



A-475-818  
Administrative Review  
POR: 7/1/2016 – 6/30/2017  
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AD/CVD Ops: III: JZ, GM

**DATE:** August 3, 2018

**MEMORANDUM TO:** James Maeder  
Associate Deputy Assistant Secretary  
for Antidumping and Countervailing Duty Operations  
performing the duties of Deputy Assistant Secretary  
for Antidumping and Countervailing Duty Operations

**FROM:** Edward Yang  
Senior Director, Office VII  
Antidumping and Countervailing Duty Operations

**RE:** Certain Pasta from Italy: Decision Memorandum for the  
Preliminary Results of Antidumping Duty Administrative Review;  
2016-2017

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## I. SUMMARY

The Department of Commerce (Commerce) is conducting an administrative review of the antidumping duty order on certain pasta (pasta) from Italy.<sup>1</sup> The review covers Ghigi 1870 S.p.A. (previously known as Ghigi Industria Agroalimentare Srl) (Ghigi) and Pasta Zara S.p.A. (Pasta Zara) (collectively Ghigi/Zara)<sup>2</sup> and Industria Alimentare Colavita S.p.A. (Indalco). The period of review (POR) is July 1, 2016, through June 30, 2017. We preliminarily determine that Ghigi/Zara made sales of subject merchandise at less than normal value (NV) during the POR and that Indalco did not make sales of subject merchandise at less than NV during the POR. We used the margin calculated for Ghigi/Zara as the basis of the margin assigned to firms that were not subject to individual review.<sup>3</sup>

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<sup>1</sup> See *Notice of Antidumping Duty Order and Amended Final Determination of Sales at Less Than Fair Value: Certain Pasta From Italy*, 61 FR 38547 (July 24, 1996) (AD Order).

<sup>2</sup> See *Certain Pasta From Italy: Final Results of Antidumping Duty Administrative Review; 2015–2016*, 82 FR 57428, December 5, 2017, and the accompanying Issues and Decision Memorandum at comment 3.

<sup>3</sup> See section titled, “Margins for Companies Not Selected for Individual Examination,” for additional details.



## II. BACKGROUND

On July 24, 1996, we published the *AD Order* in the *Federal Register*. On July 3, 2017, we published a notice of opportunity to request an administrative review of the *AD Order*.<sup>4</sup> Pursuant to requests from interested parties, on September 13, 2017, we published the *Initiation Notice* in the *Federal Register*.<sup>5</sup> We initiated this administrative review covering the following 17 companies: Agritalia S.r.L. (Agritalia), Alessio Panarese Soceieta Agricola (Alessio), Antico Pastificio Morelli 1860 S.r.l. (Antico), Colussi SpA (Colussi), Francesco Tamma S.p.A. (Tamma), Ghigi 1870 S.p.A. (Ghigi), Ghigi Industria Agroalimentare in San Clemente S.r.l.,<sup>6</sup> G.R.A.M.M. S.r.l. (G.R.A.M.M.), Industria Alimentare Colavita S.p.A. (Indalco), La Molisana S.p.A. (La Molisana), Liguori Pastificio dal 1820 S.p.A. (Liguori), Pasta Zara S.p.A. (Zara), Pastificio Andalini S.p.A. (Andalini), Pastificio Fratelli DeLuca S.r.l. (DeLuca), Pastificio Menucci SpA (Menucci), Pastificio Zaffiri S.r.l. (Zaffiri), and Tesa SrL (Tesa).<sup>7</sup>

On October 27, 2017, we limited the number of respondents selected for individual examination in this administrative review to two of the companies for which a review has been requested. Specifically, we selected Industria Alimentare Colavita S.p.A. (Indalco) and Francesco Tamma S.p.A. (Tamma) as mandatory respondents for individual examination.<sup>8</sup> On November 13, 2017, Tamma timely withdrew its request for review and no other interested party requested a review of Tamma.<sup>9</sup>

On December 13, 2017, we selected Ghigi/Zara as a mandatory respondent and issued an initial questionnaire to Ghigi on the same date.<sup>10</sup> On September 18, 2017, La Molisana timely withdrew its request for a review.<sup>11</sup> On December 12, 2017, Andalini, DeLuca, G.R.A.M.M., and Zaffiri, timely withdrew their respective requests for an administrative review.<sup>12</sup> No other party requested an administrative review of these particular companies.

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<sup>4</sup> See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 82 FR 30833 (July 3, 2017).

<sup>5</sup> See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 82 FR 42974 (September 13, 2017) (*Initiation Notice*).

<sup>6</sup> In the 2015-16 antidumping duty review of Certain Pasta from Italy, Commerce determined that Ghigi 1870 S.p.A. was formerly known as Ghigi Industria Agroalimentare in San Clemente S.r.l.. See also Memorandum titled “2015-2016 Antidumping Duty Administrative Review of Certain Pasta from Italy: Ghigi and Zara Collapsing Memorandum,” dated July 31, 2017. In the current review, we continue to treat the two companies as a single entity.

<sup>7</sup> See *Initiation Notice*.

<sup>8</sup> See Memorandum from George McMahon, Senior International Trade Compliance Analyst to Erin Begnal, Director, Office III, titled “Selection of Respondents for Individual Examination,” dated October 27, 2017 (Initial Respondent Selection Memorandum).

<sup>9</sup> See Tamma’s letter titled, “Withdrawal of Antidumping Duty Administrative Review Request,” dated November 13, 2017.

<sup>10</sup> See Memorandum titled, “Selection of Mandatory Respondent,” dated December 13, 2017 (Second Respondent Selection Memorandum).

<sup>11</sup> See Letter from La Molisana to Commerce, “Certain Dry Pasta from Italy, A-475-818; Withdraw Request for Review,” dated September 18, 2017.

<sup>12</sup> See Letter from DeLuca, G.R.A.M.M., Andalini, and Zaffiri to Commerce, “Certain Dry Pasta from Italy, A-475-818; Withdraw Request for Review,” dated December 12, 2017.

On January 19, 2018, we rescinded the administrative review with respect to Andalini, DeLuca, GR.A.M.M., La Molisana, Tamma, and Zaffiri.<sup>13</sup> Thus, in this administrative review, we are conducting individual examinations of Ghigi/Zara and Indalco. For the remaining firms covered by this administrative review which were not selected for individual examination, we have assigned the weighted-average dumping margin calculated for Ghigi/Zara, 5.97 percent, to the seven non-selected companies.<sup>14</sup> The firms receiving this non-selected rate are: Agritalia, Alessio, Antico, Colussi, Liguori, Menucci, and Tesa.

### *Ghigi/Zara*

On December 13, 2017, we issued the initial questionnaire to Ghigi/Zara, to which it submitted a section A response on January 17, 2018.<sup>15</sup> On February 12, 2018, Ghigi/Zara submitted its response to sections B through D of the initial questionnaire.<sup>16</sup> On February 14, March 20, April 16, and June 22, 2018, the petitioners<sup>17</sup> submitted comments on Ghigi/Zara's responses to sections A through D of the initial questionnaire.<sup>18</sup> We issued several section A-D supplemental questionnaires to Ghigi/Zara, to which it provided responses on March 23, March 27, May 18, and June 14, 2018, respectively.<sup>19</sup> On June 22, 2018, the petitioners filed pre-preliminary results comments concerning Ghigi/Zara.<sup>20</sup> On July 12, 2018, Ghigi/Zara rebutted the petitioners' pre-preliminary results comments.<sup>21</sup> On July 16, 2018, the petitioners filed pre-preliminary surrebuttal comments.<sup>22</sup>

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<sup>13</sup> See *Certain Pasta From Italy: Notice of Partial Rescission of Antidumping Duty Administrative Review*, 83 FR 2770 (January 19, 2018).

<sup>14</sup> See "Margins for Companies Not Selected for Individual Examination" section for further discussion of the derivation of the "non-selected rate."

<sup>15</sup> See Ghigi/Zara's Initial Questionnaire Response (IQR) section A, dated December 13, 2017 (Ghigi/Zara's AQR). In Ghigi/Zara's AQR, the two companies, consistent with Commerce's finding in the prior review, responded as a collapsed entity.

<sup>16</sup> See Ghigi/Zara's IQR at sections B through D (BQR, CQR and DQR), dated February 12, 2018.

<sup>17</sup> The petitioners are the Dakota Growers Pasta Company, Riviana Foods (formerly, the New World Pasta Company), and Treehouse Foods (formerly, the American Italian Pasta Company).

<sup>18</sup> See Petitioners' letters, titled "Administrative Review of Certain Pasta from Italy – Petitioners' Comments on Ghigi and Pasta Zara Questionnaire Responses," dated February 15, 2018, "Administrative Review of Certain Pasta from Italy – Petitioners' Comments on Ghigi and Pasta Zara Sections B and C Questionnaire Responses," dated March 20, 2018, "Administrative Review of Certain Pasta from Italy – Petitioners' Comments on Ghigi and Pasta Zara Section D Questionnaire Responses," dated April 16, 2018, and "Administrative Review of Certain Pasta from Italy – Petitioners' Comments on Preliminary Determination for Ghigi and Pasta Zara," dated June 22, 2018.

<sup>19</sup> See Ghigi/Zara's first sections A-D supplemental questionnaire response (3/23/2018 SQR), dated March 23, 2018; see also Ghigi/Zara's section D supplemental questionnaire response (5/18/2018 SQR), dated May 18, 2018, and Ghigi/Zara's A-D supplemental questionnaire response (6/14/2018 SQR), dated June 14, 2018.

<sup>20</sup> See Petitioners' letter, titled "Administrative Review of Certain Pasta from Italy – Petitioners' Comments on Preliminary Determination for Ghigi and Pasta Zara," dated June 22, 2018.

<sup>21</sup> See Letter from Ghigi/Zara, titled "Pasta from Italy – Response to Petitioners' Pre-Preliminary Results Comments," dated July 12, 2018.

<sup>22</sup> See Petitioners' letter, titled "Administrative Review of Certain Pasta from Italy - Petitioners' Comments on the Proper Cost Methodology for Preliminary Determination for Ghigi and Pasta Zara," dated July 16, 2018.

## *Indalco*

On October 27, 2017, we issued the initial questionnaire to Indalco, to which it submitted its section A response on November 24, 2017.<sup>23</sup> On December 18, 2017, Indalco submitted its questionnaire response to sections B through D of the initial questionnaire.<sup>24</sup> On January 12, and June 21, 2018, the petitioners submitted comments on Indalco's section A-C response.<sup>25</sup> On March 5, 2018, the petitioners submitted comments on Indalco's section D response.<sup>26</sup> We issued several section A-D supplemental questionnaires to which Indalco provided its responses on April 11, May 14, and July 11, 2018.<sup>27</sup>

On January 23, 2018, Commerce exercised its discretion to toll all deadlines for the duration of the closure of the Federal Government from January 20, 2018, through January 22, 2018.<sup>28</sup> The revised deadline for the preliminary results of this review became April 5, 2018. On March 12, 2018, we extended the deadline for the preliminary results to August 3, 2018.<sup>29</sup>

### **III. SCOPE OF THE ORDER<sup>30</sup>**

Imports covered by this order are shipments of certain non-egg dry pasta in packages of five pounds four ounces or less, whether or not enriched or fortified or containing milk or other optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastasis, vitamins, coloring and flavorings, and up to two percent egg white. The pasta covered by the scope of the order is typically sold in the retail market, in fiberboard or cardboard cartons, or polyethylene or polypropylene bags of varying dimensions.

Excluded from the scope of this order are refrigerated, frozen, or canned pastas, as well as all forms of egg pasta, with the exception of non-egg dry pasta containing up to two percent egg white. Multicolored pasta, imported in kitchen display bottles of decorative glass that are sealed with cork or paraffin and bound with raffia, is excluded from the scope of the Order.<sup>31</sup> Pursuant to Commerce's August 14, 2009, changed circumstances review, effective July 1, 2008, gluten

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<sup>23</sup> See Indalco's Initial Questionnaire Response (IQR) section A, dated November 24, 2017 (Indalco's AQR).

<sup>24</sup> See Indalco's IQR at sections B through D (BQR, CQR and DQR), dated December 18, 2017.

<sup>25</sup> See Petitioners' letter, titled "Administrative Review of Certain Pasta from Italy – Petitioners' Comments on on Pasta Colavita's Responses to Sections A, B and C of the Antidumping Questionnaire," dated January 12, 2018; see also Petitioners' letter, titled "Administrative Review of Certain Pasta from Italy – Petitioners' Comments on on Colavita USA's CEP Questionnaire Response," dated June 21, 2018.

<sup>26</sup> See Petitioners' letter, titled "Administrative Review of Certain Pasta from Italy – Petitioners' Comments on Industria Alimentare Colavita S.p.A. Section D Questionnaire Response," dated March 5, 2018.

<sup>27</sup> See Indalco's first sections A-D supplemental questionnaire response (4/11/2018 SQR), dated April 11, 2018; see also Indalco's section A-C supplemental questionnaire response (5/14/2018 SQR), dated May 14, 2018, and Indalco's A-C supplemental questionnaire response (7/11/2018 SQR), dated July 11, 2018.

<sup>28</sup> See Memorandum, "Deadlines Affected by the Shutdown of the Federal Government," dated January 23, 2018. All deadlines in this segment of the proceeding have been extended by 3 days.

<sup>29</sup> See Memorandum titled "Certain Pasta from Italy: Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review; 2016/2017," dated March 12, 2018.

<sup>30</sup> See *Certain Pasta From Italy: Final Results of Antidumping and Countervailing Duty Changed Circumstances Reviews*, 82 FR 4291 (January 13, 2017).

<sup>31</sup> See Memorandum to Richard Moreland, dated August 25, 1997, which is on file in the Central Records Unit.

free pasta is also excluded from the scope of the Order.<sup>32</sup> Effective January 1, 2012, ravioli and tortellini filled with cheese and/or vegetables are also excluded from the scope of the Order.<sup>33</sup>

Also excluded are imports of organic pasta from Italy that are certified by an EU authorized body in accordance with the United States Department of Agriculture's National Organic Program for organic products. The organic pasta certification must be retained by exporters and importers and made available to U.S. Customs and Border Protection or the Department of Commerce upon request.

The merchandise subject to this order is currently classifiable under items 1901.90.90.95 and 1902.19.20 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 merchandise subject to the order is dispositive.

#### **IV. DISCUSSION OF METHODOLOGY**

##### **A. Comparisons to Normal Value**

Pursuant to section 773(a)(1)(B) of the Tariff act of 1930, as amended (the Act) and 19 CFR 351.414(c)(1) and (d), we compared exported price (EP) and constructed export price (CEP) to NV, as described in the "Export Price/Constructed Export Price," and "Normal Value" sections of this decision memorandum, to determine whether sales of subject merchandise to the United States were made at less than NV.

##### **1. Determination of Comparison Method**

Pursuant to 19 CFR 351.414(c)(1), Commerce calculates weighted-average dumping margins by comparing weighted-average normal values to weighted-average export prices (EP) (or constructed export prices) (*i.e.*, the average-to-average) unless the Secretary determines that another method is appropriate in a particular situation. In less-than-fair-value investigations, Commerce examines whether to compare weighted-average normal values with the export prices (or constructed export prices) 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 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>34</sup>

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<sup>32</sup> See *Certain Pasta From Italy: Notice of Final Results of Antidumping Duty Changed Circumstances Review and Revocation*, in Part, 74 FR 41120 (August 14, 2009).

<sup>33</sup> See *Certain Pasta From Italy: Final Results of Antidumping Duty and Countervailing Duty Changed Circumstances Reviews and Revocation*, in Part, 79 FR 58319, 58320 (September 29, 2014).

<sup>34</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*, 2016-1789, \*9-11 (Fed. Cir. 2017); *Apex Frozen Foods Private Ltd. v. United States*, 144 F. Supp. 3d 1308 (CIT 2016).

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.<sup>35</sup> 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 export prices (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 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 reported consolidated customer codes for Ghigi/Zara and Indalco.<sup>36</sup> Regions are defined using the reported destination codes (*i.e.*, zip codes for Ghigi/Zara and Indalco) 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 being examined based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable merchandise is considered using the product control number and any characteristics of the 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 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 a particular purchaser, region or time period differ significantly from the net 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

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<sup>35</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).

<sup>36</sup> Indalco reported for some of Colavita USA’s customers a single consolidated code for the various offices and locations, in instances where different accounting codes or names exist for the same customer. See Indalco’s CEP CQR (May 14, 2018) at 11-12.

is a significant difference between the means of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference was 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 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 passes the Cohen's *d* test accounts 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 margin 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 margin moves across the *de minimis* threshold.

Interested parties may present arguments 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.

## 2. Results of the Differential Pricing Analysis

For Ghigi/Zara, based on the results of the differential pricing analysis, we preliminarily find that 66.60 percent of the value of U.S. sales pass the Cohen's *d* test,<sup>37</sup> which confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, we preliminarily determine that the average-to-average method cannot account for such

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<sup>37</sup> See Ghigi/Zara Preliminary Results Sales and Cost Analysis Memorandum for further details.

differences because there is a 25 percent relative change between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the average-to-transaction method to all U.S. sales. Thus, we preliminarily determine to apply the average-to-transaction method to all U.S. sales to calculate the weighted-average dumping margin for Ghigi/Zara.<sup>38</sup>

For Indalco, based on the results of the differential pricing analysis, we preliminarily find that 84.58 percent of Indalco's U.S. sales passed the Cohen's *d* test,<sup>39</sup> which confirms the existence of a pattern of prices that differ significantly among purchasers, regions or time periods. We preliminarily determine that the average-to-average method can account for such differences because there is less than a 25 percent relative change between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the average-to-transaction method to all U.S. sales. Accordingly, we preliminarily determine to apply the average-to-average method to all U.S. sales to calculate the weighted-average dumping margin for Indalco.

## **B. Product Comparisons**

In accordance with section 771(16) of the Act, we compared products produced by Ghigi/Zara and Indalco sold in the U.S. and comparison 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. When making this comparison, we considered all products sold in the home market as described in the "Scope of the Order" section of this notice, above (*i.e.*, the foreign like product), that were in the ordinary course of trade for purposes of determining an appropriate normal value for comparison to the U.S. export price. In order to define products sold in the home and U.S. markets, we relied on the six physical characteristics: (1) product shape, (2) wheat species, (3) milling form, (4) protein content, (5) additives, and (6) enrichment. If contemporaneous home market sales were reported of merchandise that were identical to subject merchandise sold in the U.S. market, then we calculated NV based on the monthly weighted-average home market prices of all such sales. If there were no contemporaneous home market sales of identical merchandise, then we identified home market sales of the most similar merchandise that were contemporaneous with the U.S. sales in accordance with 19 CFR 351.414(e), and calculated NV based on the monthly weighted-average home market prices of all such sales. Where there were no sales of identical or similar merchandise made in the ordinary course of trade in the comparison market, we calculated NV based on constructed value (CV).

## **C. Date of Sale**

Under section 19 CFR 351.401(i), we normally 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. We have a long-standing practice of finding that, where shipment date

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<sup>38</sup> *Id.*

<sup>39</sup> See Indalco Preliminary Results Sales and Cost Analysis Memorandum for further details.



precedes invoice date, shipment date better reflects the date on which the material terms of sale are established.<sup>40</sup>

Ghigi/Zara reported the earlier of the date of the shipment or the sale invoice for the home market, in accordance with our practice,<sup>41</sup> and the invoice date as date of sale for their U.S. resales by Ghigi USA and Pasta Zara USA (Zara USA).<sup>42</sup> Indalco reported the earlier of the date of the shipment or the sale invoice for the home market, and the invoice date as date of sale for their U.S. resales by Colavita USA, LLC (Colavita USA).<sup>43</sup> Thus, in these preliminary results we have used the dates of sale reported by the respondents in our margin calculations.

#### **D. Export Price/Constructed Export Price**

According to section 772(a) of the Act, EP is 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 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 subject merchandise 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 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}.”

##### *Ghigi/Zara*

In accordance with section 772(a) of the Act, we used the EP methodology for certain sales made by Pasta Zara because it sold the subject merchandise directly to the unaffiliated customer in the United States prior to importation, and because the use of CEP methodology was not otherwise warranted.<sup>44</sup> We based EP on packed prices to the first unaffiliated purchaser in the United States. We made deductions from the starting price for movement expenses, in accordance with section 772(c)(2)(A) of the Act. These expenses included foreign inland freight from the plant to the port of exportation and foreign brokerage and handling.

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<sup>40</sup> See *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 Issues and Decision Memorandum 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 Issues and Decision Memorandum at Comment 2.

<sup>41</sup> See, e.g., *Solid Urea from the Russian Federation: Preliminary Results of Antidumping Duty Administrative Review*, 76 FR 35405 (June 17, 2011), unchanged in *Solid Urea From the Russian Federation: Final Results of Antidumping Duty Administrative Review*, 76 FR 66690 (October 27, 2011).

<sup>42</sup> See Ghigi/Zara’s AQR at A-3; see also Memorandum titled “Sales and Cost Analysis Memorandum for the Preliminary Results – Ghigi/Zara” (Ghigi/Zara Preliminary Results Sales and Cost Analysis Memorandum), dated concurrently with this memorandum.

<sup>43</sup> See Memorandum titled “Sales and Cost Analysis Memorandum for the Preliminary Results – Indalco” (Indalco Preliminary Results Sales and Cost Analysis Memorandum), dated concurrently with this memorandum; see also Indalco’s AQR at 18 and CEP CQR, dated May 14, 2018 at 15.

<sup>44</sup> See Ghigi/Zara’s B-CQR, dated February 12, 2018 at C-12.

Both Ghigi and Pasta Zara made CEP sales during the POR.<sup>45</sup> We calculated CEP for those U.S. sales made by Ghigi and Pasta Zara's U.S. affiliates in the United States based on prices to unaffiliated purchasers in the United States. In accordance with section 772(c)(2)(A) of the Act, we made deductions, where applicable, from the starting price for movement expenses including domestic inland freight from the plant/warehouse to the port of exit; foreign brokerage and handling; international freight; U.S. movement expenses from port to the unaffiliated customer; and U.S. customs duty.

### *Indalco*

For Indalco's U.S. sales, we used the CEP methodology, in accordance with section 772(b) of the Act.<sup>46</sup> We calculated CEP for Indalco's U.S. sales made by Colavita USA in the United States based on prices to unaffiliated purchasers in the United States. We made adjustments to price for billing adjustments, where applicable, and discounts. In accordance with section 772(c)(2)(A) of the Act, we made deductions, where applicable, from the starting price for movement expenses including domestic inland freight from the plant/warehouse to the port of exportation; foreign brokerage and handling; U.S. brokerage and handling; international freight; marine insurance; U.S. movement expenses from port to the unaffiliated customer; U.S. warehousing; and U.S. customs duty.

In accordance with section 772(d)(1) of the Act and 19 CFR 351.402(b), we deducted, where applicable, those selling expenses associated with economic activities occurring in the United States, including direct selling expenses (*i.e.*, credit expenses, advertising expenses, commissions, warranty expenses, and royalty expenses) and indirect selling expenses (*i.e.*, indirect selling expenses and inventory carrying costs). In accordance with section 772(d) of the Act, we calculated Indalco's credit expenses and inventory carrying costs based on its short-term interest rate. In addition, we deducted CEP profit in accordance with sections 772(d)(3) and 772(f) of the Act.

## **E. Normal Value**

### **1. Home Market Viability**

In accordance with section 773(a)(1)(C) of the Act, to determine whether there was a sufficient volume of sales in the home market to serve as a viable basis for calculating NV, we compared Ghigi/Zara's and Indalco's volume of home market sales of the foreign like product to the volume of U.S. sales of the subject merchandise. Pursuant to section 773(a)(1)(B) of the Act and 19 CFR 351.404(b), because both Ghigi/Zara's and Indalco's aggregate volume of home market sales of the foreign like product was greater than five percent of their aggregate volume of U.S. sales of the subject merchandise, we determined that the home market was viable.<sup>47</sup> Moreover,

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<sup>45</sup> *Id.*

<sup>46</sup> Indalco initially reported its U.S. sales based on EP methodology. Commerce considered the facts on this record and is relying on CEP methodology in these preliminary results. *See* Commerce's preliminary decision memorandum titled, "Indalco and Colavita USA: Close Supplier Relationship Memorandum," dated May 1, 2018. Additional information was requested of Indalco and Colavita USA regarding its U.S. sales process which we will further consider for the final results. *See* supplemental questionnaire issued to Indalco dated July 17, 2018.

<sup>47</sup> *See* Indalco's AQR at 2-3 and Exhibit A.1; *see also* Ghigi/Zara's AQR at 3 and Exhibit A-1.

there is no evidence on the record supporting a particular market situation in the exporting companies' country that would not permit a proper comparison of home market and U.S. prices.

## 2. 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.<sup>48</sup> Under Section 773(a)(5) of the Act, Commerce has considerable discretion in deciding whether to include affiliated party sales when calculating normal value.<sup>49</sup> 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.<sup>50</sup> 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."<sup>51</sup> 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.<sup>52</sup>

### *Ghigi/Zara*

We preliminarily find that Ghigi/Zara made sales to affiliated customers during the POR. Accordingly, we applied the arm's-length test for these preliminary results.<sup>53</sup> Sales to affiliated customers in the home market that were not made at arm's length prices were excluded from our analysis because we considered these sales to be outside the ordinary course of trade.<sup>54</sup>

### *Indalco*

We preliminarily find that Indalco made no sales to any affiliated customers during the POR.<sup>55</sup> Accordingly, we did not apply the arm's-length test for these preliminary results.

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<sup>48</sup> See 19 CFR 351.403(c).

<sup>49</sup> 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.).

<sup>50</sup> See 19 CFR 351.403(c).

<sup>51</sup> See *China Steel Corp. v. United States*, 264 F. Supp. 2d 1339, 1365 (CIT 2003).

<sup>52</sup> See *Antidumping Proceedings: Affiliated Party Sales in the Ordinary Course of Trade*, 67 FR 69186, 69194 (November 15, 2002).

<sup>53</sup> See Ghigi/Zara Preliminary Results Sales and Cost Analysis Memorandum.

<sup>54</sup> See section 771(15) of the Act and 19 CFR 351.102(b).

<sup>55</sup> See Indalco's BQR at 4.

### 3. Cost of Production

Section 773(b)(2)(A)(ii) of the Act requires Commerce to request cost information from respondent companies in all antidumping proceedings.<sup>56</sup> Accordingly, we requested this information from Ghigi/Zara and Indalco.<sup>57</sup> We examined the respondents' cost data and determined that our quarterly cost methodology is not warranted in this review. Therefore, we have applied our standard methodology of using annual costs based on the reported data of Ghigi/Zara and Indalco.<sup>58</sup>

We relied on the cost data submitted by Indalco, as reported. Concerning Ghigi/Zara, we relied on the cost data as reported, except as follows. For purposes of the preliminary results, we find that Ghigi/Zara's reported material cost varies significantly among control numbers (CONNUMs) with the same and similar other characteristics (*e.g.*, CONNUMs with the same shape, wheat species, and milling form). Based the information on the record, we preliminarily determine that these differences are due to reasons not related product characteristics, such as the source of the semolina (*i.e.*, Ghigi or Zara), which is not a physical characteristic defined by Commerce in this proceeding.<sup>59</sup> Therefore, in accordance with 19 CFR 351.411(b) and in accordance with Commerce's practice,<sup>60</sup> we have preliminarily reallocated material costs among products with common characteristics to mitigate differences in material costs unrelated to physical characteristics of the products.<sup>61</sup>

#### a. Calculation of Cost of Production

In accordance with section 773(b)(3) of the Act, we calculated COP based on the sum of the cost of materials and fabrication for the foreign like product, plus an amount for general and administrative expenses and interest expenses.<sup>62</sup> We relied on the COP data submitted by

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<sup>56</sup> 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 (August 6, 2015).

<sup>57</sup> The 2015 amendments may be found at <https://www.congress.gov/bill/114th-congress/house-bill/1295/text/pl>; See also the Petition.

<sup>58</sup> See Ghigi/Zara Preliminary Results Sales and Cost Analysis Memorandum; see also Indalco Preliminary Results Sales and Cost Analysis Memorandum.

<sup>59</sup> See the Sections B and C of Commerce's initial antidumping questionnaire sent to Ghigi/Zara, dated December 13, 2017.

<sup>60</sup> See *e.g.*, *Welded Stainless Pressure Pipe From Thailand: Final Determination of Sales at Less Than Fair Value*, 79 FR 31093, (May 30, 2014), and accompanying Issues and Decision Memorandum at Comment 3; see also *Stainless Steel Bar from the United Kingdom: Final Results of Antidumping Duty Administrative Review*, 72 FR 43598 (August 6, 2007) (SSB from the UK), and accompanying Issues and Decision Memorandum at Comment 1; *Certain Steel Concrete Reinforcing Bars From Turkey: Final Results, Rescission of Antidumping Duty Administrative Review in Part, and Determination To Revoke in Part*, 70 FR 67665 (November 8, 2005), and accompanying Issues and Decision Memorandum at Comment 1; *Color Television Receivers from the Republic of Korea: Final Results of Antidumping Duty Administrative Review*, 55 FR 26225 (June 27, 1990) at Comment 10; and *Grey Portland Cement and Clinker from Mexico: Final Results of Antidumping Duty Administrative Review*, 58 FR 47253, 47256 (September 8, 1993).

<sup>61</sup> See Memorandum titled "2016-2017 Antidumping Duty Administrative Review of Certain Pasta from Italy: Ghigi/Zara: Recalculation of Material Cost as One Weighted-Average Cost," dated concurrently with this memorandum for further details.

<sup>62</sup> See "Test of Comparison Market Sales Prices" section below for treatment of comparison market selling

Ghigi/Zara and Indalco.<sup>63</sup>

b. Test of Comparison Market Prices

As required under sections 773(b)(1) and (2) of the Act, we compared the weighted average of the COP for the POR to the per-unit price of the home 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 home market prices for the below cost test by subtracting from the gross unit price all applicable movement charges, direct and indirect selling expenses, and packing expenses, where appropriate.<sup>64</sup>

c. 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 did not disregard 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 tests for Ghigi/Zara and Indalco indicate 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.<sup>65</sup> Thus, in accordance with section 773(b)(1) of the Act, we disregarded these below-cost sales and used the remaining above-cost sales to determine NV, as well as to calculate selling expenses and profit for CV.

**F. 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 EP or CEP. Sales are made at different LOTs if they are made at different marketing stages (or their equivalent).<sup>66</sup> Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that

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expenses.

<sup>63</sup> See Ghigi's COP data (GhigiCOP02), ACCESS barcode 3708787-17, submitted on May 18, 2018; and Zara's COP data (ZaraCOP03), ACCESS barcode 3718545-04, submitted on June 15, 2018; *see also* Indalco's COP data (IndCOP02) ACCESS barcode 3693383-08, submitted on April 11, 2018.

<sup>64</sup> See Ghigi/Zara Preliminary Results Sales and Cost Analysis Memorandum; *see also* Indalco Preliminary Results Sales and Cost Analysis Memorandum.

<sup>65</sup> See Ghigi/Zara Preliminary Results Sales and Cost Analysis Memorandum; *see also* Indalco Preliminary Results Sales and Cost Analysis Memorandum.

<sup>66</sup> See 19 CFR 351.412(c)(2).

there is a difference in the stages of marketing.<sup>67</sup> In order to determine whether the comparison 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 functions, class of customer (*i.e.*, customer category), and the level of selling expenses for each type of sale.

Pursuant to 19 CFR 351.412(c)(1), in identifying LOTs for EP and comparison market sales (*i.e.*, NV based on either home market or third-country prices), 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 CEP profit under section 772(d) of the Act.<sup>68</sup> Where NV is based on constructed value (CV), we determine the NV LOT based on the LOT of the sales from which we derive selling, general, and administrative (SG&A) expenses, and profit for CV, where possible.

When we are unable to match U.S. 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. In comparing EP or CEP sales at a different LOT in the comparison market, where available data make it practicable, 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 was practicable), Commerce shall grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.<sup>69</sup>

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

#### *Ghigi/Zara*

Ghigi/Zara reported that they sold to different types of customers in the home market, but they conduct the same types of selling activities to all types of customers.<sup>70</sup> Based on our analysis of the selling activities performed by Ghigi/Zara,<sup>71</sup> we preliminarily determine that there is one LOT in the home market.

In the U.S. market, Ghigi/Zara reported three channels of distribution: EP sales made by Pasta Zara directly to unaffiliated U.S. customers (channel 1); CEP sales made by Ghigi USA or Zara USA but that were shipped directly to the unaffiliated U.S. customers by Ghigi or Pasta Zara,

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<sup>67</sup> See 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*).

<sup>68</sup> See *Micron Technology Inc. v. United States*, 243 F.3d 1301, 1314-1315 (Fed. Cir. 2001).

<sup>69</sup> See *Plate from South Africa*, 62 FR at 61732-33.

<sup>70</sup> See Ghigi/Zara B-QR at B-12.

<sup>71</sup> See Ghigi/Zara AQR at Exhibit A-8.

respectively (channel 2); and CEP sales made by Ghigi USA or Zara USA from U.S. inventory (channel 3). Ghigi/Zara reported three LOTs for its U.S. sales, respectively.<sup>72</sup> We compared the selling activities conducted by Ghigi/Zara among these three channels of distribution, and find that although there are differences in the levels of intensity performed for some of these functions, such differences are minor and do not establish three distinct levels of trade.<sup>73</sup> Accordingly, we preliminarily determine that the three U.S. sales channels constitute one LOT.

Ghigi/Zara's selling activities and functions chart indicates that the selling activities Ghigi/Zara performed for the home market customers are similar to the selling activities performed for their U.S. channel 2 sales with respect to the following categories: sales forecasting, market research/economic planning, customer contact/negotiation, order processing, packing/delivery arrangements, direct sales personnel and quality assurance/warranty services.<sup>74</sup> Despite minor differences in level of intensity for certain selling function categories, we do not find that the NV LOT constitutes a more advanced stage of distribution than the CEP LOT for the channel 2 sales. Therefore, for the preliminary results, we find that a CEP offset adjustment to NV is not warranted for the U.S. channel 2 sales.

For CEP channel 3 sales, record evidence indicates that Ghigi/Zara performed fewer selling activities than it performs in the home market. For example, Ghigi/Zara performed no selling activities with respect to sales forecasting, market research/economic planning, sales promotion/advertising, trade shows, and that they perform a low level of customer contact/negotiation.<sup>75</sup> Therefore, we find that Ghigi/Zara's home-market selling activities constitute a marketing stage which differs from (and is more advanced than) the marketing stage at which Ghigi/Zara sell to their U.S. affiliates in their CEP channel 3 sales. The available data do not provide an appropriate basis for determining a LOT adjustment. Therefore, consistent with section 773(a)(7)(B) of the Act, for the preliminary results of this review, we are granting Ghigi/Zara a CEP offset for their CEP channel 3 sales.

### *Indalco*

Indalco reported three channels of distribution for sales in the comparison market and two channels of distribution in the U.S. market in which all sales were CEP sales made by Colavita USA.<sup>76</sup> Indalco claims that all of its home market sales are at a more advanced level of trade than the U.S. level of trade, and that because there allegedly "is no way to calculate a level of trade adjustment," Colavita USA requests that Commerce make a CEP offset adjustment.<sup>77</sup>

For the home market, we examined Indalco's claimed selling expenses but find that such items do not warrant distinguishing as distinct selling functions. Indalco reported certain selling

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<sup>72</sup> See Ghigi/Zara's B-CQR at C-14.

<sup>73</sup> See Ghigi/Zara AQR at Exhibit A-8.

<sup>74</sup> *Id.*

<sup>75</sup> *Id.*

<sup>76</sup> See Indalco's AQR at 11-14 and Exhibit A.4 and A.5; see also Indalco's BQR at 27-28 and CEP CQR at 12-13. Indalco reported that its on-line sales of subject merchandise represent a tiny proportion of Colavita USA's business and categorized such sales under a separate channel/LOTU code. See CEP CQR at 12-13.

<sup>77</sup> See CEP CQR at 22.

functions that do not conform to the standard selling functions chart that we issued in our initial questionnaire.<sup>78</sup> For example, Indalco's selling activities chart includes "{s}ales of small quantities," "frequent, low volume orders," and "sales direct from production line," as selling functions in its selling activities table.<sup>79</sup> Indalco did not provide support for these selling functions and did not demonstrate how such functions differ by customer category.<sup>80</sup> Based on the selling activities reported by Indalco, and consistent with the prior review of Indalco, we preliminarily find that such information does not establish three distinct levels of trade.

For Colavita USA's sales in the United States, Colavita USA reports one channel of distribution and one LOT.<sup>81</sup> Colavita USA reports that its selling activities are the same for all customers, regardless of subcategory.<sup>82</sup> Consequently, for Indalco, we preliminarily determine that there is one LOT, and that this LOT is the same for sales in both the home market and the U.S. market and, therefore, that no basis exists for a LOT adjustment.

With respect to Colavita USA's request that Commerce make a CEP offset adjustment, we preliminarily find that Colavita USA has failed to provide the required information to support a CEP offset adjustment. In its supplemental questionnaire, we requested that Colavita USA respond to question 3 of the initial questionnaire which states:

if you are claiming that a CEP offset should be made, then you must provide the information requested in 3.a through 3.d, above, with respect to other products your company sold in the foreign market, including any merchandise that is not a foreign like product. If you made sales of any merchandise at a level of trade similar to the level of trade of your CEP sales,<sup>83</sup> provide average price information for the products sold at that level of trade and either of the levels of trade at which the foreign like product was also sold....<sup>84</sup>

Indalco and Colavita USA only submitted brief descriptions of selling activities and did not provide the requested average price information necessary for us to conduct an analysis to determine whether to grant Colavita USA a CEP offset.<sup>85</sup> Accordingly, we preliminary find that a CEP offset is not warranted for Indalco and Colavita USA.

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

We calculated NV for Ghigi/Zara and Indalco based on the reported packed, ex-factory, or delivered prices to comparison market customers. We made deductions from the starting price, where appropriate, for billing adjustments, discounts, rebates, and inland freight, pursuant to 19

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<sup>78</sup> See Commerce's initial questionnaire (IQNR) issued to Indalco dated October 27, 2017 at A-17.

<sup>79</sup> See Indalco's AQR at Exhibit A.5.

<sup>80</sup> *Id.* at 17.

<sup>81</sup> See Indalco's Second SQR dated July 11, 2018 at 21.

<sup>82</sup> *Id.* at 20.

<sup>83</sup> Footnote omitted.

<sup>84</sup> See Commerce's Second SQR issued to Indalco dated June 26, 2018 at 8; *see also* IQNR at A-9.

<sup>85</sup> See Indalco's Second SQR dated July 11, 2018 at 19-22.



CFR 351.401(c) and section 773(a)(6)(B)(ii) of the Act.<sup>86</sup>

Pursuant to section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410(b), we made, where appropriate, circumstance-of-sale adjustments (*i.e.*, credit and commissions). We added U.S. packing costs and deducted comparison market packing costs, in accordance with sections 773(a)(6)(A) and (B)(i) of the Act.

When comparing U.S. sales with comparison market sales of similar, but not identical, merchandise, we 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. We based this adjustment on the difference in the variable cost of manufacturing for the foreign-like product and subject merchandise.<sup>87</sup> For detailed information on the calculation of NV, *see* the Ghigi/Zara and Indalco Preliminary Sales and Cost Analysis Memoranda.

## **H. Calculation of Normal Value Based on Constructed Value**

In accordance with section 773(e) of the Act, and where applicable, we calculated CV based on the sum of Ghigi/Zara and Indalco's material and fabrication costs, SG&A expenses, profit, and U.S. packing costs. We calculated the COP component of CV as described above in the "Cost of Production" section of this memorandum. In accordance with section 773(e)(2)(A) of the Act, we based SG&A expenses and profit on the amounts incurred and realized by Ghigi/Zara and Indalco in connection with the production and sale of the foreign like product in the ordinary course of trade, for consumption in the foreign country.

## **I. Margins for Companies Not Selected for Individual Examination**

Generally, when calculating the margin for non-selected respondents, Commerce looks to section 735(c)(5) of the Act for guidance, which provides instructions for calculating the all-others margin in an investigation. Section 735(c)(5)(A) of the Act provides that when calculating the all-others margin, Commerce will exclude any zero and *de minimis* weighted-average dumping margins, as well as any weighted-average dumping margins based on total facts available. Accordingly, Commerce's usual practice has been to average the margins for selected respondents, excluding margins that are zero, *de minimis*, or based entirely on facts available.<sup>88</sup>

In this review, we calculated a weighted-average dumping margin of 5.97 percent for Ghigi/Zara and 0.00 percent for Indalco for the period July 1, 2016, through June 30, 2017. Therefore, in accordance with section 735(c)(5)(A) of the Act, we assigned the weighted-average dumping margin calculated for Ghigi/Zara, 5.97 percent, to the seven non-selected companies in these preliminary results, as referenced above.

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<sup>86</sup> See Ghigi/Zara Preliminary Results Sales and Cost Analysis Memorandum; *see also* Indalco Preliminary Results Sales and Cost Analysis Memorandum.

<sup>87</sup> See 19 CFR 351.411(b).

<sup>88</sup> 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 at Comment 16.

**J. Currency Conversion**

For purposes of these preliminary results, we made currency conversions in accordance with section 773A(a) of the Act and 19 CFR 351.415, based on the official exchange rates in effect on the dates of the U.S. sales as published by the Federal Reserve Bank.<sup>89</sup>

**V. RECOMMENDATION**

We recommend applying the above methodology for these preliminary results.

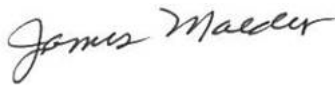


Agree \_\_\_\_\_

Disagree \_\_\_\_\_

8/3/2018

X



Signed by: JAMES MAEDER

James Maeder  
Associate Deputy Assistant Secretary  
for Antidumping and Countervailing Duty Operations  
performing the duties of Deputy Assistant Secretary  
for Antidumping and Countervailing Duty Operations

<sup>89</sup> The exchange rates are available on the Enforcement and Compliance website at <http://enforcement.trade.gov/exchange/index.html>.