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February 23, 2017

MEMORANDUM TO: Carole Showers  
Executive Director, Office of Policy  
Policy & Negotiations

FROM: Gary Taverman  
Associate Deputy Assistant Secretary  
for Antidumping and Countervailing Duty Operations

SUBJECT: Stainless Steel Bar from Brazil: Decision Memorandum for  
Preliminary Results of Antidumping Duty Administrative Review;  
2015-2016

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## I. SUMMARY

The Department of Commerce (the Department) is conducting an administrative review of the antidumping duty (AD) order on stainless steel bar (SSB) from Brazil covering the period of review (POR) is February 1, 2015, through January 31, 2016. The review covers one producer/exporter of the subject merchandise, Villares Metals S.A. (Villares). We preliminarily find that subject merchandise has not been sold at less than normal value (NV).

## II. BACKGROUND

On February 21, 1995, we published in the *Federal Register* an antidumping duty order on certain SSB from Brazil.<sup>1</sup> On February 3, 2016, we published in the *Federal Register* a notice of opportunity to request an administrative review of the order.<sup>2</sup> On April 7, 2016, based on timely

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<sup>1</sup> See *Antidumping Duty Orders: Stainless Steel Bar from Brazil, India and Japan*, 60 FR 9661 (February 21, 1995).

<sup>2</sup> See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 81 FR 5712 (February 3, 2016).



requests for administrative review,<sup>3</sup> the Department published in the *Federal Register* a notice of initiation of this administrative review of the antidumping duty order on SSB from Brazil.<sup>4</sup>

We extended the original deadline for these preliminary results until February 28, 2017.<sup>5</sup>

On February 9, 2017, we received pre-preliminary comments from the petitioners, requesting that the Department consider such comments for the preliminary results. We intend to issue a supplemental questionnaire and take the petitioners' comments into consideration for the final results.

### III. SCOPE OF THE ORDER

The merchandise subject to the order is SSB. The term SSB with respect to the order means articles of stainless steel in straight lengths that have been either hot-rolled, forged, turned, cold-drawn, cold-rolled or otherwise cold-finished, or ground, having a uniform solid cross section along their whole length in the shape of circles, segments of circles, ovals, rectangles (including squares), triangles, hexagons, octagons or other convex polygons. SSB includes cold-finished SSBs that are turned or ground in straight lengths, whether produced from hot-rolled bar or from straightened and cut rod or wire, and reinforcing bars that have indentations, ribs, grooves, or other deformations produced during the rolling process. Except as specified above, the term does not include stainless steel semi-finished products, cut-length flat-rolled products (*i.e.*, cut-length rolled products which if less than 4.75 mm in thickness have a width measuring at least 10 times the thickness, or if 4.75 mm or more in thickness having a width which exceeds 150 mm and measures at least twice the thickness), wire (*i.e.*, cold-formed products in coils, of any uniform solid cross section along their whole length, which do not conform to the definition of flat-rolled products), and angles, shapes and sections. The SSB subject to the order is currently classifiable under subheadings 7222.10.00, 7222.11.00, 7222.19.00, 7222.20.00, 7222.30.00 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the order is dispositive.<sup>6</sup>

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<sup>3</sup> See Letter from Carpenter Technology Corporation, Crucible Industries LLC, Electralloy, a Division of G.O. Carlson, Inc., North America Stainless, and Valbruna Slater Stainless, Inc. (collectively, the petitioners) dated February 29, 2016. See also Letter from the petitioners dated March 7, 2016. Pursuant to a memorandum to the file we placed on the record via ACCESS on March 21, 2016, we determined that the petitioners' request for review was timely filed in accordance with 19 CFR 213(b)(1).

<sup>4</sup> See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 81 FR 20324 (April 7, 2016).

<sup>5</sup> See Memorandum to Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, through James Maeder, Senior Director, Antidumping and Countervailing Duty Operations, Office I, entitled, "Stainless Steel Bar from Brazil: Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review," dated September 29, 2016.

<sup>6</sup> The HTSUS numbers provided in the scope changed since the publication of the order. See *Antidumping Duty Orders: Stainless Steel Bar from Brazil, India and Japan*, 60 FR 9661 (Dep't of Commerce February 21, 1995).

## IV. DISCUSSION OF THE METHODOLOGY

We are conducting this administrative review of the order in accordance with section 751(a) of the Tariff Act of 1930, as amended (the Act), and 19 CFR 351.213.

### (1) Comparisons to Normal Value

Pursuant to section 773(a) of the Act and 19 CFR 351.414(c)(1) and (d), in order to determine whether Villares' sales of the subject merchandise from Brazil to the United States were made at less than NV, the Department compared the Export Price (EP) and Constructed Export Price (CEP) to the NV as described in the "Export Price," "Constructed Export Price," and "Normal Value" sections of this memorandum.

For purposes of determining an appropriate product comparison to the U.S. sale, in accordance with section 771(16) of the Act, we considered all products sold in the home market as described in the "Scope of the Order" section of this notice, above, that were in the ordinary course of trade. If contemporaneous sales of identical comparison market merchandise were reported, as described below, we made comparisons to the monthly weighted-average comparison market prices that were based on all such sales. If there were no contemporaneous sales of identical merchandise in the comparison market, then we identified sales of the most similar merchandise that were contemporaneous with the U.S. sales, in accordance with 19 CFR 351.414(e).

#### A. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), the Department calculates weighted-average dumping margins by comparing weighted-average normal values to weighted-average EPs or CEPs (*i.e.*, the average-to-average (A-A) method) unless the Secretary determines that another method is appropriate in a particular situation. In less-than-fair-value investigations, the Department examines whether to compare weighted-average NVs with the EPs or CEPs of individual sales (*i.e.*, the average-to-transaction (A-T) 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 the Department's examination of this question in the context of administrative reviews, the Department 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.<sup>7</sup>

In recent investigations, the Department applied a "differential pricing" analysis for determining whether application of the A-T method is appropriate in a particular situation pursuant to 19 CFR

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<sup>7</sup> 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 the accompanying Issues and Decision Memorandum at comment 1; see also *Apex Frozen Foods Private Ltd. v. United States*, 37 F. Supp. 3d 1286 (Ct. Int'l Trade 2014); see also *JBF RAK LLC v. United States*, 790 F.3d 1358, 1363-65 (Fed. Cir. 2015) ("the 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).

351.414(c)(1) and section 777A(d)(1)(B) of the Act.<sup>8</sup> The Department 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. The Department will continue to develop its approach in this area based on comments received in this and other proceedings, and on the Department's additional experience with addressing the potential masking of dumping that can occur when the Department uses the A-A 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 export 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 A-A 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 reported consolidated customer codes. 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 period of review based upon the reported 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 the Department 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 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.

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<sup>8</sup> See, e.g., *Xanthan Gum from the People's Republic of China: Final Determination of Sales at Less Than Fair*, 78 FR 33351 (June 4, 2013); *Steel Concrete Reinforcing Bar from Mexico: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, 79 FR 54967 (September 15, 2014); or *Welded Line Pipe From the Republic of Turkey: Final Determination of Sales at Less Than Fair Value*, 80 FR 61362 (October 13, 2015).

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 A-T method to all sales as an alternative to the A-A 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 A-T method to those sales identified as passing the Cohen’s *d* test as an alternative to the A-A method, and application of the A-A 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 A-A 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, the Department examines whether using only the A-A method can appropriately account for such differences. In considering this question, the Department 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 A-A method only. If the difference between the two calculations is meaningful, then this demonstrates that the A-A 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 A-A 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 A-A 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 Villares, based on the results of the differential pricing analysis, the Department preliminarily finds that 41.41 percent of the value of U.S. sales pass the Cohen’s *d* test,<sup>9</sup> and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, the Department preliminarily determines that there is no meaningful difference between the weighted-average dumping margin calculated using the A-A method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the A-T method to those U.S. sales which passed the Cohen’s *d* test and the A-A

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<sup>9</sup> See Memorandum to the File from Hermes Pinilla, Senior International Trade Compliance Analyst, entitled, “Administrative Review of the Antidumping Duty Order on Stainless Steel Bar from Brazil: Preliminary Analysis Memorandum for Villares Metals S.A.; 2015-2016,” dated concurrently with this memorandum (Preliminary Analysis Memorandum).



method to those sales which did not pass the Cohen's *d* test. Thus, for these preliminary results, the Department is applying the A-T method for all U.S. sales to calculate the weighted-average dumping margin for Villares.

## (2) Product Comparisons

In accordance with section 771(16) of the Act, we compared products produced by Villares, that meet the description in the "Scope of the Order" section above, and sold in the U.S. and home markets on the basis of the comparison product which was either identical or most similar in terms of the physical characteristics to the product sold in the United States.

In making the product comparisons, we matched foreign like product based on the physical characteristics reported by Villares in the following order of importance: general type of finish, grade, remelting process, finishing operation, shape, and size.

## (3) Date of Sale

Section 351.401(i) of the Department's regulations states that, normally, we will use the date of invoice, as recorded in the producer's or exporter's records kept in the ordinary course of business, as the date of sale. The regulation provides further that we may use a date other than the date of the invoice if the Secretary is satisfied that a different date better reflects the date on which the material terms of sale are established.

For all U.S. CEP sales, based on record evidence,<sup>10</sup> and consistent with previous administrative reviews,<sup>11</sup> we determine that the material term of sale, quantity, is established on the date of release from the unaffiliated, third-party warehouse for U.S. sales, *i.e.*, the date Villares issues its

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<sup>10</sup> See Villares' section A questionnaire response dated May 16, 2016 at 23-34, section C questionnaire response dated June 17, 2016, at 17, supplemental questionnaire response dated December 5, 2016, at 5-8. See also Preliminary Analysis Memorandum.

<sup>11</sup> See *Stainless Steel Bar from Brazil: Preliminary Results of Antidumping Duty Administrative Review; 2014-2015*, 81 FR 12465 (March 9, 2016) (2014-2015 Preliminary Results); unchanged in *Stainless Steel Bar from Brazil: Final Results of Antidumping Duty Administrative Review; 2014-2015*, 81 FR 40670 (June 22, 2016) (2014-2015 Final Results). See also *Stainless Steel Bar from Brazil: Preliminary Results of Antidumping Duty Administrative Review; 2013-2014*, 79 FR 75789 (December 19, 2014) and accompanying Preliminary Decision Memorandum at 5 (2013-2014 Preliminary Results); unchanged in *Stainless Steel Bar from Brazil: Final Results of Antidumping Duty Administrative Review; 2013-2014*, 80 FR 12805 (March 11, 2015) (2013-2014 Final Results). See also *Stainless Steel Bar from Brazil: Preliminary Results of Antidumping Duty Administrative Review; 2012-2013*, 79 FR 15948 (March 24, 2014) and accompanying Preliminary Decision Memorandum at 5 (2012-2013 Preliminary Results); unchanged in *Stainless Steel Bar from Brazil: Final Results of Antidumping Duty Administrative Review; 2012-2013*, 79 FR 47437 (August 13, 2014) (2012-2013 Final Results). See also *Stainless Steel Bar from Brazil: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 4383 (January 22, 2013) and accompanying Preliminary Decision Memorandum at 3 (2011-2012 Preliminary Results); unchanged in *Stainless Steel Bar from Brazil: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 22227 (April 15, 2013) (2011-2012 Final Results).

“nota fiscal.”<sup>12</sup> Therefore, we used the “nota fiscal” date, as reported by Villares, as the date of sale for all U.S. CEP sales.

With respect to its U.S. EP sales, Villares reported invoice date as the date of sale because that is the date of sale recorded in its normal books and records, and it is the date on which the price and quantity are fixed.<sup>13</sup> This is consistent with our regulatory presumption for invoice date as the date of sale.<sup>14</sup> Thus, because the evidence does not demonstrate that the material terms of sale were established on another date, we used invoice date as the date of sale for all U.S. EP sales.

With respect to its home-market sales, Villares reported invoice date as the date of sale because that is the date of sale recorded in its normal books and records, and it is the date on which the price and quantity are fixed.<sup>15</sup> This is consistent with our regulatory presumption for invoice date as the date of sale.<sup>16</sup> Thus, because the evidence does not demonstrate that the material terms of sale were established on another date, and consistent with previous reviews,<sup>17</sup> we used invoice date as the date of sale in the home market.

We used Villares’ sales databases, filed on December 5, 2016, and December 12, 2016, for our preliminary margin calculation. *See* Preliminary Analysis Memorandum for further details.

#### (4) Level of Trade/CEP Offset

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, we will calculate NV based on sales of foreign like products at the same level of trade (LOT) as the EP or CEP. Sales are made at different LOTs if they are made at different marketing stages (or their equivalent).<sup>18</sup> Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.<sup>19</sup> To determine whether the comparison-market sales were at different stages in the marketing process than the U.S. sales, we reviewed the distribution system in each market (*i.e.*, the chain of distribution), including selling

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<sup>12</sup> Villares issues three different invoices for its CEP sales which it refers to as the “parent invoice,” the “child invoice,” and the “nota fiscal.” The “parent invoice” is the consignment invoice that Villares issues when it ships the merchandise from its manufacturing plant in Brazil to the third party warehouse in the United States. The “child invoice” is the sales invoice that Villares issues when it releases the merchandise from the third party warehouse in the United States to the CEP unaffiliated customer. The “nota fiscal” is the commercial invoice that it issues simultaneously or within a few days from the issuance of the “child invoice.” *See* Villares’ section A questionnaire response dated May 16, 2016 at A-25-A-32, section B questionnaire response, dated June 17, 2016, at B-17 and B-18, section C questionnaire response dated, June 17, 2016, at C-17 and C-18, supplemental questionnaire response dated December 5, 2016, at SQ-17 and SQ-18. *See also* Preliminary Analysis Memorandum.

<sup>13</sup> *See* Villares’ section A questionnaire response dated May 16, 2016 at A-25 and A-30, section C questionnaire response dated June 17, 2016, at C-17, and supplemental questionnaire response dated December 5, 2016, at SQ-13. *See also* Preliminary Analysis Memorandum.

<sup>14</sup> *See* 19 CFR 351.401(i).

<sup>15</sup> *See* Villares’ section B questionnaire response dated June 17, 2016, at B-17 and B-18.

<sup>16</sup> *See* 19 CFR 351.401(i).

<sup>17</sup> *See, e.g., 2014-2015 Final Results. See also 2013-2014 Final Results. See also 2012-2013 Final Results. See also 2011-2012 Final Results.*

<sup>18</sup> *See* 19 CFR 351.412(c)(2).

<sup>19</sup> *Id.*; *see also Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate from South Africa*, 62 FR 61731, 61732 (November 19, 1997) (*Plate from South Africa*).

functions, class of customer (customer category), and the level of selling expenses for each type of sale. To determine whether home market sales are at a different LOT than EP sales, we examined stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer.

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.<sup>20</sup> When we are unable to match U.S. sales to sales of the foreign like product in the comparison market at the same LOT as the EP or CEP, we may compare the U.S. sales to sales at a different LOT in the comparison market. When this occurs and the difference in LOT is demonstrated to affect price comparability based on a pattern of consistent price differences between sales at different LOTs in the market in which NV is determined, we make an 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, we grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.<sup>21</sup>

In the home market, Villares reported two channels of distribution: direct mill-order sales to distributors and large end-users, and sales to end-users from inventory maintained in Villares' distribution centers located at the company's headquarters and in Joinville, Brazil.<sup>22</sup> We examined the selling activities performed for the Brazilian sales and found that Villares performed the following selling functions: general promotion and marketing, sales forecasting, direct sales personnel, sales/marketing support, freight and delivery arrangements, products defect claim-related services, technical service support, packing, pay commissions, provide after-sales services, and provide freight and delivery support. These selling functions can be generally grouped into four selling function categories for analysis: (1) sales and marketing; (2) freight and delivery services; (3) inventory maintenance and warehousing; and (4) warranty and technical support. Accordingly, based on these selling function categories, we find that Villares performed sales and marketing, freight and delivery services, inventory maintenance and warehousing, and warranty and technical support for sales to all two of its Brazilian channels of distribution at a similar level of intensity. Therefore, we preliminarily determined that Villares' Brazilian market sales constitute one LOT.<sup>23</sup>

In the United States, Villares had both CEP sales through an unaffiliated warehouse and EP sales made directly from its production plant in Brazil. Villares reported that its CEP sales were made through one channel of distribution and, thus, we preliminarily determine that Villares' CEP sales constitute one LOT.<sup>24</sup> The merchandise is stored in the third-party warehouse and the unaffiliated customer withdraws the merchandise as needed. After withdrawal, the warehouse notifies Villares that a sale was made.<sup>25</sup>

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<sup>20</sup> See *Micron Technology, Inc. v. United States*, 243 F.3d 1301, 1314 (Fed. Cir. 2001).

<sup>21</sup> See *Plate from South Africa*, 62 FR at 61732-33.

<sup>22</sup> See the Department's Questionnaire to Villares dated April 22, 2016. See also Villares' section A questionnaire response dated May 16, 2016 at A-14 through A-33 and Exhibits A-6, A-7, and A-8, and December 5, 2016 supplemental questionnaire response at SQ9 through SQ13 and Exhibits SQ-5 and SQ-6.

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> *Id.*



Finally, we compared the CEP LOT to the Brazilian market LOT and found that there were significant differences between the selling functions performed in the United States and Brazilian customers. Specifically, we found that Villares provides general promotion and marketing, direct sales personnel, sales/marketing support, product defect claim-related services, pay commissions, provide after-sales services, and technical support in the home market, but it does not either provide these services in the U.S. market or the level of intensity is significantly different between both markets.<sup>26</sup>

Based on the foregoing analysis, we preliminarily determine that the NV LOT is at a more advance stage of distribution than the CEP LOT and that no LOT adjustment is possible. Accordingly, we granted a CEP offset pursuant to section 773(a)(7)(B) of the Act and 19 CFR 351.412(f).<sup>27</sup>

Villares reported that its EP sales were made through a single channel of distribution and that the selling activities associated with all sales through the single channel of distribution did not differ.<sup>28</sup> We found no evidence to contradict Villares' statements. Accordingly, we preliminarily find that Villares' single EP channel of distribution constitutes a single LOT. We found that the selling functions Villares performed for EP sales were very similar to those performed for its two home market channels of distribution. For example, in all three channels, Villares provides sales forecasting, order processing and invoicing, freight and delivery arrangements, packing, and freight and delivery support at the same levels of intensity.<sup>29</sup> As a result, we preliminarily determine that the LOT of EP sales were the same as Villares' NV LOT. Therefore, we matched Villares' EP sales to Villares' NV LOT and made no LOT adjustment.

#### (5) Export Price and Constructed Export Price

Section 772(a) of the Act defines EP as "the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of 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 subsection (c)" of section 772 of the Act.

We calculated EP for purposes of these preliminary results, in accordance with subsections 772(a) and (c) of the Act, where the subject merchandise was first sold in the country of manufacture (*i.e.*, Brazil) to an unaffiliated purchaser prior to importation and CEP was not otherwise warranted based on the facts of record. Therefore, with respect to Villares' reported EP sales, we calculated EP based on the price to unaffiliated purchasers in the United States, taking into account the reported terms of delivery. We made adjustments for credit expenses and certain direct selling expenses, as appropriate. We also made deductions for movement

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<sup>26</sup> See Villares' supplemental questionnaire response dated December 5, 2016 at Exhibit SQ-6.

<sup>27</sup> See Preliminary Analysis Memorandum.

<sup>28</sup> *Id.*

<sup>29</sup> See Villares' supplemental questionnaire response dated December 5, 2016 at pages SQ-9 and SQ-10. See also Exhibit SQ-5.

expenses, including international freight, marine insurance, U.S. brokerage and handling, U.S. inland freight, and U.S. customs duties, in accordance with section 772(c)(2)(A) of the Act.<sup>30</sup>

Section 772(b) of the Act defines CEP as “the price at which the subject merchandise is first sold (or agreed to be sold) in the United States to an unaffiliated purchaser in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise or by a seller affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter, as adjusted under subsections (c) and (d)” of section 772 of the Act.

We calculated CEP for purposes of the preliminary results, in accordance with section 772(b) of the Act, where the subject merchandise was sold after importation in the United States. We calculated CEP based on the delivered price to the unaffiliated purchaser in the United States. We made deductions for any movement expenses, including international freight, marine insurance, U.S. brokerage and handling, U.S. inland freight, and U.S. customs duties, in accordance with section 772(c)(2)(A) of the Act. In accordance with section 772(d)(1) of the Act, we calculated the CEP by deducting selling expenses associated with economic activities occurring in the United States. Finally, we made an adjustment for profit allocated to these expenses, in accordance with section 772(d)(3) of the Act.<sup>31</sup>

#### (6) Normal Value

##### *A. Home Market Viability and Comparison Market*

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 five percent or more of the aggregate volume of U.S. sales), we compared the volume of Villares’ home market sales of the foreign like product to the volume of its U.S. sales of subject merchandise, in accordance with section 773(a)(1)(C) of the Act, and 19 CFR 351.404. Based on this comparison, we determined that Villares had a viable home market during the POR because the volume of Villares’ Brazilian home market sales of the foreign like product was greater than five percent of its aggregate volume of U.S. sales of subject merchandise.

##### *B. Cost of Production*

Section 773(b)(2)(A)(ii) of the Act controls all determinations in which the complete initial questionnaire has not been issued as of August 6, 2015. It requires the Department to request cost information from respondent companies in all antidumping proceedings.<sup>32</sup> Because of this, the Department requested this information from Villares and it submitted timely responses.<sup>33</sup> We examined Villares’ cost data and determined that our quarterly cost methodology is not

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<sup>30</sup> *Id.*

<sup>31</sup> See Preliminary Analysis Memorandum.

<sup>32</sup> *Id.*, at 46794-95.

<sup>33</sup> See Villares’ section D questionnaire response dated June 17, 2016. See also Villares’ supplemental questionnaire response dated December 12, 2016.

warranted and, therefore, we applied our standard methodology of using annual costs based on the reported data.

### 1. Calculation of Cost of Production

We calculated the COP based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for general and administrative and financial expenses, in accordance with section 773(b)(3) of the Act. We relied on the COP data submitted by Villares in its questionnaire responses for the COP calculation.

### 2. Test of Comparison Market Sales Prices

As required under section 773(b)(2) of the Act, we compared the weighted average of the COP for the POR to the per-unit price of the comparison market sales of the foreign like product to determine whether these sales had been made at prices below the COP within an extended period of time in substantial quantities, and whether such prices were sufficient to permit the recovery of all costs within a reasonable period of time. We determined the net comparison market prices for the below cost test by subtracting from the gross unit price any applicable movement charges, direct and indirect selling expenses, and packing expenses.

### 3. Results of the COP Test

Pursuant to section 773(b)(2)(C)(i) of the Act, where less than 20 percent of sales of a given product were at prices less than the COP, we disregarded no below-cost sales of that product because we determined that the below-cost sales were not made in substantial quantities. Where 20 percent or more of a respondent's home market sales of a given model were at prices less than the COP, we disregarded the below-cost sales because (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 of the COPs, 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.

Our cost test for Villares indicated that, for home market sales of certain products, more than 20 percent were sold at prices below the COP within an extended period of time and were at prices which would not permit the recovery of all costs within a reasonable period of time. Thus, in accordance with section 773(b)(1) of the Act, we excluded these below-cost sales from our analysis and used the remaining above-cost sales to determine NV.<sup>34</sup>

### *C. Calculation of Normal Value Based on Comparison Market Prices*

We based NV on Villares' home market sales to unaffiliated purchasers. Pursuant to section 773(a)(6)(B)(ii) of the Act, we deducted inland freight expenses Villares incurred on its home market sales. We made adjustments for differences in domestic and export packing expenses in accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act. *See* Preliminary Analysis Memorandum for further details.

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<sup>34</sup> *See* Preliminary Analysis Memorandum.

## V. 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. The exchange rates are available on the Enforcement and Compliance website at <http://enforcement.trade.gov/exchange/index.html>.

## VI. RECOMMENDATION

We recommend applying the above methodology for these preliminary results.



\_\_\_\_\_  
Agree

\_\_\_\_\_  
Disagree

2/23/2017

**X** *Carole Showers*

Signed by: CAROLE SHOWERS

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Carole Showers  
Executive Director, Office of Policy  
Policy & Negotiations