Resolute-LP St-Prime), and Resolute FP Canada Inc. (Resolute FP).²¹ We base this determination on the fact that Resolute FP and Resolute Growth are under the common control of Resolute Forest Products (RFP).²² Additionally, Resolute FP owns five percent or more of the outstanding shares of Maruicie,²³ Opitciwan,²⁴ Resolute-LP Larouche,²⁵ and Resolute-LP St-Prime, and is in a position to exercise restraint or direction over these companies.²⁶ Therefore, we find these companies affiliated, because RFP directly controls Resolute FP and Resolute Growth, and indirectly controls, through its ownership of Resolute FP, each of Resolute-LP Larouche, Resolute-LP St-Prime, Mauricie, and Opitciwan, and these companies are therefore under the common control of RFP.

In addition, pursuant to 19 CFR 351.401(f), and based on the evidence provided in questionnaire responses, we preliminarily determine that Resolute FP, Resolute Growth, Mauricie, Opitciwan, Resolute-LP Larouche, and Resolute-LP St-Prime should be collapsed and treated as a single entity in this review. This finding is based on the fact that the common ownership, overlapping management and board of directors, and intertwined operations among Resolute FP, Resolute Growth, Mauricie, Opitciwan, Resolute-LP Larouche, and Resolute-LP St-Prime results in a significant potential for manipulation of the price or production of subject merchandise, pursuant to 19 CFR 351.401(f)(2).²⁷ Furthermore, all of the above companies have production facilities for similar or identical products that would not require substantial retooling of either facility in order to restructure manufacturing priorities.²⁸ Therefore, we have preliminarily found that evidence on this record supports the treatment of Resolute FP, Resolute Growth, Mauricie, Opitciwan, Resolute-LP Larouche, and Resolute-LP St-Prime (collectively, Resolute) as a single entity in this administrative review.

C. West Fraser

In the underlying investigation, Commerce found that West Fraser Mills Ltd., Blue Ridge Lumber Inc. (Blue Ridge), Manning Forest Products Ltd. (Manning), and Sundre Forest Products Inc. (Sundre) were affiliated pursuant to 771(33)(E) of the Act, and should be treated as a single

²¹ See Memorandum, “Antidumping Duty Investigation of Certain Softwood Lumber from Canada: Resolute FP Canada Inc. Preliminary Affiliation and Collapsing Memorandum,” dated January 31, 2019, at 4.

²² See Resolute’s June 10, 2019 Section A Questionnaire Response (Resolute’s June 10, 2019 AQR) at 5.

²³ *Id.* at 8 and Exhibit A-3.

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.* Resolute-LP St-Prime is managed by its general partner, Resolute-LP Engineered Wood Larouche Inc. A corporate restructuring was performed in 2017.

²⁷ *Id.* at 6-8 and 18; see also Resolute’s Letter, “Supplemental Section A, B & C Questionnaire,” dated November 12, 2019, at 13.

²⁸ See Resolute’s June 10, 2019 AQR at Exhibit A-3.

entity for AD purposes, pursuant to 19 CFR 351.401(f)(1)-(2).²⁹ We noted in the *Initiation Notice* of this review that for “any company subject to the review, if Commerce determined, or continued to treat, that company as collapsed with others, Commerce will assume that such companies continue to operate in the same manner and will collapse them for respondent selection purposes.”³⁰ Further, information provided by West Fraser confirms that none of the facts that we relied on to support our prior determination to treat these parties as a single entity have changed during this review period.³¹ Because there is no evidence on the record that contradicts our prior collapsing determination, or the evidence on this record, we have preliminarily continued to find West Fraser Mills Ltd., Blue Ridge, Manning, and Sundre (collectively, West Fraser) as a single entity in this administrative review.

V. RESCISSION OF ADMINISTRATIVE REVIEW, IN PART

Pursuant to 19 CFR 351.213(d)(1), Commerce will rescind an administrative review, in whole or in part, if the party or parties that requested a review withdraws the request within 90 days of the publication date of the notice of initiation of the requested review. All requests for administrative review were timely withdrawn for all but 257 companies. These 257 companies still under review are listed in Appendix II of the preliminary results *Federal Register* notice. Therefore, in accordance with 19 CFR 351.213(d)(1), we are rescinding this administrative review with respect to all companies listed in the *Initiation Notice* except for the 257 listed in Appendix II.

VI. PARTICULAR MARKET SITUATION ALLEGATION

On August 7, 2019, the petitioner alleged that a PMS distorts production costs in the Canadian softwood lumber industry and provided certain information as part of its allegation.³² Commerce determined that the factual information accompanying the petitioner’s PMS allegation was timely submitted. However, we preliminarily determine that there is insufficient evidence to warrant further investigation into whether a PMS exists in the instant administrative review. For further information, *see* the PMS Preliminary Decision Memorandum.³³

VII. UNEXAMINED RESPONDENTS

As stated above, all respondents identified in Appendix II of the preliminary results *Federal Register* notice remain subject to this administrative review. Aside from the mandatory respondents, none of the companies listed in Appendix II: (1) were the subject of a withdrawal of request for review; (2) requested to participate as a voluntary respondent; or (3) submitted a claim of no shipments. As such, these companies remain unexamined respondents.

²⁹ *See Softwood Lumber Preliminary Determination*, 82 FR at 29833, unchanged in *Softwood Lumber Final Determination*, 82 FR at 51806.

³⁰ *See Initiation Notice* at 84 FR at 12209.

³¹ *See* West Fraser’s June 10, 2019 Section A Response (West Fraser’s June 10, 2019 AQR) at 1, 20-21.

³² *See* Letter from the petitioner, “Certain Softwood Lumber Products from Canada; Refiling of Allegation of a Particular Market Situation Regarding Respondents’ Cost of Production,” dated August 7, 2019 (PMS Allegation), at 1.

³³ *See* Memorandum, “First Antidumping Duty Administrative Review: Decision on Particular Market Situation Allegation,” dated January 31, 2020 (PMS Preliminary Decision Memorandum).

The Act and the Commerce’s regulations do not address the establishment of a rate to be applied to respondents not selected for individual examination when Commerce limits its examination of companies subject to an administrative review pursuant to section 777A(c)(2)(B) of the Act. Generally, Commerce looks to section 735(c)(5) of the Act, which provides instructions for calculating the all-others rate in an investigation, for guidance when calculating the rate for respondents not individually examined in an administrative review. Section 735(c)(5)(A) of the Act articulates a preference for not calculating an all-others rate using rates which are zero, *de minimis*, or based entirely on facts available.³⁴ Accordingly, Commerce’s usual practice has been to determine the dumping margin for companies not individually examined by averaging the weighted-average dumping margins for the individually examined respondents, excluding rates that are zero, *de minimis*, or based entirely on facts available.³⁵

We have preliminarily calculated weighted-average dumping margins for Canfor, Resolute, and West Fraser that are above *de minimis* and not based entirely on facts available. Therefore, we preliminarily assign the non-individually examined companies a rate of 1.66 percent, which is equal to the weighted average of the rates calculated for Canfor, Resolute, and West Fraser.³⁶

Accordingly, we have applied a rate of 1.66 percent to the non-selected companies.³⁷

VIII. DISCUSSION OF THE METHODOLOGY

Normal Value Comparisons

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1) and (d), in order to determine whether Canfor, Resolute, and West Fraser’s sales of the subject merchandise from Canada to the United States were made at less than NV, Commerce compared the export price (EP) and constructed export price (CEP) to the NV as described in the “Export Price and Constructed Export Price” and “Normal Value” sections of this memorandum.

A. Determination of the Comparison Method

Pursuant to 19 CFR 351.414(c)(1), Commerce calculates weighted-average dumping margins by comparing weighted-average NVs to weighted-average EPs or CEPs (*i.e.*, the average-to-average method) unless Commerce determines that another method is appropriate in a particular situation. In less-than-fair-value investigations, Commerce examines whether to compare weighted-average NVs with the EPs or CEPs of individual sales (*i.e.*, the average-to-transaction method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern Commerce’s examination of this question in the context of administrative reviews, Commerce

³⁴ See *Ball Bearings and Parts Thereof from France, Germany, Italy, Japan, and the United Kingdom: Final Results of Antidumping Duty Administrative Reviews and Rescission of Reviews in Part*, 73 FR 52823, 52824 (September 11, 2008), and accompanying Issues and Decision Memorandum (IDM) at Comment 16.

³⁵ *Id.*

³⁶ See Memorandum “Calculation of the Rate for Non-Selected Respondents,” dated January 31, 2020.

³⁷ *Id.*

nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in less-than-fair-value investigations.³⁸

In recent investigations, Commerce has applied a “differential pricing” analysis for determining whether application of the average-to-transaction method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and section 777A(d)(1)(B) of the Act.³⁹ Commerce finds that the differential pricing analysis used in recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review. Commerce will continue to develop its approach in this area based on comments received in this and other proceedings, and on Commerce’s additional experience with addressing the potential masking of dumping that can occur when Commerce uses the average-to-average method in calculating a respondent’s weighted-average dumping margin.

The differential pricing analysis used in these preliminary results examines whether there exists a pattern of EPs or CEPs for comparable merchandise that differ significantly among purchasers, regions, or time periods. The analysis evaluates all U.S. sales by purchaser, region, and time period to determine whether a pattern of prices that differ significantly exists. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the average-to-average method to calculate the weighted-average dumping margin. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the consolidated customer codes reported by the respondent. Regions are defined using the reported destination code (*i.e.*, zip code) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POR based upon the U.S. date of sale. For purposes of analyzing sales transactions by purchaser, region, and time period, comparable merchandise is defined using the product control number and all characteristics of the U.S. sales, other than purchaser, region, and time period, that Commerce uses in making comparisons between EP or CEP and NV for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the “Cohen’s *d* test” is applied. The Cohen’s *d* coefficient is a generally recognized statistical measure of the extent of the

³⁸ See *Ball Bearings and Parts Thereof from France, Germany, and Italy: Final Results of Antidumping Duty Administrative Reviews; 2010–2011*, 77 FR 73415 (December 10, 2012), and accompanying IDM at Comment 1; see also *JBF RAK LLC v. United States*, 790 F. 3d 1358, 1363-65 (Fed. Cir. 2015) (“{t}he fact that the statute is silent with regard to administrative reviews does not preclude Commerce from filling gaps in the statute to properly calculate and assign antidumping duties”) (citations omitted).

³⁹ See, e.g., *Polyethylene Terephthalate Resin from Taiwan: Preliminary Affirmative Determination of Sales at Less Than Fair Value, Postponement of Final Determination, and Extension of Provisional Measures*, 83 FR 19696 (May 4, 2018), unchanged in *Polyethylene Terephthalate Resin from Taiwan: Final Determination of Sales at Less Than Fair Value, and Final Affirmative Determination of Critical Circumstances, in Part*, 83 FR 48287 (September 24, 2018); *Large Diameter Welded Pipe from Canada: Preliminary Determination of Sales at Less Than Fair Value, Postponement of Final Determination, and Extension of Provisional Measures*, 83 FR 43649 (August 27, 2018), unchanged in *Large Diameter Welded Pipe from Canada: Final Affirmative Determination of Sales at Less Than Fair Value*, 84 FR 6378 (February 27, 2019); and *Cast Iron Soil Pipe from the People’s Republic of China: Preliminary Affirmative Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 83 FR 44567 (August 31, 2018), unchanged in *Cast Iron Soil Pipe from the People’s Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value*, 84 FR 6767 (February 28, 2019).

difference between the mean (*i.e.*, weighted-average price) of a test group and the mean (*i.e.*, weighted-average price) of a comparison group. First, for comparable merchandise, the Cohen's *d* coefficient is calculated when the test and comparison groups of data for a particular purchaser, region, or time period each have at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. Then, the Cohen's *d* coefficient is used to evaluate the extent to which the prices to the particular purchaser, region, or time period differ significantly from the prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen's *d* test: small, medium, or large (0.2, 0.5, and 0.8, respectively). Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the mean of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference is considered significant, and the sales in the test group are found to pass the Cohen's *d* test, if the calculated Cohen's *d* coefficient is equal to or exceeds the large (*i.e.*, 0.8) threshold.

Next, the "ratio test" assesses the extent of the significant price differences for all sales as measured by the Cohen's *d* test. If the value of sales to purchasers, regions, and time periods that pass the Cohen's *d* test account for 66 percent or more of the value of total sales, then the identified pattern of prices that differ significantly supports the consideration of the application of the average-to-transaction method to all sales as an alternative to the average-to-average method. If the value of sales to purchasers, regions, and time periods that pass the Cohen's *d* test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the results support consideration of the application of an average-to-transaction method to those sales identified as passing the Cohen's *d* test as an alternative to the average-to-average method, and application of the average-to-average method to those sales identified as not passing the Cohen's *d* test. If 33 percent or less of the value of total sales passes the Cohen's *d* test, then the results of the Cohen's *d* test do not support consideration of an alternative to the average-to-average method.

If both tests in the first stage (*i.e.*, the Cohen's *d* test and the ratio test) demonstrate the existence of a pattern of prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, Commerce examines whether using only the average-to-average method can appropriately account for such differences. In considering this question, Commerce tests whether using an alternative comparison method, based on the results of the Cohen's *d* and ratio tests described above, yields a meaningful difference in the weighted-average dumping margin as compared to that resulting from the use of the average-to-average method only. If the difference between the two calculations is meaningful, then this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis, and, therefore, an alternative comparison method would be appropriate. A difference in the weighted-average dumping margins is considered meaningful if 1) there is a 25 percent relative change in the weighted-average dumping margins between the average-to-average method and the appropriate alternative method where both rates are above the *de minimis* threshold, or 2) the resulting weighted-average dumping margins between the average-to-average method and the appropriate alternative method move across the *de minimis* threshold.

Interested parties may present arguments and justifications in relation to the above-described differential pricing approach used in these preliminary results, including arguments for modifying the group definitions used in this proceeding.

B. Results of the Differential Pricing Analysis

For Canfor, based on the results of the differential pricing analysis, Commerce preliminarily finds that 63.78 percent of the value of U.S. sales pass the Cohen's *d* test, and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that the average-to-average method cannot account for such differences because the weighted-average dumping margin crosses the *de minimis* threshold when calculated using the average-to-average method and when calculated using an alternative comparison method based on applying the average-to-transaction method to all U.S. sales. Thus, Commerce has preliminarily determined to use the average-to-transaction method to those U.S. sales which passed the Cohen's *d* test and the average-to-average method to those sales which did not pass the Cohen's *d* test to calculate the weighted-average dumping margin for Canfor.

For Resolute, based on the results of the differential pricing analysis, Commerce preliminarily finds that 61.42 percent of the value of U.S. sales pass the Cohen's *d* test, and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that the average-to-average method cannot account for such differences because the weighted-average dumping margin crosses the *de minimis* threshold when calculated using the average-to-average method and when calculated using an alternative comparison method based on applying the average-to-transaction method to all U.S. sales. Thus, Commerce has preliminarily determined to use the average-to-transaction method to those U.S. sales which passed the Cohen's *d* test and the average-to-average method to those sales which did not pass the Cohen's *d* test to calculate the weighted-average dumping margin for Resolute.

For West Fraser, based on the results of the differential pricing analysis, Commerce preliminarily finds that 62.19 percent of the value of U.S. sales pass the Cohen's *d* test, and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that the average-to-average method cannot account for such differences because the weighted-average dumping margin crosses the *de minimis* threshold when calculated using the average-to-average method and when calculated using an alternative comparison method based on applying the average-to-transaction method to all U.S. sales. Thus, Commerce has preliminarily determined to use the average-to-transaction method to those U.S. sales which passed the Cohen's *d* test and the average-to-average method to those sales which did not pass the Cohen's *d* test to calculate the weighted-average dumping margin for West Fraser.

Date of Sale

Section 351.401(i) of Commerce's regulations states that, in identifying the date of sale of the merchandise under consideration or foreign like product, Commerce normally will use the date

of invoice, as recorded in the exporters' or producers' records kept in the ordinary course of business. However, the regulations permit Commerce to use a date other than the date of invoice if it is satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale.⁴⁰ Commerce has a long-standing practice of finding that, where shipment date precedes invoice date, shipment date better reflects the date on which the material terms of sale are established.⁴¹

For both its comparison-market and U.S. sales, Canfor reported the earlier of commercial invoice date or shipment date as the date of sale.⁴² Canfor explained that the commercial invoice date is the date on which the terms of sale are finalized, and submitted documentation supporting this assertion. Based on record evidence, we are preliminarily using the earlier of the commercial invoice date or shipment date for the date of sale for Canfor's sales in both the comparison and U.S. markets.

For both its comparison-market and U.S. sales, Resolute reported the earlier of invoice date or shipment date as the date of sale.⁴³ Based on record evidence, we are preliminarily using the earlier of the commercial invoice date or shipment date for the date of sale for Resolute's sales in both the comparison and U.S. markets.

For both its comparison-market and U.S. sales, West Fraser reported the invoice date as the date of sale.⁴⁴ West Fraser explained that the invoice date is the date on which the merchandise is shipped,⁴⁵ and submitted documentation supporting this assertion.⁴⁶ Based on record evidence, we are preliminarily using the invoice date for the date of sale for West Fraser's sales in both the comparison and U.S. markets.

Export Price and Constructed Export Price

According to section 772(a) of the Act, EP is the price at which the merchandise under consideration is first sold (or agreed to be sold) before the date of importation by the producer or exporter of the subject merchandise outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States, as adjusted under section 772(c) of the Act. Pursuant to section 772(b) of the Act, CEP is the price at which the merchandise under consideration is first sold (or agreed to be sold) in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise

⁴⁰ See 19 CFR 351.401(i); see also *Allied Tube & Conduit Corp. v. United States*, 132 F. Supp. 2d 1087, 1090 (CIT 2001) (quoting 19 CFR 351.401(i)).

⁴¹ See, e.g., *Notice of Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances: Certain Frozen and Canned Warmwater Shrimp from Thailand*, 69 FR 76918 (December 23, 2004), and accompanying IDM at Comment 10; see also *Notice of Final Determination of Sales at Less Than Fair Value: Structural Steel Beams from Germany*, 67 FR 35497 (May 20, 2002), and accompanying IDM at Comment 2.

⁴² See Canfor's June 14, 2019 AQR at 3.

⁴³ See Resolute's June 10, 2019 AQR at 22.

⁴⁴ See West Fraser's June 10, 2019 AQR at 26.

⁴⁵ See West Fraser's July 8, 2019 Section B Questionnaire Response at 27; see also West Fraser's July 8, 2019 Section C Questionnaire Response at 23.

⁴⁶ See, e.g., West Fraser's September 11, 2019 Supplemental Section B Response at Exhibit WF-AR1-SB-1; West Fraser's September 11, 2019 Supplemental Section C Response at Exhibit WF-AR1-SC-2.

or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter, as adjusted under sections 772(c) and (d) of the Act.

For EP sales reported by the respondents, we used the EP methodology, in accordance with section 772(a) of the Act, when the subject merchandise was first sold by the producer/exporter outside of the United States directly to the first unaffiliated purchaser in the United States prior to importation and because use of the CEP methodology was not otherwise warranted. For each of the respondent's vendor-managed inventory (VMI) sales, where the subject merchandise is sold after the date of importation from inventory located within the United States, we used the CEP methodology, consistent with section 772(b) of the Act.

We calculated EP based on packed prices to unaffiliated purchasers in the United States. We made billing adjustments and made deductions from the starting price, where applicable, for rebates and discounts, futures contracts gains or losses, and for movement expenses, *i.e.*, inland freight, fuel surcharges, brokerage and handling, and warehousing, in accordance with section 772(c)(2)(A) of the Act. We added U.S. direct selling expenses, *i.e.*, imputed credit expenses, bank charges, and warranty expenses, to NV.

We calculated CEP in accordance with section 772(c)(2)(A) of the Act. We made billing adjustments and made deductions from the starting price, where applicable, for rebates and discounts, futures contracts gains or losses, and for movement expenses, *i.e.*, inland freight, fuel surcharges, brokerage and handling, and warehousing. We also deducted expenses associated with economic activities occurring in the United States, including direct selling expenses (*i.e.*, imputed credit expenses, bank charges, and warranty expenses) and indirect selling expenses (including inventory carrying costs). For further details regarding the calculation of EP and CEP for the respondents, *see* the preliminary analysis memorandum for each company.⁴⁷

Normal Value

A. Comparison Market Viability

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV, *i.e.*, the aggregate volume of home market sales of the foreign like product is equal to or greater than five percent of the aggregate volume of U.S. sales, we normally compare the respondent's volume of home-market sales of the foreign like product to the volume of U.S. sales of the subject merchandise, in accordance with sections 773(a)(1)(A) and (B) of the Act. If we determine that no viable home market exists, we may, if appropriate, use a respondent's sales of the foreign like product to a third-country market as the basis for comparison market sales in accordance with section 773(a)(1)(C) of the Act and 19 CFR 351.404.

⁴⁷ See Memorandum "Canfor Preliminary Sales Analysis Memo"; Memorandum "Resolute Preliminary Sales Analysis Memo"; and Memorandum "West Fraser Preliminary Sales Analysis Memo;" all dated concurrent with this memorandum (collectively, Respondents' Preliminary Analysis Memoranda).

In this review, we preliminarily determine that the aggregate volume of each of the respondents' home market (*i.e.* Canadian) sales of the foreign like product was greater than five percent of the aggregate volume of its U.S. sales of the subject merchandise.⁴⁸ Therefore, for all of the respondents, we used home market sales as the basis for determining NV, in accordance with section 773(a)(1)(B) of the Act and 19 CFR 351.404.⁴⁹

B. Affiliated Party Transactions and the Arm's-Length Test

Commerce may calculate normal value based on a sale to an affiliated party only if it is satisfied that the price to the affiliated party is comparable to the price at which sales are made to parties not affiliated with the exporter or producer, *i.e.*, sales were made at arm's-length prices.⁵⁰ Under section 773(a)(5) of the Act, Commerce has considerable discretion in deciding whether to include affiliated party sales when calculating normal value.⁵¹ Commerce excludes comparison market sales to affiliated customers that are not made at arm's-length prices from our margin analysis because we consider them to be outside the ordinary course of trade.⁵² Consistent with 19 CFR 351.403(c) and (d) and in accordance with its practice, Commerce "may calculate normal value based on sales to affiliates if satisfied that the transactions were made at arm's length."⁵³ To test if sales to affiliates were made at arm's-length prices, we compare, on a model-specific basis, the starting prices of sales to affiliated and unaffiliated customers, net of all direct selling expenses, billing adjustments, discounts, rebates, movement charges, and packing (arm's-length test). Where prices to the affiliated party are, on average, within a range of 98-to-102 percent of the price of identical or comparable merchandise to the unaffiliated parties, we determine that the sales made to the affiliated party are at arm's length.⁵⁴

C. Level of Trade

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, Commerce will calculate NV based on sales at the same level of trade (LOT) as the U.S. sales. Sales are made at different levels of trade if they are made at different marketing stages (or their equivalent).⁵⁵ Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.⁵⁶ In order to determine whether the comparison market sales are at different stages in the marketing process than the U.S. sales, we examine the

⁴⁸ See Canfor's June 14, 2019 AQR at Exhibit A-1; Resolute's June 10, 2019 AQR at Exhibit A-1; and West Fraser's June 10, 2019 AQR at Exhibit A-1.

⁴⁹ See Respondents' Preliminary Analysis Memoranda.

⁵⁰ See 19 CFR 351.403(c).

⁵¹ See section 773(a)(5) of the Act; see also *NTN Corp. v. United States*, 306 F. Supp. 2d 1319, 1332 (CIT 2004) (affirming Commerce's discretion to apply the arm's-length test to determine whether to exclude certain home market sales to affiliated parties in the normal value calculation.).

⁵² See 19 CFR 351.403(c).

⁵³ See *China Steel Corp. v. United States*, 264 F. Supp. 2d 1339, 1367 (CIT 2003).

⁵⁴ See *Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade*, 67 FR 69186, 69194 (November 15, 2002).

⁵⁵ See 19 CFR 351.412(c)(2).

⁵⁶ *Id.*; see also *Certain Orange Juice from Brazil: Final Results of Antidumping Duty Administrative Review and Notice of Intent Not To Revoke Antidumping Duty Order in Part*, 75 FR 50999 (August 18, 2010) (*OJ from Brazil*), and accompanying IDM at Comment 7.

distribution system in each market, *i.e.*, the chain of distribution, including selling functions and class of customer (customer category), and the level of selling expenses for each type of sale.

Pursuant to section 773(a)(1)(B)(i) of the Act, in identifying LOTs for EP and comparison market sales, *i.e.*, NV based on either home-market or third-country prices,⁵⁷ we consider the starting prices before any adjustments. For CEP sales, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.⁵⁸

When Commerce is unable to match U.S. sales of the foreign like product in the comparison market at the same LOT as the EP or CEP, Commerce may compare the U.S. sale to sales at a different LOT in the comparison market. In comparing EP or CEP sales at a different LOT in the comparison market, where available data make it possible, we make a LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales only, if the NV LOT is at a more advanced stage of distribution than the LOT of the CEP and there is no basis for determining whether the difference in LOTs between NV and CEP affects price comparability, *i.e.*, no LOT adjustment is possible, Commerce will grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.⁵⁹

In this review, we obtained information from the respondents regarding the marketing stages involved in making their reported comparison market and U.S. sales, including a description of the selling activities performed by each respondent for each channel of distribution.

Canfor reported that it had five channels of distribution in its comparison market and four channels of distribution in its U.S. markets, and that it had five customer categories in both its comparison and U.S. markets.⁶⁰ Canfor reported making mill direct sales, reload sales (reload sales consist of warehouses where inventory is held for sale or for purposes of consolidating orders for shipment via rail or truck), and sales made from remanufacturing facilities all at the same LOT, but that while it was not requesting a LOT adjustment,⁶¹ Canfor claimed that VMI sales were made at a different LOT.⁶² Similar to VMI sales but distinct from mill local and employee sales which are discussed below, Canfor reported that mill direct sales, reload sales, and sales made from remanufacturing facilities involved numerous sales activities and logistic planning.⁶³ Commerce requested information that would support Canfor's claim that its VMI sales were at a different LOT than its other sales, including requesting twice for quantitative analysis supporting its LOT statements. Canfor stated that its contention that VMI sales were at a different LOT than its other sales was based on the general knowledge of Canfor sales and

⁵⁷ Where NV is based on constructed value (CV), we determine the NV level of trade based on the level of trade of the sales from which we derive selling, general and administrative expenses, and profit for CV, where possible. *See* 19 CFR 351.412(c)(1).

⁵⁸ *See Micron Tech., Inc. v. United States*, 243 F. 3d 1301, 1314-16 (Fed. Cir. 2001).

⁵⁹ *See OJ from Brazil* IDM at Comment 7.

⁶⁰ *See* Canfor's June 14, 2019 AQR at 16-28.

⁶¹ *Id.* at 16.

⁶² *Id.* at 28.

⁶³ *Id.* at Exhibit A-10.

management personnel regarding Canfor's operations, but Canfor provided neither specific evidence nor quantitative analysis in support of its assertions.⁶⁴

Canfor also made a very small amount of mill local and employee sales in the home market. Canfor stated that such sales required far less sales activities relative to all other types of sales,⁶⁵ and that the customer places the order directly with the mill and picks up the merchandise at the mill. Other than order processing and preparing the merchandise for pickup, Canfor reported that there are essentially no other sales activities conducted by Canfor on these sales.⁶⁶ Thus, Commerce has treated mill local and employee sales at one LOT and all other sales at another LOT and has applied a LOT adjustment accordingly. Moreover, because these facts do not establish CEP sales as a separate LOT to comparison market sales, we also determined that a CEP offset is not warranted. Accordingly, we have not granted a CEP offset, pursuant to 773(a)(7)(B) of the Act.

Resolute stated that most selling activities are performed for all customers and that selling activities not performed for all customers essentially are specific to individual customers, rather than dependent on the channel of trade or type of customer.⁶⁷ In fact, Resolute claims it performed the same selling functions at the same level of intensity for all sales channels.⁶⁸ West Fraser did not claim a LOT adjustment and all information it provided detailing the selling activities and intensity of each selling activity supported finding that all of its sales were made at the same LOT.⁶⁹ Therefore, we preliminarily determine that only one LOT exists in the comparison and U.S. markets for Resolute and West Fraser. For this reason, we preliminarily determine that a LOT adjustment is not warranted for either of these two respondents. Moreover, because these facts do not establish CEP sales as a separate LOT to comparison market sales, we also determined that a CEP offset is not warranted. Accordingly, we have not granted a CEP offset, pursuant to 773(a)(7)(B) of the Act.

D. Calculation of COP

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of costs of materials and fabrication for the foreign like product, plus amounts for general and administrative expenses and interest expenses. We relied on the COP data submitted by Canfor, Resolute, and West Fraser, with adjustments as discussed in the COP and CV calculation memoranda for each company.⁷⁰

⁶⁴ See Canfor's July 26, 2019 First Supplemental Section A Questionnaire Response (Canfor's July 26, 2019 SAQR) at 1-2 and Exhibit A-28.

⁶⁵ Canfor's July 26, 2019 SAQR at 1.

⁶⁶ See Canfor's June 14, 2019 AQR at 22.

⁶⁷ See Resolute's June 10, 2019 AQR at 20.

⁶⁸ *Id.* at Exhibit A-6.

⁶⁹ See West Fraser's June 10, 2019 AQR at 23-32 and Exhibits A-7, A-8, and A-9.

⁷⁰ See Memoranda, "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results – Canfor"; "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results – Resolute"; and "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results – West Fraser," all dated concurrently with this memorandum (collectively, Respondents' Cost Calculation Memoranda).

Section 773(b)(2)(A)(ii) of the Act requires Commerce to request CV and COP information from respondent companies in all AD proceedings.⁷¹ Accordingly, Commerce requested this information from Canfor, Resolute, and West Fraser, in this review.

a. Calculation of COP

We calculated the COP for Canfor, Resolute, and West Fraser based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for selling, general, and administrative (SG&A) expenses and packing, in accordance with section 773(b)(3) of the Act. We relied on the COP data provided by the respondents in their most recently submitted cost database for the COP calculation except as detailed in each respondent's cost analysis memorandum.⁷²

b. Test of Comparison Market Sales Prices

On a product-specific basis, pursuant to section 773(b) of the Act, we compared the adjusted weighted-average COPs to the home market sales prices of the foreign like product, in order to determine whether the sales prices were below the COPs. For purposes of this comparison, we used COPs exclusive of selling and packing expenses. The prices were exclusive of any applicable billing adjustments, discounts and rebates, where applicable, movement charges, actual direct and indirect selling expenses, and packing expenses.

c. Results of the COP Test

In determining whether to disregard home market sales made at prices below the COP, we examined, in accordance with sections 773(b)(1)(A) and (B) of the Act, whether: 1) within an extended period of time, such sales were made in substantial quantities; and 2) such sales were made at prices which permitted the recovery of all costs within a reasonable period of time in the normal course of trade. In accordance with sections 773(b)(2)(B) and (C) of the Act, where less than 20 percent of the respondent's comparison market sales of a given product are at prices less than the COP, we do not disregard any below-cost sales of that product because we determine that in such instances the below-cost sales were not made within an extended period of time and in "substantial quantities." Where 20 percent or more of a respondent's sales of a given product are at prices less than the COP, we disregard the below-cost sales when: (1) they were made within an extended period of time in "substantial quantities," in accordance with sections 773(b)(2)(B) and (C) of the Act; and, (2) based on our comparison of prices to the weighted-average COPs for the POR, they were at prices which would not permit the recovery of all costs within a reasonable period of time, in accordance with section 773(b)(2)(D) of the Act.

We found that, for certain specific products, more than 20 percent of all three respondents' respective home market sales during the POR were at prices less than the COP and, in addition, such sales did not provide for the recovery of costs within a reasonable period of time. We

⁷¹ See *Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015*, 80 FR 46793, 46794-95 (August 6, 2015).

⁷² See Respondents' Cost Calculation Memoranda.

therefore excluded these sales and used the remaining sales, if any, as the basis for determining normal value, in accordance with section 773(b)(1) of the Act.⁷³

E. Calculation of Normal Value Based on Comparison Market Prices

For those comparison products for which there were an appropriate number of sales at prices above the COP, we based NV on comparison market prices. We calculated NV based on packed, ex-factory or delivered prices to unaffiliated customers in Canada.

When comparing U.S. sales with comparison market sales of similar, but not identical, merchandise, Commerce also made adjustments for physical differences in the merchandise, in accordance with section 773(a)(6)(C)(ii) of the Act and 19 CFR 351.411. Commerce based this adjustment on the difference in the variable cost of manufacturing for the foreign like products and the merchandise under consideration.⁷⁴

Commerce calculated the NV based on prices to unaffiliated customers. Commerce increased, where appropriate, the starting price to account for billing adjustments, in accordance with 19 CFR 351.401(c).⁷⁵ Commerce also made a deduction from the starting price for discounts and rebates, pursuant to 19 CFR 351.401(c).

Commerce then where applicable, adjusted the starting price for inland freight from plant to distribution warehouse, warehousing expenses, inland freight from plant/distribution warehouse to customer, and inland insurance, pursuant to section 773(a)(6)(B) of the Act. Next, Commerce made deductions pursuant to section 773(a)(6)(C) of the Act and 19 CFR 351.410 for differences in circumstances of sale for home market credit expenses. In accordance with 19 CFR 351.410(e), Commerce also made adjustments to the respondents' NV for indirect selling expenses and inventory carrying costs incurred in the comparison market. In accordance with sections 773(a)(6)(A) and (B) of the Act, Commerce also deducted home market packing costs, and added U.S. packing costs.

F. Currency Conversion

We made currency conversions into U.S. dollars in accordance with section 773A of the Act and 19 CFR 351.415, based on the exchange rates in effect on the dates of the U.S. sales as certified by the Federal Reserve Bank.

⁷³ *Id.*

⁷⁴ See 19 CFR 351.411(b); *see also* Respondents' Preliminary Analysis Memoranda.

⁷⁵ See Respondents' Preliminary Analysis Memoranda.

IX. RECOMMENDATION

We recommend applying the above methodology for these preliminary results of review.

Agree

Disagree

1/31/2020

X *James Maeder*

Signed by: JAMES MAEDER

James Maeder

Deputy Assistant Secretary

for Antidumping and Countervailing Duty Operations