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August 1, 2013

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Import Administration

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

SUBJECT: Decision Memorandum for Preliminary Results of
Antidumping Duty Administrative Review: Purified
Carboxymethylcellulose from Finland

SUMMARY

In response to requests from Aqualon Company, a division of Hercules Inc. (Petitioner) and respondents CP Kelco Oy and CP Kelco U.S., Inc. (collectively, CP Kelco), the Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on purified carboxymethylcellulose (CMC) from Finland. The review covers exports of the subject merchandise to the United States produced by CP Kelco Oy. The period of review (POR) is July 1, 2011, through June 30, 2012.

We preliminarily find that CP Kelco made sales at prices below normal value (NV) during the POR. If these preliminary results are adopted in our final results of this review, we will instruct U.S. Customs and Border Protection (CBP) to assess antidumping duties based on differences between the export price (EP) or constructed export price (CEP) and NV. We invite interested parties to comment on these preliminary results.

BACKGROUND

The Department published the antidumping duty order on CMC from Finland on July 11, 2005.¹ On July 2, 2012, the Department published the notice of opportunity to request an administrative review of CMC from Finland for the period July 1, 2011, through June 30, 2012.² On July 18, 2012, Petitioner requested a review of CP Kelco for the period July 1, 2011, through June 30,

¹ See Notice of Antidumping Duty Orders: Purified Carboxymethylcellulose from Finland, Mexico, the Netherlands, and Sweden, 70 FR 39734 (July 11, 2005).

² See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation: Opportunity To Request Administrative Review, 77 FR 39216 (July 2, 2012).

2012. On July 30, 2012, CP Kelco requested an administrative review for the same period. On August 30, 2012, the Department published in the Federal Register a notice of initiation of this antidumping duty administrative review.³ On September 14, 2012, the Department released the results of a CBP entry query for entries under case number A-405-803 during the POR, identifying Finland as the country of origin and/or country of export, and identifying the company case number assigned to CP Kelco Oy.

Based on our analysis of the information on the record, including information found in the CBP entry query, the Department issued its standard antidumping questionnaire (the Antidumping Questionnaire) to CP Kelco on September 19, 2012. CP Kelco submitted its response to section A of the Antidumping Questionnaire on October 9, 2012 (CP Kelco's Section A Response). CP Kelco submitted its responses to sections B and C of the Antidumping Questionnaire on November 2, 2012 (CP Kelco's Section B Response and CP Kelco's Section C Response, respectively).

Because the Department disregarded sales which were made at prices below the cost of production (COP) in the most recently completed administrative review as of the initiation of the instant review, we are conducting a sales-below-cost investigation in this review.⁴ Accordingly, CP Kelco submitted its response to section D of the Antidumping Questionnaire on November 2, 2012.

Petitioner submitted comments on CP Kelco's responses on December 6, 2012. On December 26, 2012, the Department issued a supplemental questionnaire to CP Kelco regarding its responses to sections A, B, and C of the Antidumping Questionnaire. CP Kelco submitted its response to the Department's sections A, B, and C supplemental questionnaire on January 29, 2013 (CP Kelco's January 29, 2013, Response). On February 19, 2013, Petitioner alleged targeted dumping by C.P. Kelco during the POR on the basis that patterns of EPs for comparable merchandise exist for CP Kelco that differ significantly among purchasers, regions and periods of time.⁵ On March 8, 2013, the Department issued a supplemental questionnaire to CP Kelco regarding its response to section D of the Antidumping Questionnaire. CP Kelco submitted its response to the Department's supplemental questionnaire on March 25, 2013 (CP Kelco's March 25, 2013, Response). In its March 25, 2013, Response, CP Kelco reported certain sales to unaffiliated customers in the United States of subject merchandise which had been further manufactured by CP Kelco into non-subject merchandise after importation. Also, on March 25, 2013, CP Kelco submitted a corrected U.S. sales database. On April 2, 2013, Petitioners submitted comments on CP Kelco's March 25, 2013, Response. On April 3, 2013, CP Kelco submitted a reply to Petitioner's April 2, 2013, Comments. On April 5, 2013, Petitioners submitted a reply to CP Kelco's April 3, 2013, Comments.⁶ On April 19, 2013, the Department

³ See Initiation of Antidumping and Countervailing Duty Administrative Reviews and Requests for Revocation in Part, 77 FR 52688 (August, 30, 2012).

⁴ See Purified Carboxymethylcellulose from Finland; Notice of Preliminary Results of Antidumping Duty Administrative Review, 75 FR 47788 (August 9, 2010) (2008-2009 Preliminary Results) (unchanged in Purified Carboxymethylcellulose from Finland; Notice of Final Results of Antidumping Duty Administrative Review, 75 FR 73035 (November 29, 2010) (2008-2009 Final Results)).

⁵ See Letter from Petitioner regarding "Purified Carboxymethylcellulose from Finland; Targeted Dumping Allegation of Petitioner Aqualon Company," dated February 19, 2013.

⁶ See "Sales of Merchandise Further Manufactured in the United States" section, below.

issued a supplemental questionnaire to CP Kelco regarding its responses to sections A, B, and C of the Antidumping Questionnaire. CP Kelco submitted its response to the Department's supplemental questionnaire on May 7, 2013 (CP Kelco's May 7, 2013, Sections A-C Response). On April 23, 2013, the Department issued a supplemental questionnaire to CP Kelco regarding its response to section D of the Antidumping Questionnaire. CP Kelco submitted its response to the Department's supplemental questionnaire on May 7, 2013.

As explained in the memorandum from the Assistant Secretary for Import Administration, dated October 31, 2012, the Department has exercised its discretion to toll deadlines for the duration of the closure of the Federal Government from October 29, through October 30, 2012. Thus, all deadlines in this segment of the proceeding have been extended by two days.⁷ Also, on February 28, 2013, we extended the deadline for the preliminary results by 120 days to August 2, 2013.⁸

SCOPE OF THE ORDER

The merchandise covered by the order is all purified carboxymethylcellulose (CMC), sometimes also referred to as purified sodium CMC, polyanionic cellulose, or cellulose gum, which is a white to off-white, non-toxic, odorless, biodegradable powder, comprising sodium CMC that has been refined and purified to a minimum assay of 90 percent. Purified CMC does not include unpurified or crude CMC, CMC Fluidized Polymer Suspensions, and CMC that is cross-linked through heat treatment. Purified CMC is CMC that has undergone one or more purification operations which, at a minimum, reduce the remaining salt and other by-product portion of the product to less than ten percent. The merchandise subject to the order is classified in the Harmonized Tariff Schedule of the United States at subheading 3912.31.00. This tariff classification is provided for convenience and customs purposes; however, the written description of the scope of the order is dispositive.

METHODOLOGY

Fair Value Comparisons

Pursuant to section 773(a)(1)(B)(ii) of the Tarriff Act of 1930, as amended (Act) and 19 CFR 351.414(c)(1) and (d), to determine whether CP Kelco's sales of subject merchandise from Finland were made in the United States at less than NV, we compared the EP or CEP to NV as described in the "Export Price," "Constructed Export Price" and "Normal Value" sections of this decision memorandum.

Product Comparisons

In accordance with section 771(16) of the Act, we compared products produced by CP Kelco

⁷ See Memorandum to the Record from Paul Piquado, Assistant Secretary for Import Administration, regarding "Tolling of Administrative Deadlines As a Result of the Government Closure During Hurricane Sandy," dated October 31, 2012.

⁸ See Memorandum from Tyler Weinhold to Christian Marsh, regarding "Purified Carboxymethylcellulose from Finland: Extension of Time Limit for Preliminary Results of Antidumping Duty Administrative Review," dated February 28, 2013.

OY 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 the order of importance, these physical characteristics are: 1) grade; 2) viscosity; 3) degree of substitution; 4) particle size; and 5) solution gel characteristics.⁹

When making product comparisons in accordance with section 771(16) of the Act, we considered sales of all products sold in the home market as described in the “Scope of the Order” section of this notice, above, which were made in the ordinary course of trade. We compared U.S. sales to home market sales which were contemporaneous with the U.S. sale. If contemporaneous sales of identical home-market merchandise were reported, we made comparisons to the monthly weighted-average home-market prices for all such sales. If home market sales of identical merchandise were made in the same month as the U.S. sale, we compared U.S. sales to home market sales of identical merchandise made in the same month as the U.S. sale. If no such sales were reported, we compared U.S. sales to home market sales of identical merchandise in the most contemporaneous month in which such sales were made. We considered home market sales to be contemporaneous with U.S. sales if the home market sales were made within the period including the month of the U.S. sale, the two months after the U.S. sale, and the three months before the U.S. sale.

Where there were no contemporaneous sales of identical merchandise in the comparison market made in the ordinary course of trade, we compared U.S. sales to the next most similar product on the basis of the characteristics listed above, that were sold in the same month as the U.S. sales or the month which was most contemporaneous with the U.S. sales, in accordance with 19 CFR 351.414(e). Where there were no contemporaneous sales of identical or similar merchandise made in the ordinary course of trade in the comparison market, we compared U.S. sales to constructed value (CV).

Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1) (2012), the Department calculates dumping margins by comparing weighted-average NVs to weighted-average EPs (or CEPs) (the average-to-average method) unless the Secretary determines that another method is appropriate in a particular situation. In antidumping investigations, the Department examines whether to use 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 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 antidumping investigations.¹⁰ In recent investigations, the Department applied a “differential pricing” analysis for determining whether application of average-to-transaction comparisons is appropriate in a particular situation

⁹ See Purified Carboxymethylcellulose from Finland; Notice of Preliminary Determination of Antidumping Duty Administrative Review, 72 FR 44106, 44108 (August 7, 2007) (unchanged in Purified Carboxymethylcellulose from Finland, Notice of Final Results of Antidumping Duty Administrative Review, 72 FR 70568 (December 12, 2007)).

¹⁰ 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).

pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act.¹¹ The Department finds the differential pricing analysis used in these and other recent proceedings may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review.¹² 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 average-to-average method in calculating weighted-average dumping margins.

The differential pricing analysis used in these preliminary results requires a finding of a pattern of EPs (or CEPs) for comparable merchandise that differs significantly among purchasers, regions, or time periods. 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 differential pricing analysis used here evaluates all purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. 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 codes) 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 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 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* test is a generally recognized statistical measure of the extent of the difference between the mean of a test group and the mean of a comparison group. First, for comparable merchandise, the Cohen's *d* test is applied when the test and comparison groups of data 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

¹¹ See Memoranda to Paul Piquado, Assistant Secretary for Import Administration, from Abdelali Elouaradia, Director of AD/CVD Operations Office 4, entitled "Less Than Fair Value Investigation of Xanthan Gum from Austria: Post-Preliminary Analysis and Calculation Memorandum", "Less Than Fair Value Investigation of Xanthan Gum from the People's Republic of China: Post-Preliminary Analysis and Calculation Memorandum for Neimenggu Fufeng Biotechnologies Co., Ltd. (aka Inner Mongolia Fufeng Biotechnologies Co., T Jd.) and Shandong Fufeng Fermentation Co., Ltd.", and "Less Than Fair Value Investigation of Xanthan Gum from the People's Republic of China: Post-Preliminary Analysis and Calculation Memorandum for Deosen Biochemical Ltd.," all dated March 4, 2013.

¹² See, e.g., Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review and New Shipper Reviews; 2011-2012, 78 FR 40692 (July 8, 2013); Certain Activated Carbon From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012, 78 FR 26748 (May 8, 2013), and accompanying Decision Memorandum; Certain Steel Threaded Rod From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review, 78 FR 21101 (April 9, 2013), and accompanying Decision Memorandum; Polyester Staple Fiber From Taiwan: Preliminary Results of Antidumping Duty Administrative Review, 78 FR 17637 (March 22, 2013), and accompanying Decision Memorandum.

Cohen's *d* coefficient is calculated to evaluate the extent to which the net 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. Of these thresholds, the large threshold provides the strongest indication that there 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 if the calculated Cohen's *d* coefficient is equal to or exceeds the large (i.e., 0.8) threshold.

Next, the "ratio test" assesses the extent of the significant price differences for all sales as measured by the Cohen's *d* test. If the value of sales to purchasers, regions, and time periods that pass the Cohen's *d* test account for 66 percent or more of the value of total sales, then the identified pattern of EPs (or CEPs) 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 EPs (or CEPs) that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, we examine whether using only the average-to-average method can appropriately account for such differences. In considering this question, the Department tests whether using an alternative 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 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 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.

For CP Kelco, based on the results of the differential pricing analysis, the Department finds that 48.38 percent of CP Kelco's export sales pass the Cohen's *d* test, and confirms the existence of a pattern of EPs or CEPs for comparable merchandise that differ significantly among

purchasers, regions, or time periods. Further, the Department determines that the average-to-average method cannot appropriately account for such differences because there is a meaningful difference in the weighted-average dumping margin when calculated using the average-to-average method and an alternative method based on the average-to-transaction method applied to the U.S. sales which pass the Cohen's *d* test as the resulting rates move across the de minimis threshold. Accordingly, the Department has preliminarily determined to use the average-to-transaction method to the portion of U.S. sales which passed the Cohen's *d* test and the average-to-average method to the portion of U.S. sales which did not pass the Cohen's *d* test to calculate CP Kelco's weighted-average dumping margin.

Date of Sale

Section 351.401(i) of the Department's regulations states that, normally, the Department 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 the Department 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.

CP Kelco reported the commercial invoice date for all U.S. sales. In accordance with our past practice of relying on the commercial invoice date as the date of sale in previous segments of this proceeding,¹³ CP Kelco did not report a separate date of sale, claiming instead that the commercial invoice date as the date of sale.¹⁴ CP Kelco explains the invoice is normally issued on the same day the merchandise is shipped to the customer.¹⁵ For some sales, however, CP Kelco explains that it issued the commercial invoice to the customer based upon merchandise withdrawn from inventory maintained at the customer's location, rather than on an individual purchase order-invoice basis.¹⁶ CP Kelco provided sample contracts, purchase orders, and invoices for U.S. sales covered by this review.¹⁷ For these reasons, and consistent with the presumption established in the Department's regulation, and our practice in prior segments of this proceeding, we have preliminarily used CP Kelco's reported commercial invoice date as the date of sale for all U.S. and home market sales.

U.S. Price

A. Export Price

CP Kelco reported that certain subject merchandise was sold prior to importation by the exporter or producer outside the United States to the first unaffiliated purchaser in the United States. Therefore, we based the U.S. price on EP, as defined in section 772(a) of the Act, for such sales.

¹³ See, e.g., Purified Carboxymethylcellulose from Finland; Notice of Preliminary Results of Antidumping Duty Administrative Review, 74 FR 16180, 16181 (April 9, 2009) (unchanged in Purified Carboxymethylcellulose from Finland; Notice of Final Results of Antidumping Duty Administrative Review, 74 FR 28886 (June 18, 2009)).

¹⁴ See CP Kelco's Section B Response at B-15 and CP Kelco's Section C Response at C-16.

¹⁵ See CP Kelco's Section B Response at B-15 to B-16 and CP Kelco's Section C Response at C-16 to C-17.

¹⁶ See CP Kelco's January 29, 2013, Response at A-24 to A-25, A-27 to A-28, and A-30.

¹⁷ See, e.g., CP Kelco's Section A Response at Exhibits A-8 through A-16 and CP Kelco's Section C Response at Exhibit C-7.

CP Kelco's EPs are based on prices to unaffiliated purchasers in the United States. We made adjustments for price or billing adjustments and discounts, where applicable. We also made deductions for movement expenses in accordance with section 772(c)(2)(A) of the Act, which included, where appropriate: foreign inland freight; international freight; marine insurance; U.S. brokerage and handling; and direct selling expenses (credit expenses).

B. Constructed Export Price

CP Kelco reported that CP Kelco Oy sold subject merchandise to its affiliate CP Kelco U.S., Inc. in the United States; and CP Kelco U.S., Inc. sold subject merchandise to unaffiliated U.S. customers. In accordance with section 772(b) of the Act, we based U.S. price on CEP for these sales. We based CEP on the prices to unaffiliated purchasers in the United States. We made adjustments for price or billing adjustments, and early payment discounts, where applicable. We also made deductions for movement expenses in accordance with section 772(c)(2)(A) of the Act, which included, where appropriate: foreign inland freight; foreign brokerage and handling; international freight; marine insurance; customs duties; U.S. brokerage; U.S. inland freight; and U.S. warehousing expenses. We also reduced movement expenses, where appropriate, by the amount of freight revenue paid by the customer to CP Kelco. We capped the amount of freight revenue deducted at no greater than the amount of inland freight in the United States. In accordance with section 772(d)(1) of the Act, we deducted those selling expenses associated with economic activities occurring in the United States, including direct selling expenses (imputed credit expenses), inventory carrying costs, and indirect selling expenses. We also made an adjustment for profit in accordance with section 772(d)(3) of the Act.

We reduced movement expenses on CEP sales, where appropriate, by the amount of freight revenue paid by the customer to CP Kelco in exchange for CP Kelco arranging and initially paying for freight. CP Kelco claims that it arranges and pre-pays for transportation and bills the freight expenses in question to the customer as a separate line on the product invoice.¹⁸ Further, CP Kelco reports that these freight fees charged to the customer which generate freight revenues are based upon estimates of freight, not upon actual freight expenses. Therefore, we limited the amount of freight revenue deducted to no greater than the amount of movement expenses incurred, in accordance with the Department's past practice.¹⁹ As the Department explained in Bags from the PRC, section 772(c)(1) of the Act provides that the Department shall increase the price used to establish either EP or CEP in only the following three instances: (A) when not included in such price, the cost of all containers and coverings and all other costs, charges, and expenses incident to placing the subject merchandise in condition packed ready for shipment to the United States; (B) the amount of any import duties imposed by the country of exportation which have been rebated, or which have not been collected, by reason of the exportation of the subject merchandise to the United States; and (C) the amount of any countervailing duty imposed on the subject merchandise under subtitle A to offset an export subsidy. In addition, 19 CFR

¹⁸ See CP Kelco's Section A response at A-31; CP Kelco's Section C Response at C-28 to C-29; CP Kelco's January 29, 2013, Response at A-37 to A-38 and C-10; and CP Kelco's May 7, 2013, Sections A-C Response at 23.

¹⁹ See, e.g., 2008-2009 Preliminary Results (unchanged in 2008-2009 Final Results) and Polyethylene Retail Carrier Bags from the People's Republic of China: Final Results of Antidumping Duty Administrative Review, 74 FR 6857 (February 11, 2009) (Bags from the PRC), and the accompanying Issues and Decision Memorandum at Comment 6.

351.401(c) directs the Department to use a price in the calculation of U.S. price which is net of any price adjustments that are reasonably attributable to the subject merchandise. The term “price adjustments” is defined under 19 CFR 351.102(b)(38) as “any change in the price charged for subject merchandise or the foreign like product, such as discounts, rebates, and post-sale adjustments, that are reflected in the purchaser’s net outlay.”

In past cases, we have declined to treat freight-related revenues as either an addition to U.S. price under section 772(c) of the Act or as price adjustments under 19 CFR 351.102(b). Rather, we have incorporated these revenues as offsets to movement expenses because they relate to the transportation of subject merchandise.²⁰ Our offset practice limits the granting of an offset to situations where a respondent incurs expenses and realizes revenue for the same type of activity.²¹

CP Kelco reports that it received freight revenue on CEP sales for U.S. inland freight expenses only.²² Therefore, we have limited the amount of the freight revenue used to offset CP Kelco’s U.S. inland freight to the amount of CP Kelco’s U.S. inland freight, and have not applied freight revenue offsets to adjustments for other movement expenses (e.g., international movement expenses).²³

C. Sales of Merchandise Further Manufactured in the United States

During the POR, CP Kelco further manufactured subject-merchandise into non-subject merchandise, “which CP Kelco then sold to unaffiliated U.S. customers.”²⁴ The total quantity of this material represented less than one percent of CP Kelco’s total U.S. sales.²⁵

Section 772(e) of the Act provides that when the value added in the United States by an affiliated party is likely to exceed substantially the value of the subject merchandise, the Department shall use one of the following prices to determine CEP if there is a sufficient quantity of sales to provide a reasonable basis of comparison and the use of such sales is appropriate: (1) the price of identical subject merchandise sold by the exporter or producer to an unaffiliated person; or (2) the price of other subject merchandise sold by the exporter or producer to an unaffiliated person.

In accordance with 19 CFR 351.402(c)(2), we conducted an analysis to determine whether the value added to the subject merchandise by the affiliated customers after importation in the United States was at least 65 percent of the price charged to the first unaffiliated purchaser for the

²⁰ See, e.g., Stainless Steel Wire Rod from Sweden: Preliminary Results of Antidumping Duty Administrative Review, 72 FR 51414 (September 7, 2007) (unchanged in Stainless Steel Wire Rod from Sweden: Final Results of Antidumping Duty Administrative Review, 72 FR 12950 (March 1, 2008)).

²¹ Id.

²² See CP Kelco’s Section C Response at C-28 to C-29 and CP Kelco’s May 7, 2013, Sections A-C Response at 23.

²³ See Analysis of Data Submitted by CP Kelco Oy and CP Kelco U.S. Inc. (collectively, CP Kelco) in the Preliminary Results of the 2011-2012 Administrative Review of Purified Carboxymethylcellulose (CMC) from Finland, dated concurrently with this notice and hereby incorporated by reference (Preliminary Analysis Memorandum).

²⁴ See CP Kelco’s March 25, 2013, Response at 22 to 27, and Exhibits C-52 to C-56 and Preliminary Analysis Memorandum at 4 to 6.

²⁵ See CP Kelco’s March 25, 2013, Response at 23.

merchandise as sold in the United States.²⁶ Our analysis showed the value added by the affiliated customers was greater than 65 percent.²⁷ Therefore, we preliminarily determine that the value added in the United States by the affiliated customers exceeds substantially the value of the subject merchandise.

We then considered whether there were sales of subject merchandise sold in sufficient quantities by the exporter or producer to an unaffiliated person that could provide a reasonable basis of comparison. Decisions as to what constitutes sufficient quantities of sales sufficient to provide a reasonable basis for determining CEP for sales involving further manufacturing generally must be made on a case-by-case basis.²⁸ Our analysis shows the quantity of sales of subject merchandise to unaffiliated customers is sufficiently large to serve as a reasonable basis for the calculation of CEP.²⁹

Therefore, pursuant to 19 CFR 351.402(c)(3), we have used the preliminary weighted-average dumping margins calculated on sales of subject merchandise sold to unaffiliated persons to determine the dumping margins for further-manufactured sales by removing the further-manufactured sales from our analysis, and calculated margins and assessment rates on the remaining sales and sales quantities.³⁰

D. U.S. Sample Sales

CP Kelco reported that it provided certain samples to unaffiliated customers in the U.S. market during the POR.³¹ For these sample transactions, gross unit prices were zero. Furthermore CP Kelco did not claim nor provide any evidence that any other sort of consideration was provided for these transactions (e.g., the promise to pay). Therefore, we have determined that such samples are not sales within the meaning of sections 772(a) and section 772(b) the Act, and have not included these sales in our calculations of EP or CEP. This analysis is in accordance with the Department's established practice and previous decisions of the Court of Appeals of the Federal Circuit (CAFC).³²

²⁶ See 19 CFR 351.402(c)(2).

²⁷ See Preliminary Analysis Memorandum at 2 to 3 and CP Kelco's March 25, 2013, Response at 23 to 24 and Exhibits C-60 to C-62.

²⁸ See, e.g., Certain Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Notice of Preliminary Results and Partial Rescission of Antidumping Duty Administrative Review, 72 FR 51584, 51586 (September 10, 2007) (unchanged in Certain Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Notice of Final Results of the Thirteenth Administrative Review, 73 FR 14220 (March 17, 2008)).

²⁹ See Preliminary Analysis Memorandum at 1 and 4 to 6.

³⁰ *Id.* at 6.

³¹ See CP Kelco's Section A Response at A-32 and A-52; CP Kelco's Section C Response at Exhibit C-47 to C-48 and Exhibit C-1; and CP Kelco's January 29, 2013, Response at Exhibit C-23.

³² See, e.g., Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From Japan, and Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof, From Japan: Final Results of Antidumping Duty Administrative Reviews, 63 FR 63860, 63872, 63873 (November 17, 1998) (TRBs from China); and Crystalline Silicon Photovoltaic Cells, Whether or Not Assembled into Modules, from the People's Republic of China: Final Determination of Sales at Less Than Fair Value, and Affirmative Final Determination of Critical Circumstances, in Part, 77 FR 63791 (October 17, 2012) (Photovoltaic Cells from China), and the accompanying Issues and Decision Memorandum at Comment 31. See also NSK Ltd. v. United States, 115 F.3d 965, 975 (Fed. Cir. 1997).

Normal Value

A. Home Market Viability as Comparison Market

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 CP Kelco's 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)(B) of the Act.³³ Based on this comparison, we determined that CP Kelco had a viable home market during the POR.

Consequently, we based NV on home market sales to unaffiliated purchasers made in the usual quantities in the ordinary course of trade.

B. Calculation of NV Based on Comparison Market Prices

We calculated NV based on prices to unaffiliated customers in the home market. We adjusted the starting price for billing adjustments, interest revenue, foreign inland freight, warehousing, and inland insurance, pursuant to section 773(a)(6)(B)(ii) of the Act. We made adjustments for differences in packing, in accordance with sections 773(a)(6)(A) and 773(a)(6)(B)(i) of the Act. We also made adjustments for differences in cost attributable to differences in physical characteristics of the merchandise pursuant to section 773(a)(6)(C)(ii) of the Act, as well as for differences in circumstances of sale (for imputed credit expenses and warranty expenses) in accordance with section 773(a)(6)(C)(iii) of the Act and 19 CFR 351.410. When applicable, we also made adjustments, in accordance with 19 CFR 351.410(e), for indirect selling expenses incurred on comparison market or U.S. sales where commissions were granted on sales in one market but not in the other. Specifically, where commissions were granted in the U.S. market but not in the comparison market, we made a downward adjustment to NV for the lesser of (1) the amount of the commission paid in the U.S. market, or (2) the amount of indirect selling expenses incurred in the comparison market. If commissions were granted in the comparison market but not in the U.S. market, we made an upward adjustment to NV following the same method. We did not make further adjustments to CP Kelco's home market data.

C. Sample Sales

CP Kelco reported that it provided certain samples in the home market during the POR to unaffiliated customers.³⁴ CP Kelco reported that some of the samples had a positive gross price. Therefore, we requested that CP Kelco include these sales in its home market sales database, which CP Kelco did.³⁵ Because consideration was provided for these sales (these sales had a positive gross price), and the transaction involved the transfer of ownership to an unrelated party, these sample sales are properly sales, within the meaning of 773(a)(1)(B)(i) the Act. Therefore, we have included these sales in our calculations of NV. For other samples made by CP Kelco to

³³ See Preliminary Analysis Memorandum.

³⁴ See CP Kelco's Section A Response at A-32 and A-52; CP Kelco's Section B Response at Exhibit B-36 to B-37 and Exhibit B-1, and CP Kelco's January 29, 2013, Response at B-3, B-4, B-7, B-8, and Exhibits B-14, B-22, B-23, and B-24.

³⁵ See CP Kelco's January 29, 2013, Response at B-3, B-4, B-7, B-8, and Exhibits B-14, B-22, B-23, and B-24.

unaffiliated customers in the home market, gross unit price was zero, and CP Kelco did not claim nor provide any evidence that any other sort of consideration was provided (e.g., the promise to pay). Therefore, we have determined that such samples are not sales within the meaning of 773(a)(1)(B)(i) the Act and have not included these sales in our calculations of NV consistent with our treatment of U.S. samples for which no evidence of consideration was reported. As explained in the “U.S. Price” section, above, this analysis is in accordance with the Department’s established practice and previous decisions of the CAFC.³⁶

D. Home Market Freight Revenue

We reduced movement expenses on home market sales, where appropriate, by the amount of freight revenue paid by the customer to CP Kelco in exchange for CP Kelco arranging and initially paying for freight.³⁷ CP Kelco claims that it arranges and pre-pays for transportation and bills the freight expenses in question to the customer as a separate line on the product invoice.³⁸ Further, CP Kelco reports that these freight fees charged to the customer which generate freight revenues are based upon estimates of freight, not upon actual freight expenses. Therefore, consistent with our treatment of freight revenue for CEP sales, we limited the amount of freight revenue deducted to no greater than the amount of movement expenses incurred, in accordance with the Department’s past practice.³⁹

E. Cost of Production Analysis

In accordance with section 773(b)(2)(A)(ii) of the Act, because we disregarded sales by CP Kelco that were below the cost of production (COP) in the most recently completed administrative review of CMC from Finland in which CP Kelco was a respondent,⁴⁰ we had reasonable grounds to believe or suspect that CP Kelco made sales of the subject merchandise in the comparison market at prices below the COP in the current review period. Accordingly, pursuant to section 773(b)(1) of the Act, we initiated a COP investigation of sales by CP Kelco.

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 examined the cost data and determined that our quarterly cost method is not warranted and, therefore, we have applied our standard method of using annual costs based on the reported data as adjusted below. Except as noted below, we relied on the COP data submitted by CP Kelco in its questionnaire response for the COP calculation.

We adjusted cost of manufacturing for an input obtained from an affiliated party. See

³⁶ See, e.g., TRBs from China and Photovoltaic Cells from China and the accompanying Issues and Decision Memorandum at Comment 31. See also NSK Ltd. v. United States, 115 F.3d 965, 975 (Fed. Cir.1997).

³⁷ See CP Kelco’s Section A response at A-31 and CP Kelco’s Section B response at B-24 to B-25.

³⁸ See CP Kelco’s Section A response at A-31; CP Kelco’s Section B response at B-24 to B-25, and CP Kelco’s January 29, 2013, Response at A-37 to A-38.

³⁹ See, e.g., 2008-2009 Preliminary Results (unchanged in 2008-2009 Final Results), and Bags from the PRC, and the accompanying Issues and Decision Memorandum at Comment 6.

⁴⁰ See 2008-2009 Preliminary Results (unchanged in 2008-2009 Final Results).

Memorandum from Gina K. Lee, Senior Accountant, to Neal Halper, Director, Office of Accounting, regarding “Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results - CP Kelco Oy” dated August 2, 2013.⁴¹

2. Test of Comparison Market Sales Prices

As required under section 773(b)(1)(A) and (B) 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, discounts, rebates, billing adjustments, 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, we did not disregard below-cost sales that were not made in “substantial quantities,” *i.e.*, where less than 20 percent of sales of a given product were at prices less than the COP. We disregarded below-cost sales when they were made in substantial quantities, *i.e.*, where 20 percent or more of a respondent’s sales of a given product were at prices less than the COP and where “the weighted average per unit price of the sales . . . is less than the weighted average per unit cost of production for such sales.” See section 773(b)(2)(C)(ii) of the Act. Lastly, based on our comparison of prices to the weighted-average COPs for the POR, we considered whether the prices would permit the recovery of all costs within a reasonable period of time. See section 773(b)(2)(D) of the Act.

Our cost test for CP Kelco revealed that, for home market sales of certain models, 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. See Preliminary Results Calculation Memorandum.

For those U.S. sales of subject merchandise for which there were no home market sales in the ordinary course of trade, we compared EPs to CV in accordance with section 773(a)(4) of the Act. See “Calculation of Normal Value Based on Constructed Value” section, below.

F. Level of Trade Analysis

To the extent practicable, we determine NV using home market sales made at the same level of trade (LOT) as the U.S. sales. Pursuant to section 773(a)(1)(B)(i) of the Act, in identifying LOTs for U.S. and comparison market sales (*i.e.*, NV based on either comparison market or third country prices), we consider the starting prices before any adjustments. If the home-market sales are at a different LOT from that of a U.S. sale and the difference affects price comparability, as

⁴¹ See Preliminary Analysis Memorandum.

manifested in a pattern of consistent price differences between the sales on which NV is based and home-market sales at the LOT of the export transaction, we make a LOT adjustment under section 773(a)(7)(A) of the Act. To determine whether home market sales are at a different LOT than U.S. sales, we examined stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer.

1. Analysis of Home Market Level of Trade

In the current review, CP Kelco reported only one LOT in the home market.⁴² We obtained information from CP Kelco regarding the marketing process and selling functions along the chain of distribution between the producer and the customer in the home market.⁴³ Our analysis indicates the selling functions performed for home market end-user customers are performed at similar degree of intensity and are similar in number to the selling functions performed for home market distributor customers. For example, in comparing CP Kelco's selling activities, CP Kelco reported that all of the selling functions performed in the home market distributor channel of distribution are also performed in the home market end user channel of distribution (*i.e.*, sales negotiation, credit risk management, customer service, logistics, inventory maintenance, packing, freight/delivery, collection, sales promotion, direct sales personnel, technical support, and guarantees). CP Kelco also reported that many selling functions are performed at the same level of intensity (*i.e.*, customer service, logistics, collection, sales promotion, and guarantees). CP Kelco reported differences in the level of intensity between the home market distributor and end user channels of distribution for only the sales negotiation, credit risk management, inventory maintenance, packing, freight/delivery, direct sales personnel, and technical support selling functions. Further, where there were differences reported by CP Kelco, these differences were minor and do not establish distinct and separate LOTs in Finland. We further note that all sales in the home market both occur closer to the end of the distribution chain and involve similar volumes; they require similar customer interaction and consequently the performance of similar selling functions at similar levels of intensity. Accordingly, we preliminarily determine that CP Kelco's home market sales through the distributor and end user channels of distribution were made at the same LOT.

2. Analysis of U.S. Levels of Trade

CP Kelco reported two LOTs for its U.S. sales, an EP LOT (based on the selling activities associated with the transactions between CP Kelco Oy and its customers in the U.S.) and a CEP LOT (which is based on the selling activities associated with the transaction between CP Kelco Oy and its affiliated importer, CP Kelco U.S., Inc.).⁴⁴ We obtained information on CP Kelco's marketing process and selling functions along the chain of distribution between the producer and the customer in the U.S.⁴⁵ Our analysis indicates the selling functions performed in the EP channel of distribution are either performed at a higher degree of intensity or are greater in number than the selling functions performed for CEP sales to CP Kelco U.S., Inc. For example, in comparing CP Kelco's selling activities, we find most of the reported selling functions

⁴² See CP Kelco's Section B Response at B-22.

⁴³ See CP Kelco's Section A Response at A-19 to A-47.

⁴⁴ See CP Kelco's Section C Response at C-24 to C-25.

⁴⁵ See CP Kelco's Section A Response at A-19 to A-47.

performed in the EP channel of distribution are not a part of CEP transactions (i.e., sales negotiation, credit risk management, collection, sales promotion, direct sales personnel, technical support, and guarantees). For those selling activities performed for both EP sales and CEP sales (i.e., customer service, logistics, inventory maintenance, packing, and freight/delivery), CP Kelco reported that it performed each activity at either the same or at a higher level of intensity in the EP channel of distribution, with the sole exception of the inventory maintenance selling function. We further note that CEP sales from CP Kelco Oy to CP Kelco U.S., Inc., generally occur at the beginning of the distribution chain, representing essentially a logistical transfer of inventory. In contrast, all sales made through the EP channel of distribution occur closer to the end of the distribution chain, do not resemble logistical transfers of inventory, require more customer interaction, and consequently, the performance of more selling functions. Accordingly, we preliminarily determine that CP Kelco's EP sales and CEP sales were made at separate and distinct LOTs, and that the EP LOT is at a more advanced stage than the CEP LOT.

3. Level of Trade Determination

We then compared CP Kelco's home market LOT to its EP LOT. Our analysis indicates the selling functions performed for home market customers are performed at similar degree of intensity and are similar in number to the selling functions performed the EP channel of distribution. For example, in comparing CP Kelco's selling activities, CP Kelco reported that all of the selling functions performed in the home market distributor and end user channels of distribution are also performed in the EP channel of distribution (i.e., sales negotiation, credit risk management, customer service, logistics, inventory maintenance, packing, freight/delivery, collection, sales promotion, direct sales personnel, technical support, and guarantees). CP Kelco also reported that many selling functions are performed at the same level of intensity for all three channels of distribution (i.e., customer service, logistics, collection, sales promotion, and guarantees). Further, CP Kelco reported that the credit risk management and packing selling functions are performed at the same level of intensity for both the EP and home market distributor channel of distribution. CP Kelco reported differences in the level of intensity between the home market end user channels of distribution and the EP channel of distribution for the inventory maintenance, packing, freight/delivery, direct sales personnel, and technical support selling functions. The level of intensity for the inventory maintenance, freight/delivery, direct sales personnel, and technical support selling functions differed to some degree among both the U.S. distributor and end user channels of distribution, and the EP channel of distribution. However, where there were differences reported by CP Kelco, these differences are minor and do not establish distinct and separate LOTs. We further note that home market and EP sales both occur closer to the end of the distribution chain and involve similar volumes; they require similar customer interaction and consequently the performance of similar selling functions at similar levels of intensity. Accordingly, we preliminarily determine CP Kelco's home market and EP sales were made at the same LOT and no LOT adjustment is warranted for the EP sales.

G. CEP Offset

CP Kelco claims that it did not make home market sales at a LOT comparable to the CEP LOT. Therefore, CP Kelco requests the Department make a CEP offset. Accordingly, we compared the NV LOT (based on the selling activities associated with the transactions between CP Kelco

and its customers in the home market) to the CEP LOT (which is based on the selling activities associated with the transaction between CP Kelco Oy and its affiliated importer, CP Kelco U.S., Inc.) Our analysis indicates the selling functions performed for home market customers are either performed at a higher degree of intensity or are greater in number than the selling functions performed for sales to CP Kelco U.S., Inc. For example, in comparing CP Kelco's selling activities, we find most of the reported selling functions performed in the home market are not a part of CEP transactions (*i.e.*, sales negotiations, credit risk management, intermediate warehousing, collection, sales promotion, direct sales personnel, technical support, guarantees, and discounts). For those selling activities performed for both home market sales and CEP sales (*i.e.*, customer service, logistics, inventory maintenance, packing, and freight/delivery), CP Kelco reported it performed each activity at either the same or at a higher level of intensity in one or both of the home market channels of distribution. For both the packing and the freight/delivery selling functions, each function is performed at the same level of intensity in one home market channel of distribution, but at a lower level of intensity in the other home market channel of distribution. We further note that CEP sales from CP Kelco Oy to CP Kelco U.S., Inc., generally occur at the beginning of the distribution chain, representing essentially a logistical transfer of inventory. In contrast, all sales made through the EP channel of distribution occur closer to the end of the distribution chain, do not resemble logistical transfers of inventory, require more customer interaction, and consequently, the performance of more selling functions. Based on the foregoing, we conclude that the NV LOT is at a more advanced stage than the CEP LOT.

Because we found the home market and U.S. CEP sales were made at different LOTs, we examined whether a LOT adjustment or a CEP offset may be appropriate in this review. As we found only one LOT in the home market, it was not possible to make a LOT adjustment to home market sales, because such an adjustment is dependent on our ability to identify a pattern of consistent price differences between the home market sales on which NV is based and home market sales at the LOT of the U.S. sales. See 19 CFR 351.412(d)(1)(ii). Furthermore, we have no other information that provides an appropriate basis for determining a LOT adjustment. Because the data available do not form an appropriate basis for making a LOT adjustment, and because the NV LOT is at a more advanced stage of distribution than the CEP LOT, we have made a CEP offset to NV in accordance with section 773(a)(7)(B) of the Act.

H. Calculation of Normal Value Based on Constructed Value

In accordance with section 773(e) of the Act, we calculated CV for CP Kelco based on the sum of its material and fabrication costs, selling, general and administrative (SG&A) expenses, profit, and U.S. packing costs. We calculated the COP component of CV as described in the "Cost of Production Analysis" section of this memorandum, above. 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 CP Kelco in connection with the production and sale of the foreign like product in the ordinary course of trade, for consumption in the comparison market.

Currency Conversion

We made currency conversions into U.S. dollars in accordance with section 773A(a) 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.

CONCLUSION

We recommend applying the above methodology for these preliminary results.



Agree

Disagree



Paul Piquado
Assistant Secretary
for Import Administration

1 AUGUST 2013
(Date)