



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

A-475-818  
Administrative Review  
POR: 7/1/13-6/30/14  
Public Document  
E&C: AD/CVD Ops: III: GM, JZ

July 31, 2015

**MEMORANDUM TO:** Ronald K. Lorentzen  
Acting Assistant Secretary  
for Enforcement and Compliance

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

**RE:** Decision Memorandum for the Preliminary Results of  
Antidumping Duty Administrative Review: Certain Pasta from  
Italy; 2013-2014

---

### Summary

In response to requests from interested parties, the Department of Commerce (the Department) is conducting an administrative review of the antidumping duty order on certain pasta (pasta) from Italy for the period of review (POR) of July 1, 2013, through June 30, 2014. The Department preliminarily determines that La Molisana S.p.A. (La Molisana) and Rummo S.p.A. Molino e Pastificio (the Rummo Group),<sup>1</sup> made sales of subject merchandise at less than normal value (NV) during the POR.

We invite interested parties to comment on these preliminary results. We intend to issue the final results no later than 120 days from the date of publication of this notice, pursuant to section 751(a)(3)(A) of the Tariff Act of 1930, as amended (the Act). Once we issue the final results, we will instruct U.S. Customs and Border Protection (CBP) to assess antidumping duties on all appropriate entries of subject merchandise during the POR.

---

<sup>1</sup> The Rummo Group consists of Rummo S.p.A., Lenta Lavorazione, Pasta Castiglioni, and Rummo S.p.A. Molino e Pastificio. In this review, we found that the facts have not changed with respect to Rummo and its affiliates and therefore, we followed the same methodology as we did in the most recent completed review (AR 17) by collapsing the affiliated companies as the Rummo Group. See *Certain Pasta From Italy: Notice of Final Results of 17th Antidumping Duty Administrative Review; 2012-2013*, 80 FR 8604 (February 18, 2015) (*AR 17 Final Results*).



## Background

On July 24, 1996, the Department published in the *Federal Register* the *AD Order*<sup>2</sup> on pasta from Italy. On July 1, 2014, the Department published a notice of opportunity to request an administrative review of the antidumping duty order on pasta from Italy.<sup>3</sup> Pursuant to requests from interested parties, on August 29, 2014, the Department published the *Initiation Notice* in the *Federal Register*.<sup>4</sup> The Department initiated this administrative review covering the following six companies: Pastificio Andalini S.p.A.; Dalla Costa Alimentare Srl. (Dalla Costa); Delverde Industrie Alimentari S.p.A.; La Molisana S.p.A. (La Molisana); Rummo S.p.A. (the Rummo Group); and Pasta Lensi S.r.l. (Pasta Lensi).

On September 2, 2014, the Department announced its intention to select mandatory respondents based on CBP data.<sup>5</sup> On October 3, 2014, the Department selected the Rummo Group and La Molisana as mandatory respondents, and issued initial questionnaires to both companies on the same date.<sup>6</sup> On October 10, 2014, and November 25, 2014, respectively, Dalla Costa and Pasta Lensi timely withdrew their requests for the 2013-2014 administrative review.<sup>7</sup> In accordance with 19 CFR 351.213(d)(1),<sup>8</sup> and consistent with our practice,<sup>9</sup> we rescinded this review, in part, with respect to Dalla Costa and Pasta Lensi.<sup>10</sup>

## La Molisana

On October 3, 2014, the Department issued the antidumping duty questionnaire to La Molisana.<sup>11</sup> La Molisana submitted its response to the section A questionnaire on November 4,

---

<sup>2</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>3</sup> See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity To Request Administrative Review*, 79 FR 37289 (July 1, 2014).

<sup>4</sup> See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 79 FR 51548 (August 29, 2014) (*Initiation Notice*).

<sup>5</sup> See Memorandum to the File from Christopher Hargett, “2013-2014 Antidumping Duty Administrative Review of Certain Pasta from Italy: Customs and Border Protection Data for Selection of Respondents for Individual Review,” dated September 2, 2014 (CBP Data Release).

<sup>6</sup> See Memorandum from Christopher Hargett to Eric B. Greynolds titled, “2013 – 2014 Antidumping Duty Administrative Review of Certain Pasta from Italy: Selection of Respondents for Individual Review,” dated October 3, 2014 (Respondent Selection Memo).

<sup>7</sup> See Letter from Dalla Costa to the Department, “Antidumping Duty Administrative Review of Certain Pasta from Italy: Withdrawal of Review Request for Administrative Review of Dalla Costa Alimentare Srl.,” dated October 10, 2014; Letter from Pasta Lensi to the Department, “Pasta from Italy: Withdrawal of Request for Administrative Review,” dated November 25, 2014.

<sup>8</sup> In accordance with 19 CFR 351.213(d)(1), the Department will rescind an administrative review “if a party that requested the review withdraws the request within 90 days of the date of publication of notice of initiation of the requested review.” The instant review was initiated on August 29, 2014. Therefore, the deadline to withdraw review requests was November 27, 2014. Thus, Dalla Costa and Pasta Lensi withdrawal requests are timely.

<sup>9</sup> See, e.g., *Brass Sheet and Strip from Germany: Notice of Rescission of Antidumping Duty Administrative Review*, 73 FR 49170 (August 20, 2008); see also *Certain Lined Paper Products from India: Notice of Partial Rescission of Antidumping Duty Administrative Review and Extension of Time Limit for the Preliminary Results of Antidumping Duty Administrative Review*, 74 FR 21781 (May 11, 2009).

<sup>10</sup> See *Certain Pasta from Italy: Notice of Partial Rescission of Antidumping Duty Administrative Review*, 80 FR 4541 (January 28, 2015).

<sup>11</sup> See Letter to La Molisana from the Department, dated October 3, 2014 (IQ).

2014.<sup>12</sup> On December 2, 2014, and December 3, 2014, La Molisana submitted its narrative response and databases for the sections B and C initial questionnaire.<sup>13</sup>

Between November 2014 and July 2015, the Department issued supplemental questionnaires for sections A, B and C to La Molisana.<sup>14</sup> La Molisana responded to the Department's section A supplemental questionnaires on December 5, 2014, December 15, 2014.<sup>15</sup> La Molisana responded to the Department's sections B and C questionnaires on February 5, 2015,<sup>16</sup> March 27, 2015,<sup>17</sup> May 29, 2015,<sup>18</sup> and July 14, 2015.<sup>19</sup>

On December 22, 2014, Petitioners<sup>20</sup> requested that the Department conduct a cost investigation with respect to sales of pasta by La Molisana in this proceeding.<sup>21</sup> On January 8, 2015, the Department initiated an investigation of prices below the costs of production with respect to La Molisana.<sup>22</sup> On February 9, 2015, La Molisana submitted its section D response.<sup>23</sup>

---

<sup>12</sup> See La Molisana's Initial Section A Questionnaire Response (IAQR), dated November 4, 2014.

<sup>13</sup> See Letter to the Department from La Molisana, "Certain Pasta From Italy: A-475-818; Response to Section Sections B and C (IBQR, ICQR)," dated December 2, 2014, and accompanying databases submitted on December 3, 2014.

<sup>14</sup> See Letters to La Molisana from the Department, "2013-2014 Antidumping Duty Administrative Review of Certain Pasta from Italy: Section A Supplemental Questionnaire," dated November 14, 2014, "2013-2014 Antidumping Duty Administrative Review of Certain Pasta from Italy: Sections B & C Supplemental Questionnaire," dated January 5, 2015; "2013-2014 Antidumping Duty Administrative Review of Certain Pasta from Italy: Sections B & C Supplemental Questionnaire," dated March 2, 2015; "2013-2014 Antidumping Duty Administrative Review of Certain Pasta from Italy: Third Supplemental Questionnaire," dated May 12, 2015; "2013-2014 Antidumping Duty Administrative Review of Certain Pasta from Italy: Supplemental Questionnaire Clarification," dated May 20, 2015; and "2013-2014 Antidumping Duty Administrative Review of Certain Pasta from Italy: Quantity and Value Reconciliation Supplemental Questionnaire," dated July 2, 2015.

<sup>15</sup> See Letters to the Department from La Molisana, both entitled "Certain Pasta From Italy: A-475-818; Response to Supplemental Section A Questionnaire," dated December 5, 2014, and December 15, 2014 (SQRA).

<sup>16</sup> See Letter to the Department from La Molisana, "Certain Pasta From Italy: A-475-818; Response to Supplemental Section B and C," dated February 4, 2015 (SQRB, SQRC).

<sup>17</sup> See Letter to La Molisana from the Department, "Certain Pasta From Italy: A-475-818; Response to Sections B and C," dated March 27, 2015 (SQRB2, SQRC2).

<sup>18</sup> See Letter to La Molisana from the Department, "Certain Pasta From Italy: A-475-818; Response to Section B/C Supplemental Questionnaire," dated May 29, 2015 (SQRC3).

<sup>19</sup> See Letter to La Molisana from the Department, "Certain Pasta From Italy: A-475-818; Response to Supplemental Reconciliation Questionnaire," dated July 14, 2015.

<sup>20</sup> Petitioners consist of New World Pasta Company, American Italian Pasta Company and Dakota Growers Pasta Company.

<sup>21</sup> See Letter to the Department from Petitioners, "Certain Pasta from Italy - Cost Allegation for La Molisana," dated December 22, 2014 (Cost Allegation for La Molisana).

<sup>22</sup> See Memorandum to Melissa G. Skinner from Christopher Hargett, "2013-2014 Antidumping Duty Administrative Review of Certain Pasta from Italy: Petitioner's Allegation of Home Market Sales at Prices Below the Cost of Production for La Molisana," dated January 8, 2015; Letter to La Molisana from the Department, "2013-2014 Antidumping Duty Administrative Review of Certain Pasta from Italy: Initiation of Investigation of Prices Below the Cost of Production," dated January 8, 2015.

<sup>23</sup> See Letter to the Department from La Molisana, "Certain Pasta From Italy: A-475-818; Response to Section D" (IQRD), dated February 9, 2015.

The Department issued multiple cost supplemental questionnaires to La Molisana between March 26, 2015, and May 28, 2015.<sup>24</sup> La Molisana responded to the Department's cost supplemental questionnaires on the following dates: May 4, 2015,<sup>25</sup> June 3, 2015,<sup>26</sup> June 11, and 12, 2015,<sup>27</sup> and July 1, 2015.<sup>28</sup>

### The Rummo Group

In response to the Department's initial questionnaire dated October 3, 2014, the Rummo Group submitted its section A response on November 7, 2014, section D response on November 24, 2014, and sections B through C responses on December 1, 2014, respectively.

On January 15, 2015, and June 15, 2015, Petitioners submitted comments on the Rummo Group's section A-D responses. The Department issued several section A-D supplemental questionnaires, to which the Rummo Group provided its responses on March 13, 2015, April 13, 2015, June 2, 2015, and July 1, 2015.

### Extension of Preliminary Results

On February 18, 2015, the Department issued a memorandum extending the time period for issuing the preliminary results of the instant administrative review from April 2, 2015, to July 31, 2015.<sup>29</sup>

## **SCOPE OF THE ORDER**

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 this scope is typically sold in the retail market, in fiberboard or cardboard cartons, or polyethylene or polypropylene bags of varying dimensions.

---

<sup>24</sup> See Letters to La Molisana from the Department, "2013-2014 Antidumping Duty Administrative Review of Certain Pasta from Italy: Section D Supplemental Questionnaire," dated March 23, 2015; "2013-2014 Antidumping Duty Administrative Review of Certain Pasta from Italy: Section D Second Supplemental Questionnaire," dated May 10, 2015; "2013-2014 Antidumping Duty Administrative Review of Certain Pasta from Italy: Section D Third Supplemental Questionnaire," dated May 22, 2015; and "2013-2014 Antidumping Duty Administrative Review of Certain Pasta from Italy: Section D Fourth Supplemental Questionnaire," dated May 28, 2015.

<sup>25</sup> See Letter to the Department from La Molisana, "Certain Pasta From Italy: A-475-818; Response to Section D Supplemental Questionnaire," dated May 4, 2015 (SQRD).

<sup>26</sup> See Letter to the Department from La Molisana, "Certain Pasta From Italy: A-475-818; Response to Section D Supplemental Questionnaire," dated June 3, 2015 (SQRD2).

<sup>27</sup> See Letters to the Department from La Molisana, "Certain Pasta From Italy: A-475-818; Response to Third and Fourth Section D Supplemental Questionnaire," dated June 11, 2015 and June 12, 2015 (SQRD3&4).

<sup>28</sup> See Letter to the Department from La Molisana, "Certain Pasta From Italy: A-475-818; Response to Section D Supplemental Questionnaire," dated July 2, 2015.

<sup>29</sup> See Memorandum to Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, through Melissa Skinner, Director, AD/CVD Operations Office III, from George McMahon, Case Analyst, AD/CVD Operations Office III, titled "Certain Pasta from Italy: Extension of Deadline for Preliminary Results of Antidumping Duty Administrative Review," dated February 18, 2015.

Excluded from the scope of this order are refrigerated, frozen, or canned pastas, as well all forms of egg pasta, with the exception of non-egg dry pasta containing up to two percent egg white. Also excluded are imports of organic pasta from Italy that are certified by a European Union (EU) authorized body and accompanied by a National Organic Program import certificate for organic products.<sup>30</sup> Effective July 1, 2008, gluten free pasta is also excluded from this order.<sup>31</sup>

The merchandise subject to this order is currently classifiable under items 1902.19.20 and 1901.90.9095 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 *AD Order* is dispositive.

## DISCUSSION OF METHODOLOGY

### Date of Sale

As stated at 19 CFR 351.401(i), the Department will use the respondent's invoice date as the date of sale unless another date better reflects the date upon which the exporter or producer established the essential terms of sale.

La Molisana reported the invoice date as the date of sale for both the home market and the U.S. market because the date of invoice reflects the date on which it finalized the material terms of sale.<sup>32</sup>

The Rummo Group reported the invoice date as the date of sale for both the home market and the U.S. market because the date of invoice reflects the date on which it finalized the material terms of sale.<sup>33</sup> In instances in which the shipment date precedes invoice date, the Rummo Group reported shipment date as date of sale, in accordance with the Department's practice.<sup>34</sup>

---

<sup>30</sup> On October 10, 2012, the Department revised the "Scope of the Order" to recognize the EU-authorized Italian agents for purposes of the antidumping and countervailing duty orders on pasta from Italy. See Memorandum from Yasmin Nair to Susan Kuhbach, titled "Recognition of EU Organic Certifying Agents for Certifying Organic Pasta from Italy," dated October 10, 2012, which is on file in the Department's Central Records Unit.

<sup>31</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>32</sup> See Memorandum from Joy Zhang to the File titled "Sales Analysis Memorandum for the Preliminary Results – La Molisana" (La Molisana Preliminary Results Sales Analysis Memorandum), dated concurrently with this memorandum; see also La Molisana's section A response dated November 4, 2014 at pages 20.

<sup>33</sup> See Memorandum from George McMahon to the File titled "Sales Analysis Memorandum for the Preliminary Results – the Rummo Group" (Rummo Preliminary Results Sales Analysis Memorandum), dated concurrently with this memorandum; see also Rummo Group's section A response dated November 7, 2014 at pages A-31 – A-36.

<sup>34</sup> For additional details, see Rummo Preliminary Results Sales Analysis Memorandum; 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).

## Comparisons to Normal Value

Pursuant to section 773(a)(1)(B) of the Act and 19 CFR 351.414(c)(1) and (d), we compared constructed export price (CEP) or exported price (EP) to NV, as described in the “Constructed Export Price,” “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.

## Product Comparisons

In accordance with section 771(16) of the Act, we considered all products produced by the respondents that are covered by the description contained in the “Scope of the Order” section above and were sold in the home market during the POR, to be foreign like product for purposes of determining appropriate product on which to base NVs for comparisons to U.S. sales. Where there were no sales of identical merchandise in the home market to compare to U.S. sales, we compared U.S. sales to sales of the most similar foreign like product on the basis of the hierarchy of reported physical characteristics: (1) product shape, (2) wheat species, (3) milling form, (4) protein content, (5) additives, and (6) enrichment.

## Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), the Department calculates dumping margins by comparing weighted-average NVs to weighted-average CEPs or EPs (the average-to-average or A-to-A method), unless the Secretary determines that another method is appropriate in a particular situation. In antidumping duty investigations, the Department examines whether to compare weighted-average NVs to transaction-specific CEPs or EPs (the average-to-transaction or A-to-T method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern the Department’s examination of this question in the context of administrative reviews, the Department nevertheless finds that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in antidumping duty investigations.<sup>35</sup> In recent investigations, the Department applied a “differential pricing” (DP) analysis for determining whether application of A-to-T comparisons is appropriate pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act.<sup>36</sup> The Department finds that the DP analysis used in these and other recent proceedings may be instructive for purposes of

---

<sup>35</sup> See *Ball Bearings and Parts Thereof from France, Germany, and Italy: Final Results of Antidumping Duty Administrative Review*; 2010-2011, 77 FR 73415 (December 10, 2012), and accompanying Issues and Decision Memorandum at Comment 1.

<sup>36</sup> See Memoranda to Ronald K. Lorentzen, Acting 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., Ltd) 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.

examining whether to apply an alternative comparison method in this administrative review.<sup>37</sup> The Department intends to continue to develop its approach in this area based on comments received in this and other proceedings, and on the Department's additional experience with addressing the potential masking of dumping that can occur when the Department uses the A-to-A method in calculating weighted-average dumping margins.

The DP analysis used in these preliminary results requires a finding of a pattern of prices for comparable merchandise that differs significantly among purchasers, regions, or time periods.<sup>38</sup> If such a pattern is found, then the DP analysis evaluates whether such differences can be taken into account when using the A-to-A method to calculate the weighted-average dumping margin. The DP 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. For La Molisana and the Rummo Group, purchasers are based on the reported consolidated customer codes as reported. For both La Molisana and the Rummo Group, regions are defined using the reported destination zip codes, which 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 the Department uses in making comparisons between EP (or CEP) and NV for the individual dumping margins.

In the first stage of the DP analysis, 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* coefficient is calculated 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 Cohen's *d* coefficient is used 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 (*i.e.*, 0.8) provides the strongest indication that there is a significant difference between the

---

<sup>37</sup> 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); *Certain Steel Threaded Rod From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 21101 (April 9, 2013) (*Steel Threaded Rod*); *Polyester Staple Fiber From Taiwan: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 17637 (March 22, 2013) (*Polyester Staple Fiber*).

<sup>38</sup> As noted above, the DP analysis has been utilized in recent investigations to determine the appropriate comparison methodology. It has also been used in several recent antidumping duty administrative reviews. See, e.g., *Steel Threaded Rod; Circular Welded Carbon Steel Pipes and Tubes From Thailand: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 21105 (April 9, 2013); *Polyvinyl Alcohol From Taiwan: Preliminary Results of Antidumping Duty Administrative Review; 2010-2012*, 78 FR 20890 (April 8, 2013); and *Polyester Staple Fiber*.

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 A-to-T method to all sales as an alternative to the A-to-A method. If the value of sales to purchasers, regions, and time periods that pass the Cohen's *d* test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the results support consideration of the application of an A-to-T method to those sales identified as passing the Cohen's *d* test as an alternative to the A-to-A method, and application of the A-to-A method to those sales identified as not passing the Cohen's *d* test. If 33 percent or less of the value of total sales passes the Cohen's *d* test, then the results of the Cohen's *d* test do not support consideration of an alternative to the A-to-A method.

If both tests in the first stage (*i.e.*, the Cohen's *d* test and the ratio test) demonstrate the existence of a pattern of prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the DP analysis, we examine whether using only the A-to-A 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 A-to-A method only. If the difference between the two calculations is meaningful, then this demonstrates that the A-to-A 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 A-to-A 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 DP approach used in these preliminary results, including arguments for modifying the group definitions used in this proceeding.

### Results of the DP Analysis

For the Rummo Group, based on the results of the differential pricing analysis, the Department finds that 37.12 percent of the Rummo Group's U.S. sales passed the Cohen's *d* test. Therefore, because more than 33 percent of the value of total sales of the Rummo Group passed the *Cohen's d* test, we find that the results of the Cohen's *d* test support consideration of an alternative to the A-to-A method. Further, the Department determines that the A-to-A method cannot appropriately account for such differences because there is a greater than 25 percent relative change in the weighted-average dumping margins when calculated using the A-to-A method and

an alternative method based on the A-to-T method applied to the U.S. sales which pass the Cohen's *d* test. Accordingly, the Department determines to use the A-to-T method for the U.S. sales passing the Cohen's *d* test and the A-to-A method for the U.S. sales not passing the Cohen's *d* test to calculate the weighted-average dumping margin for the Rummo Group.<sup>39</sup>

For La Molisana, based on the results of the differential pricing analysis, the Department finds that 41.04 percent of La Molisana's U.S. sales passed the Cohen's *d* test, and confirms the existence of a pattern of prices that differ significantly by purchasers, regions, or time periods. We found that the A-to-A method can account for such differences because, when comparing the weighted-average dumping margins calculated using the A-to-A method for all U.S. sales and the weighted-average dumping margins calculated using the A-to-T method for all U.S. sales, there is not a meaningful difference in the results, and no additional argument to the contrary has been placed on the record. Accordingly, for the preliminary results, we will use the standard A-to-A methodology to calculate the weighted-average dumping margin for La Molisana.<sup>40</sup>

### Export Price

For all of La Molisana's U.S. sales and certain of the Rummo Group's U.S. sales, we used the EP methodology, in accordance with section 772(a) of the Act, because the subject merchandise was sold by the producer or exporter of subject merchandise outside of the United States directly to the first unaffiliated purchaser in the United States prior to importation. We based EP on packed prices to the first unaffiliated purchaser in the United States. When appropriate, we adjusted the EP prices to reflect discounts, rebates, and billing adjustments.

For La Molisana and the Rummo Group, in accordance with section 772(c)(2)(A) of the Act, we made deductions, where appropriate, for movement expenses incurred at the production facility, U.S. warehouse expense, inland freight, brokerage and handling, international freight, freight rebate revenue, and U.S. customs duties. In addition, when appropriate, we increased EP by an amount equal to the countervailing duty (CVD) rate attributed to export subsidies in the most recently completed CVD administrative review, in accordance with section 772(c)(1)(C) of the Act.

### Constructed Export Price

In accordance with 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.

For purposes of this review, the Rummo Group classified certain export sales of pasta to the United States as CEP sales. Specifically, during the POR, the Rummo Group reported sales, through its U.S. affiliate (Rummo USA) via three channels of distribution (Rummo USA

---

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

<sup>40</sup> See Memorandum from Joy Zhang to the File titled "Sales Analysis Memorandum for the Preliminary Results – La Molisana" (La Molisana Preliminary Results Sales Analysis Memorandum), dated concurrently with this memorandum, for further details.

warehouse sales, Rummo USA direct sales and Rummo S.p.A. direct sales), to unaffiliated U.S. customers (including retailers and distributors).

The Department calculated CEP based on packed prices to customers in the United States. We made deductions from the starting price, net of discounts and rebates, for movement expenses (foreign and U.S. movement, U.S. customs duty and brokerage, and warehousing) in accordance with section 772(c)(2) of the Act and 19 CFR 351.401(e). In addition, because the Rummo Group reported CEP sales, in accordance with section 772(d)(1) of the Act, we deducted from the starting price, credit expenses, warranty and other U.S. direct expenses, and indirect selling expenses, including inventory carrying costs, incurred in Italy and the United States and associated with economic activities in the United States.

## Normal Value

### A. 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 La Molisana or the Rummo Group'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 La Molisana or the Rummo Group's aggregate volume of home market sales of the foreign like product was greater than five percent of its aggregate volume of U.S. sales of the subject merchandise, we determined that the home market was viable. Moreover, there is no evidence on the record supporting a particular market situation in the exporting company's country that would not permit a proper comparison of home market and U.S. prices.

### B. Level of Trade

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, the Department 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>41</sup> Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.<sup>42</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

---

<sup>41</sup> See 19 CFR 351.412(c)(2).

<sup>42</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*).

after the deduction of expenses and CEP profit under section 772(d) of the Act.<sup>43</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 the Department is unable to match U.S. sales of the foreign like product in the comparison market at the same LOT as the EP or CEP, the Department 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), the Department shall grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.<sup>44</sup>

In this administrative review, we obtained information from the respondents, La Molisana and the Rummo Group, 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.

La Molisana reported one LOT and two channels of distribution in the home market. In the U.S. market, La Molisana reported one LOT and one channel of distribution. La Molisana reported exclusively EP sales to unaffiliated U.S. customers.

La Molisana's chart of selling functions indicates the selling functions performed for sales in both markets are similar, with no significant variation across the broader categories of sales process/marketing support, freight and delivery and warehousing. Consequently, for La Molisana we preliminarily determine that there is one LOT that is the same for sales in both the home market and the U.S. market and, therefore, find that no basis exists for a LOT adjustment.

The Rummo Group reported that there was a single LOT for its sales in the home market and claimed two LOTs in the U.S. market. The Rummo Group provided information regarding channels of distribution and selling activities performed for different categories of customers.<sup>45</sup> The charts of specific selling functions submitted by the Rummo Group and its affiliate Pasta Castiglione indicate the selling functions performed for sales in both markets, and demonstrate that there are greater sales activities performed in the home market as compared to the Rummo Group's U.S. CEP sales.<sup>46</sup> We preliminarily determine that these differences support a finding that the home market sales are made at a different and more advanced stage of marketing than the LOT of Rummo Group's CEP sales. Further, we are unable to quantify a LOT adjustment

---

<sup>43</sup> See *Micron Technology Inc. v. United States*, 243 F.3d 1301, 1314-1315 (Fed. Cir. 2001).

<sup>44</sup> See *Plate from South Africa*, 62 FR at 61732-33.

<sup>45</sup> See Rummo Group's November 7, 2014, Section A responses (AQR), at Exhibits A-7, A-8, and A-9; see also Pasta Castiglione's November 7, 2014, Section A responses, at Exhibits A-3 and A-4.

<sup>46</sup> See Rummo Group's AQR at page A-30 and Exhibit A-9.

between the different LOTs existing in the U.S. and home markets. Accordingly, we made a CEP offset to NV pursuant to section 773(a)(7)(B) of the Act.<sup>47</sup>

With respect to the Rummo Group's EP sales through channel 3 (Rummo Group S.p.A. Direct Sales), the Rummo Group reported that all such sales were made at LOT 1. Based on our analysis of the Rummo Group's selling activities, we preliminarily find that its home market sales were made at LOT 1, *i.e.*, at an equivalent level of trade as US LOT 1.

### C. Cost of Production

In December 2014, the Petitioners alleged that La Molisana made sales in the home market during the POR that were below the cost of production (COP). Based on our analysis of the allegation made by the Petitioners, we determined that there were reasonable grounds to believe that La Molisana's sales of pasta in the home market were made at prices below the respondent's COP.<sup>48</sup> Accordingly, pursuant to section 773(b) of the Act, we initiated a sales below cost investigation to determine whether La Molisana's home market sales were made at prices below the COP.

For the Rummo Group, the Department disregarded certain home market sales priced below the COP in the last administrative review of the order in which the company participated and which was completed prior to the initiation of this review.<sup>49</sup> Thus, in accordance with section 773(b)(2)(A)(ii) of the Act, there are reasonable grounds to believe or suspect that the Rummo Group made sales of the subject merchandise in its home market at prices below the COP in the current review. Pursuant to section 773(b)(1) of the Act, we initiated a COP investigation of sales by the Rummo Group.

We examined the cost data for La Molisana and the Rummo Group, and determined that the quarterly cost methodology is not warranted in this review. Accordingly, we are applying our standard methodology of using annual costs based on the reported data of La Molisana and the Rummo Group.

### D. Calculation of Cost of Production

We calculated each respondent's COP based on the sum of the cost of materials and fabrication for the foreign like product, plus amounts for general and administrative (G&A) and financial expenses, in accordance with section 773(b)(3) of the Act. We relied on the data submitted by

---

<sup>47</sup> For a detailed description of our LOT methodology and a summary of company-specific LOT findings for these preliminary results, *see* La Molisana Preliminary Results Sales Analysis Memorandum; *see also* Rummo Preliminary Results Sales and Cost Analysis Memorandum.

<sup>48</sup> *See* Memorandum from Christopher Hargett to Melissa G. Skinner, "Petitioner's Allegation of Home Market Sales at Prices Below the Cost of Production for La Molisana," dated January 8, 2015.

<sup>49</sup> The most recently completed antidumping duty administrative review prior to the initiation of this review with respect to the Rummo Group was AR16. *See Certain Pasta From Italy: Notice of Final Results of the 16<sup>th</sup> Antidumping Duty Administrative Review*; 2011-2012, 79 FR 11409 (February 28, 2014) (AR16). La Molisana participated in the original antidumping duty investigation. *See Notice of Final Determination of Sales at Less Than Fair Value: Certain Pasta from Italy*, 61 FR 30326 (June 14, 1996).

La Molisana and the Rummo Group in their questionnaire responses for the COP calculations except for the following adjustments.

For La Molisana, we valued the semolina inputs purchased from an affiliate at the higher of the market price, the affiliated transfer price, or the affiliate's COP, in accordance with section 773(f)(3) of the Act. In addition, we revised La Molisana's cost of manufacturing (COM) to include an unreconciled difference between the COM as reported in La Molisana's normal books and records and the COM as reported in La Molisana's cost database. We revised La Molisana's COMs for control numbers (CONNUMs) that were both self-produced and tolled to reflect weighted-average COMs for the self-produced and tolled pasta. We also revised La Molisana's G&A expenses to exclude certain non-operating income. For La Molisana's financial expenses, we used the rate that represents the highest level of consolidation.<sup>50</sup>

For the Rummo Group, we revised the reported semolina costs to reflect the POR weighted-average values for semolina consumed internally and semolina issued to toll processors.<sup>51</sup>

#### E. Test of Home Market Prices

As required under 773(b)(1) of the Act, we compared the adjusted weighted-average COP to the home market sales prices 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. For purposes of this comparison, we used the COP exclusive of selling and packing expenses. 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.

#### F. Results of the COP Test

Pursuant to sections 773(b)(2)(B) and (C) 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 the below-cost sales of that product because we determine that in such instances the below-cost sales were not made within an extended period of time in substantial quantities. Where 20 percent or more of a respondent's sales of a given product are at prices less than the COP, we disregard the below-cost sales because (1) they are made within an extended period of time in substantial quantities in accordance with sections 773(b)(2)(B) and (C) of the Act and (2) based on our comparison of prices to the weighted-average COPs, the sales 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 indicated that La Molisana and the Rummo Group had certain home market sales that were sold at prices below the COP within an extended period of time in substantial

---

<sup>50</sup> See Memorandum from Christopher Zimpo to Neal Halper, "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results – La Molisana S.p.A.," dated July 31, 2015.

<sup>51</sup> See Memorandum from Heidi K. Schriefer to Neal M. Halper, "Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Results – the Rummo Group," dated July 31, 2015.

quantities and were at prices which would not permit the recovery of all costs within a reasonable period of time.<sup>52</sup> Thus, in accordance with section 773(b)(1) of the Act, we disregarded certain below-cost sales and used in our analysis the remaining above-cost sales to determine NV.

#### Margins for Companies Not Selected for Individual Examination

Generally, when calculating margins for non-selected respondents, the Department 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, the Department 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, the Department'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>53</sup>

In this review, we calculated a weighted-average dumping margin of 12.90 percent for La Molisana and 1.18 percent for the Rummo Group. Therefore, in accordance with section 735(c)(5)(A) of the Act, the Department assigned the weighted-average of these two calculated weighted-average dumping margins, 8.91 percent, to the non-selected companies in these preliminary results: Pastificio Andalini S.p.A. and Delverde Industrie Alimentari S.p.A.<sup>54</sup>

#### Currency Conversion

For purposes of these preliminary results, we made currency conversions in accordance with section 773A(a) of the Act, based on the official exchange rates published by the Federal Reserve Bank.

---

<sup>52</sup> See Rummo Preliminary Results Sales Analysis Memorandum and La Molisana Preliminary Results Sales Analysis Memorandum.

<sup>53</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.

<sup>54</sup> See Memorandum to the File titled, "Certain Pasta from Italy: Margin for Respondents Not Selected for Individual Examination," dated concurrently with this memorandum.

**Recommendation**

We recommend applying the above methodology for these preliminary results.

Agree  Disagree

*Ronald K. Lorentzen*

Ronald K. Lorentzen  
Acting Assistant Secretary  
for Enforcement and Compliance

*July 31, 2015*

Date