December 15, 2014

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

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

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

SUMMARY

The Department of Commerce (the Department) is conducting an administrative review of the antidumping duty (AD) order on stainless steel bar (SSB) from Brazil. The review covers one producer/exporter of the subject merchandise, Villares Metals S.A. (Villares). The period of review (POR) is February 1, 2013, through January 31, 2014. We preliminarily find that subject merchandise has not been sold at less than normal value.

BACKGROUND

Pursuant to section 751(a)(1) of the Tariff Act of 1930, as amended (the Act), and 19 CFR 351.213(b), Carpenter Technology Corporation, Crucible Industries LLC, Electralloy, a Division of G.O. Carlson, Inc., North America Stainless, and Valbruna Slater Stainless, Inc. (collectively, the petitioners) and Villares filed requests for an administrative review of the AD order on SSB from Brazil with respect to Villares on February 28, 2014. On April 1, 2014, in accordance with 19 CFR 351.221(c)(1)(i), we published a notice of initiation of administrative review of the AD order on SSB from Brazil.¹ On June 25, 2014, the petitioners filed a timely withdrawal of their request for an administrative review. Because Villares did not withdraw its request for an administrative review we did not rescind the administrative review.

We extended the original deadline for these preliminary results until December 15, 2014.² We are conducting the administrative review of the order in accordance with section 751(a) of the Act.

²See Memorandum to Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty
SCOPE OF THE ORDER

The merchandise subject to the order is SSB. The term SSB with respect to the order means articles of stainless steel in straight lengths that have been either hot-rolled, forged, turned, cold-drawn, cold-rolled or otherwise cold-finished, or ground, having a uniform solid cross section along their whole length in the shape of circles, segments of circles, ovals, rectangles (including squares), triangles, hexagons, octagons or other convex polygons. SSB includes cold-finished SSBs that are turned or ground in straight lengths, whether produced from hot-rolled bar or from straightened and cut rod or wire, and reinforcing bars that have indentations, ribs, grooves, or other deformations produced during the rolling process. Except as specified above, the term does not include stainless steel semi-finished products, cut-length flat-rolled products, wire (i.e., cold-formed products in coils, of any uniform solid cross section along their whole length, which do not conform to the definition of flat-rolled products), and angles, shapes and sections. The SSB subject to the order is currently classifiable under subheadings 7222.10.00, 7222.11.00, 7222.19.00, 7222.20.00, 7222.30.00 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the order is dispositive.3

DISCUSSION OF THE METHODOLOGY

Comparisons to Normal Value

Pursuant to section 773(a)(1)(B)(i) of the Act and 19 CFR 351.414(c)(1) and (d), to determine whether Villares’ sales of SSB from Brazil were made in the United States at less than normal value, we compared the constructed export price (CEP) and export price (EP) to the normal value (NV) as described in the “Constructed Export Price,” “Export Price,” and “Normal Value” sections of this memorandum.

A. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), we calculate individual dumping margins by comparing weighted-average NVs to weighted-average export prices (EPs) or CEPs (the average-to-average (A-A) method) unless the Secretary determines that another method is appropriate in a particular situation. In AD investigations, we examine whether to compare weighted-average NVs to the EPs or CEPs of individual transactions (the average-to-transaction (A-T) method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act. Although section 777A(d)(1)(B) of the Act does not strictly govern our examination of this


3 The HTSUS numbers provided in the scope changed since the publication of the order. See Antidumping Duty Orders: Stainless Steel Bar from Brazil, India and Japan, 60 FR 9661 (February 21, 1995).
question in the context of administrative reviews, we find that the issue arising under 19 CFR 351.414(c)(1) in administrative reviews is, in fact, analogous to the issue in AD investigations. In recent investigations, we applied a “differential pricing” analysis to determine whether application of A-T comparisons is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act. We find the differential pricing analysis used in those recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this administrative review. We will continue to develop our approach in this area based on comments received in this and other proceedings, and on our additional experience with addressing the potential masking of dumping that can occur when we use the A-A 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 A-A 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 code. Regions are defined using the reported destination code (e.g., zip codes or cities) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the POR being examined based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region, and time period, comparable merchandise is considered using the product control number and any characteristics of the sales, other than purchaser, region, and time period, that we use 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 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

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4 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).
5 As stated above, differential pricing was used in recent investigations. See, e.g., Hardwood and Decorative Plywood From the People’s Republic of China: Final Determination of Sales at Less Than Fair Value, 78 FR 58273 (September 23, 2013). It was also used in the recent AD administrative review of polyester staple fiber from Taiwan. See Polyester Staple Fiber from Taiwan: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012, 78 FR 17637 (March 22, 2013).
significant if the calculated Cohen’s *d* coefficient is equal to or exceeds the large (*i.e.*, 0.8) threshold.

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

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

### Results of the Differential Pricing Analysis

For Villares, based on the results of the differential pricing analysis, we find that 95.16 percent of its U.S. sales pass the Cohen’s *d* test and confirm the existence of a pattern of CEPs and EPs for comparable merchandise that differ significantly among purchasers, regions, or time periods.\(^6\) Moreover, we determine that the A-A method can appropriately account for such differences because there is not a meaningful difference in the weighted-average dumping margins when

calculated using the A-A method and an alternative method based on the A-T method. Accordingly, for these preliminary results, we applied the standard, A-A comparison method to calculate the weighted-average dumping margin for Villares.

**Product Comparisons**

In accordance with section 771(16) of the Act, we compared products produced by Villares 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 general type of finish, grade, remelting process, finishing operation, shape, and size.

**Date of Sale**

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

For all U.S. CEP sales, based on record evidence, and consistent with previous administrative reviews, we determine that the material term of sale, quantity, is established on the date of release from the unaffiliated, third-party warehouse for U.S. sales, i.e., the date Villares issues the “child invoice.” Therefore, we used the “child invoice” date, as reported by Villares, as the date of sale for all U.S. CEP sales.

With respect to its U.S. EP sales, Villares reported invoice date as the date of sale because that is the date of sale recorded in its normal books and records, and it is the date on which the price and quantity are fixed. This is consistent with our regulatory presumption for invoice date as

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9 Villares issues two different invoices for its CEP sales which it refers to as the “parent invoice” and “child invoice.” The “parent invoice” is the consignment invoice that Villares issues when it ships the merchandise from its manufacturing plant in Brazil to the third party warehouse in the United States. The “child invoice” is the sales invoice that Villares issues when it releases the merchandise from the third party warehouse in the United States to the CEP unaffiliated customer. See Villares’ supplemental questionnaire response, dated August 22, 2014, at pages 15-17.

the date of sale.\textsuperscript{11} Thus, because the evidence does not demonstrate that the material terms of sale were established on another date, we used invoice date as the date of sale for all U.S. EP sales.

With respect to its home-market sales, Villares reported invoice date as the date of sale because that is the date of sale recorded in its normal books and records, and it is the date on which the price and quantity are fixed.\textsuperscript{12} This is consistent with our regulatory presumption for invoice date as the date of sale.\textsuperscript{13} Thus, because the evidence does not demonstrate that the material terms of sale were established on another date, and consistent with previous reviews,\textsuperscript{14} we used invoice date as the date of sale in the home market.

We used Villares’ sales databases, filed on September 19, 2014, and November 12, 2014, for our preliminary margin calculation. See Preliminary Analysis Memorandum for further details.

**Constructed Export Price**

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

We calculated CEP for purposes of the preliminary results, in accordance with section 772(b) of the Act, where the subject merchandise was sold after importation in the United States. We calculated CEP based on the delivered price to the unaffiliated purchaser in the United States. We made deductions for any movement expenses, in accordance with section 772(c)(2)(A) of the Act. In accordance with section 772(d)(1) of the Act, we calculated the CEP by deducting selling expenses associated with economic activities occurring in the United States. Finally, we made an adjustment for profit allocated to these expenses, in accordance with section 772(d)(3) of the Act.\textsuperscript{15}

**Export Price**

Section 772(a) of the Act defines EP as “the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of subject merchandise outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States, as adjusted under subsection (c)” of section 772 of the Act.

We calculated EP for purposes of these preliminary results, in accordance with subsections 772(a) and (c) of the Act, where the subject merchandise was first sold in the country of

\textsuperscript{11} See 19 CFR 351.401(i).
\textsuperscript{12} See Villares’ section B questionnaire response dated June 6, 2014, at 17-18.
\textsuperscript{13} See 19 CFR 351.401(i).
\textsuperscript{14} See, e.g., 2009-2010 Final Results, 2011-2012 Final Results, and 2012-2013 Final Results.
\textsuperscript{15} See Preliminary Analysis Memorandum.
manufacture (i.e., Brazil) to an unaffiliated purchaser prior to importation and CEP was not otherwise warranted based on the facts of record. Therefore, with respect to Villares’ reported EP sales, we calculated EP based on the price to unaffiliated purchasers in the United States, taking into account the reported terms of delivery. We made adjustments for credit expenses, certain direct selling expenses, as appropriate. We also made deductions for movement expenses, in accordance with section 772(c)(2)(A) of the Act.16

Normal Value

A. Home Market Viability and Comparison Market

In order to determine whether there is a sufficient volume of sales in the home market to serve as a viable basis for calculating NV (i.e., the aggregate volume of home market sales of the foreign like product is five percent or more of the aggregate volume of U.S. sales), we compared the volume of Villares’ home market sales of the foreign like product to the volume of its U.S. sales of subject merchandise, in accordance with section 773(a)(1)(C) of the Act. Based on this comparison, we determined that Villares had a viable home market during the POR.

B. Level of Trade

Section 773(a)(1)(B)(i) of the Act states that, to the extent practicable, we will calculate NV based on sales of foreign like products at the same level of trade (LOT) as the EP or CEP. Sales are made at different LOTs if they are made at different marketing stages (or their equivalent).17 Substantial differences in selling activities are a necessary, but not sufficient, condition for determining that there is a difference in the stages of marketing.18 To determine whether the comparison-market sales were at different stages in the marketing process than the U.S. sales, we reviewed the distribution system in each market (i.e., the chain of distribution), including selling functions, class of customer (customer category), and the level of selling expenses for each type of sale. To determine whether home market sales are at a different LOT than EP sales, we examined stages in the marketing process and selling functions along the chain of distribution between the producer and the unaffiliated customer.

For CEP sales, we consider only the selling activities reflected in the price after the deduction of expenses and profit under section 772(d) of the Act.19 When we are unable to match U.S. sales to sales of the foreign like product in the comparison market at the same LOT as the EP or CEP, we may compare the U.S. sales to sales at a different LOT in the comparison market. When this occurs and the difference in LOT is demonstrated to affect price comparability based on a pattern of consistent price differences between sales at different LOTs in the market in which NV is determined, we make an LOT adjustment under section 773(a)(7)(A) of the Act. Finally, for CEP sales only, if the NV LOT is at a more advanced stage of distribution than the LOT of the CEP and there is no basis for determining whether the difference in LOTs between NV and CEP

16 Id.
17 See 19 CFR 351.412(c)(2).
18 See id.; see also Notice of Final Determination of Sales at Less Than Fair Value: Certain Cut-to-Length Carbon Steel Plate From South Africa, 62 FR 61731, 61732 (November 19, 1997) (Plate from South Africa).
19 See Micron Technology, Inc. v. United States, 243 F.3d 1301, 1314 (Fed. Cir. 2001).
affects price comparability, we grant a CEP offset, as provided in section 773(a)(7)(B) of the Act.\textsuperscript{20}

In the home market, Villares reported two channels of distribution: direct mill-order sales to distributors and large end-users, and sales to end-users from inventory maintained in Villares’ distribution centers located at the company's headquarters and in Joinville, Brazil.\textsuperscript{21} After analyzing the data on the record with respect to the selling functions performed for each customer type, we find that Villares made sales at two distinct marketing stages (\textit{i.e.}, two levels of trade) in the home market.

In the U.S. market, Villares had both CEP sales through an unaffiliated warehouse and EP sales made directly from its production plant in Brazil. Villares reported that its CEP sales were made through one channel of distribution and, thus, constitute a single level of trade.\textsuperscript{22} The merchandise is stored in the third-party warehouse and the unaffiliated customer withdraws the merchandise as needed. After withdrawal, the warehouse notifies Villares that a sale was made.\textsuperscript{23}

We found that there were significant differences between the selling activities associated with the CEP level of trade and those associated with the home market levels of trade. Specifically, Villares provides inventory maintenance, general promotion and marketing, and technical support, among other services, in the home market, but it does not provide these services in the U.S. market.\textsuperscript{24} However, because Villares did not make any home-market sales of subject or non-subject merchandise during the POR at a level of trade similar to the CEP level of trade, pursuant to section 773(a)(1)(B)(i) of the Act, we could not make a level of trade adjustment. Further, because we determined that the home market levels of trade were at a more advanced stage of distribution than the CEP, we made a CEP offset adjustment to normal value, in accordance with section 773(a)(7)(B) of the Act and 19 CFR 351.412(f).\textsuperscript{25}

Villares reported that its EP sales were made through a single channel of distribution and that the selling activities associated with all sales through the single channel of distribution did not differ.\textsuperscript{26} We found no evidence to contradict Villares’ statements. Accordingly, we found that Villares’ single EP channel of distribution constituted a single LOT. We found that the selling functions Villares performed for EP sales were very similar to those performed for its home market direct-mill sales. As a result, we preliminarily determine that the LOT of EP sales was the same as the LOT of the direct-mill home market sales. Therefore, we matched the EP sales to sales at the same LOT in the comparison market and made no LOT adjustment.

\textsuperscript{20} See Plate from South Africa, 62 FR at 61732-33.

\textsuperscript{21} See Villares’ section A questionnaire response dated May 7, 2014 at 14-33, and September 10, 2014 supplemental questionnaire response at 8-12 and exhibit 5.

\textsuperscript{22} Id.

\textsuperscript{23} Id.

\textsuperscript{24} See Villares’ supplemental questionnaire response dated September 10, 2014 at 12-14 and exhibits SQ-8 and SQ-9.

\textsuperscript{25} See Preliminary Analysis Memorandum.

\textsuperscript{26} Id.
C. Cost of Production

We disregarded sales below the cost of production (COP) in the last completed review in which we examined Villares. Thus, in accordance with section 773(b)(2)(A)(ii) of the Act, there are reasonable grounds to believe or suspect that Villares made sales of the subject merchandise in its comparison market at prices below the COP in the current review period. Pursuant to section 773(b)(1) of the Act, we initiated a COP investigation of sales by Villares as part of this administrative review. We examined the cost data for Villares and determined that our quarterly cost methodology is not warranted and, therefore, we applied our standard methodology of using annual costs based on the reported data, adjusted as described below.

1. Calculation of Cost of Production

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

2. Test of Comparison Market Sales Prices

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

3. Results of the COP Test

Pursuant to section 773(b)(2)(C)(i) of the Act, where less than 20 percent of sales of a given product were at prices less than the COP, we disregarded no below-cost sales of that product because we determined that the below-cost sales were not made in substantial quantities. Where 20 percent or more of a respondent’s home market sales of a given model were at prices less than the COP, we disregarded the below-cost sales because (1) they were made within an extended period of time in substantial quantities in accordance with sections 773(b)(2)(B) and (C) of the Act and (2) based on our comparison of prices to the weighted average of the COPs, they were at prices which would not permit the recovery of all costs within a reasonable period of time in accordance with section 773(b)(2)(D) of the Act.

Our cost test for Villares indicated that, for home market sales of certain products, more than 20 percent were sold at prices below the COP within an extended period of time and were at prices which would not permit the recovery of all costs within a reasonable period of time. Thus, in

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27 See 2012-2013 Final Results.
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.²⁸

D. Calculation of Normal Value Based on Comparison Market Prices

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

Currency Conversion

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

Recommendation

We recommend applying the above methodology for these preliminary results.

Agree

Disagree

Paul Piquado
Assistant Secretary
for Enforcement and Compliance

15 December 2014
(Date)

²⁸ See Preliminary Analysis Memorandum.